Galenica Group
Half-year results 2018
Conference call, 7 August 2018
2 p.m. CEST
Galenica Group – Half-year results 2018

Agenda:

Summary 1st half year 2018 and outlook
Jean-Claude Clémençon, CEO

Group financial results 1st half year 2018 and guidance 2018
Felix Burkhard, CFO

Q&A session
All
Summary of 1st half year 2018

“Our strong development is based on expansion, innovation and on our continuing focus on efficiency improvements.”

Jean-Claude Clémençon, CEO
First half year 2018
Result and profitability significantly improved

1. Solid sales growth $\rightarrow$ +0.9%
   affected by price reduction measures

2. EBIT increased $\rightarrow$ +7.5%
   on a comparable basis

3. Net profit increased $\rightarrow$ +8.2%
   on a comparable basis

4. ROS improved $\rightarrow$ 4.8%
   (PY: 4.5%) on a comparable basis
Retrospect 1st HY 2018

Further progress on our 3 development axes

- Expansion
- Innovation
- Efficiency
Expansion
New locations – expansion of offerings

- 500 pharmacies
  → Since July: “Bahnhof Apotheke” pharmacy in Zurich main station

- Click & Collect: 16,000 items
  → Target by end of 2018: 40,000 items

- Careproduct
  → Strengthening of online market position & offering
Retail innovations
Contribution to reducing healthcare cost evolution - new services

Generics Check

Distance healthcare
Galexis new refrigerated box: Cold chain guaranteed for up to 30 hours!

Alloga solar roof: Energy generation on 10,000m²
Products & Brands innovation
New name – expanded product range
Efficiency
Processes – IT – blistering capacity

Retail:
- Process management

Services:
- Modulo
- New blistering machines
Market environment
Authorities: measures and projects

<table>
<thead>
<tr>
<th>Reduction in drug prices</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change of category of OTC products¹</td>
<td></td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>LOA IV → LOA V</td>
<td></td>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Price of generics</td>
<td></td>
<td>from 2020</td>
<td>....</td>
</tr>
</tbody>
</table>

¹ Swissmedic categories C, D
Focus 2018/2019

1. Strengthening of online platforms
2. Expansion
3. Efficiency projects
Summary of 1st half year 2018

“We keep the sales guidance at the lower end of the range of +2% to +3%. However, we expect an EBIT of at least at prior year level.”

Felix Burkhard
CFO
## Swiss pharmaceutical market – stable growth (YTD June 2018)

<table>
<thead>
<tr>
<th>Market¹</th>
<th>Value in million CHF</th>
<th>Share</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total:</td>
<td>2,949.7</td>
<td>100%</td>
<td>1.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.6%</td>
</tr>
<tr>
<td>Hospitals:</td>
<td>716.1</td>
<td>24.3%</td>
<td>-1.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6.5%</td>
</tr>
<tr>
<td>Physicians:</td>
<td>736.3</td>
<td>25.0%</td>
<td>2.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.4%</td>
</tr>
<tr>
<td>Pharmacies:</td>
<td>1,467.4</td>
<td>49.7%</td>
<td>1.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.9%</td>
</tr>
<tr>
<td>Drugstores:</td>
<td>29.9</td>
<td>1.0%</td>
<td>-4.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-2.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market¹</th>
<th>Value in million CHF</th>
<th>Share</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail²:</td>
<td>2,233.6</td>
<td>100%</td>
<td>1.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.7%</td>
</tr>
<tr>
<td>Rx³:</td>
<td>1,864.0</td>
<td>83.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.0%</td>
</tr>
<tr>
<td>OTC⁴:</td>
<td>369.6</td>
<td>16.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.2%</td>
</tr>
</tbody>
</table>

### Market development highlights:

- **Price cuts ~ CHF 190 million⁶ in 2018 (~ 3.2% of total market), previously announced ~ CHF 240 million over 3 years**
- **Growth of high-priced special medications**
- **Declining beauty and personal care market (~ -2.2%⁵)**

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¹ Medicines Swissmedic list A, B, C, D sold form suppliers and wholesalers to hospitals, physicians, pharmacies & drugstores
² Total market without hospitals
³ Medicines Swissmedic list A, B
⁴ Medicines Swissmedic list C, D
⁵ IQVIA, Pharma-Trend, YTD June 2018; personal care, patient care and nutrition products sold in pharmacies and drugstores to street prices
⁶ Press release FOPH (Federal Office of Public Health) 22.3.2018

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Galenica Group – result and profitability improved

**Net sales** (in million CHF)

- 2017: 3'141.2
- H1 2017: 1'552.4
- H1 2018: 1'566.1

**EBIT adjusted**¹ (in million CHF)

- 2017: 148.2
- H1 2017: 141.3
- H1 2018: 74.9

**EBIT margin**² (ROS)

- 2017: 4.5%
- H1 2017: 49.3%
- H1 2018: 49.4%

**EBIT w/o one-off effects**

- 2017: 7.0
- H1 2017: 76.6
- H1 2018: 74.9

**Highlights:**

- 7.5% EBIT growth without one-off effects (CHF 7.0 million in 2017 / H1 2017)
- Sales growth weakened by higher than announced price cuts

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¹ excluding the effects of IAS19

² excluding one-off effects
Health & Beauty segment – EBIT margin increased

**Net sales** (in million CHF)

- **2017**: 1,478.8
- **H1 2017**: 727.5
- **H1 2018**: 745.7

*Increase: +2.5%*

**EBIT** (in million CHF)

- **2017**: 99.7
- **H1 2017**: 49.5
- **H1 2018**: 54.3

*Increase: +9.5%*

**Highlights:**

→ Pleasing EBIT margin increase by 50 basis points up to 7.3%

→ Solid sales growth despite price cuts and strong growth of generics (+ 8.3% like-for-like)
Health & Beauty segment – net sales

Highlights:

→ 1% Retail sales growth thanks to the expansion of the pharmacy network
→ Specialty pharmacy Mediservice (mail-order Rx) grew around 4%
→ 3.7% Products & Brands sales growth in Swiss market:
  - Effects of launches and acquisitions of brands in H1 2017: ~ -3.4%
  - Stock-in effects rebranding Verfora H1 2018: ~ +5.8%
  - Comparable sales growth in Swiss market: ~ +1.3%
Services segment – solid development

**Net sales** (in million CHF)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (in million CHF)</th>
<th>EBIT (in million CHF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2'362.4</td>
<td>7.0</td>
</tr>
<tr>
<td>H1 2017</td>
<td>1'166.9</td>
<td>43.6</td>
</tr>
<tr>
<td>H1 2018</td>
<td>1'177.1</td>
<td>28.7</td>
</tr>
</tbody>
</table>

**EBIT** (in million CHF)

<table>
<thead>
<tr>
<th></th>
<th>EBIT w/o one-off effects</th>
<th>One-off effects</th>
<th>EBIT margin (ROS)¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>50.6</td>
<td>7.0</td>
<td>1.8%</td>
</tr>
<tr>
<td>H1 2017</td>
<td>21.7</td>
<td>1.9%</td>
<td>1.9%</td>
</tr>
<tr>
<td>H1 2018</td>
<td>22.3</td>
<td>1.9%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

- EBIT margin stable at a high level of 1.9%
- Sales to self-dispensing doctors (~ 25% of total sales) declined by ~ 1.3% (Medbase)
- Remaining sales (~ 75%, predominantly with pharmacies) grew by ~ 1.6%

¹ excluding one-off effects
Galenica Group – stable financial and tax costs

<table>
<thead>
<tr>
<th>Financial result (in million CHF)</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017: 1.4</td>
<td>2017: 15.0%</td>
</tr>
<tr>
<td>H1 2017: -3.3</td>
<td>H1 2017: 18.0%</td>
</tr>
<tr>
<td>H1 2018: -1.9</td>
<td>H1 2018: 18.0%</td>
</tr>
</tbody>
</table>

Highlights:

- Like in H1 2017, tax rate includes positive one-off effects of around 1% (revision of taxation by tax authority)
**Highlights:**

→ Like-for-like net profit growth at +8.2% without one-off effects
Galenica Group – investments

Investments in million CHF

<table>
<thead>
<tr>
<th></th>
<th>% of sales</th>
<th>Cash conversion¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.8%</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>1.4%</td>
<td></td>
</tr>
<tr>
<td>H1 2017</td>
<td>2.2%</td>
<td>65%</td>
</tr>
<tr>
<td></td>
<td>1.8%</td>
<td></td>
</tr>
<tr>
<td>H1 2018</td>
<td>1.4%</td>
<td>77%</td>
</tr>
<tr>
<td></td>
<td>1.8%</td>
<td></td>
</tr>
</tbody>
</table>

55.8

26.0  33.5  21.4

29.9  14.1  12.8

In millions of CHF

- Investments in intangible assets
- Investments in tangible assets

Highlights:

➔ H1 2017 (FY 2017) without the acquisition of Merfen® and Vita-Merfen®:
  - Capex 1.2% (FY 2017: 1.3%) of net sales
  - Cash conversion 81% (FY 2017: 78%)

¹ calculated as (EBITDA-capex)/EBITDA, EBITDA excluding the effects of IAS 19, capex includes investments in tangible and intangible assets
**Galenica Group – Free Cash Flow**

### Free Cash Flow (in million CHF)

<table>
<thead>
<tr>
<th>Year</th>
<th>Divestment of assets and disposal of subsidiaries</th>
<th>Cash flow from operating activities</th>
<th>Investments in tangible, intangible and financial assets and associated companies</th>
<th>Purchase of subsidiaries (net cash flow)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>144.4</td>
<td>43.4</td>
<td>-35.4</td>
<td>-21.0</td>
</tr>
<tr>
<td>H1 2017</td>
<td>47.3</td>
<td>71.6</td>
<td>-31.2</td>
<td></td>
</tr>
<tr>
<td>H1 2018</td>
<td>39.2</td>
<td>81.6</td>
<td>-27.6</td>
<td></td>
</tr>
</tbody>
</table>

**Highlights:**

- Solid free cash flow of CHF 39 million including business combinations
- H1 2017 free cash flow including CHF 43 million one-off effects from divestments
### Highlights:

- Net debt at 1.9 x EBITDA, even after dividend payment
- 2017 without dividend payment

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**Net debt / Equity** in million CHF

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>862</td>
<td>790</td>
<td>837</td>
</tr>
<tr>
<td>Net debt</td>
<td>301</td>
<td>309</td>
<td>351</td>
</tr>
</tbody>
</table>

Debt coverage\(^1\): 1.6x, 1.7x, 1.9x

1. calculated as net debt / EBITDA adjusted, excluding the effects of IAS 19

\(^1\) calculated as net debt / EBITDA adjusted, excluding the effects of IAS 19
Galenica Group – outlook 2018

→ Sales growth of +2% to +3% expected at the lower end of the range due to the higher than announced price cuts

→ EBIT (excluding effects of IAS 19) at least at prior-year level thanks to improved profitability

→ 2018 dividend at least at prior-year level
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