Galenica Group
Investor Presentation

August 2018
# Agenda

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Building the leading Swiss healthcare platform over 90 years

- Foundation of Galenica as a wholesaler
- Expansion of distribution activities
- Partnership with Alliance UniChem
- Acquisition of Anti-Brumm® and Perskindol®
- Creation of Amavita uniform brand in Switzerland
- Organic and acquisition-led expansion of pharmacies network
- Acquisition of MediService
- Acquisition of Medifilm
- Acquisition of Sun Store pharmacies
- Acquisition of Pharmapool
- Acquisition of care product
- IPO of Galenica Santé
- Acquisition of Bahnhof Apotheke

Corporate  Services  Retail  Products & Brands

August 2018 – © Galenica
### History of resilient growth and margin improvement

**2007–17 CAGRs**
- Retail market sales: 2.1%
- Galenica net sales: 4.2%
- Galenica EBIT: 14.3%

**2007-17 sales CAGR**
- 4.2%

**2007-17 EBIT CAGR**
- 14.3%

**2007-17 EBIT margin improvement**
- +278bps

**2017 cash conversion**
- 70%

**FTEs as of 31 December 2017**
- c.4’944

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**Notes:**
1. Not including Vifor Consumer Health
2. Retail market sales include direct and indirect pharmaceutical sales through pharmacies, self-dispensing doctors and drugstores
3. 2014-16 EBIT from combined financial statements and 2017 EBIT, excludes IAS 19 expense
4. 2013 financials as per 2014 financial statements due to changed segment structure (Galenica Santé is reported as a separate segment since 2014). Financials not adjusted to include Products & Brands
5. Calculated as (EBITDA-capex)/EBITDA. 2014-17 EBITDA excludes IAS 19 adjustment; capex includes investments in tangible and intangible assets

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**Source:** Company information, Galenica Annual Reports, IQVIA (former IMS Health)
7 April 2017: Outstanding IPO of Galenica Santé

- Largest IPO in Europe in H1 2017 and first sizeable 100% subsidiary IPO since years
- Multiple oversubscription with pricing at the top end of the price range at CHF 39.00
- Broadly diversified allocation
- Today already about 14’000 shareholders

- Strong and stable trading after IPO

1) Allocation of the shares at the IPO on 7 April 2017
Galenica is the leading healthcare provider in Switzerland

Health & Beauty

Retail

- Leading domestic network of own, joint venture and independent partner pharmacies
- Provision of health and beauty products, patient advice and new services

Products & Brands

- Broad range of own, exclusive and partner products for consumer health, beauty and well-being
- Strong sales and marketing force in Switzerland

Services

- Leading provider of specialised pre-wholesale and wholesale distribution services
- Specialised databases and solutions for clinical decision support

2017 net sales
CHF 3'214m
2017 EBIT
CHF 148m

Market position

#1

#2

1 Excludes IAS 19 expense

2 Services based on sales reported at ex-manufacturer price level as of MAT December 2017. Source: QuintilesIMS Market Prognosis 2017-2021, Switzerland; Retail based on number of pharmacies. Source: QuintilesIMS Market Prognosis 2017-2021, Switzerland, pharmaSuisse 2017 and company websites; Products & Brands based on IQVIA MAT December 2017 sales value for OTC, Patient Care, Personal Care and Nutritionals products
Operating in a stable and attractive Swiss healthcare market with favourable long-term fundamentals

Resilient, stable Swiss healthcare retail sector

CHF bn (based on ex-manufacturer price)

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>3.6</td>
<td>3.8</td>
<td>3.9</td>
<td>3.8</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
<td>4.1</td>
<td>4.3</td>
<td>4.4</td>
<td>4.5</td>
<td>4.6</td>
<td>4.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Volume</td>
<td>2007-17 CAGR 2.1%</td>
<td>2017-21 CAGR 2.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

- Financial crisis
- Unpegging of Swiss Franc by SNB
- Mandatory price cuts
- Proposed mandatory price cuts

Pharmaceutical market in Switzerland (2017)

- By value—CHF 5.8bn
- By volume—185 million packs

Pharmacists play a crucial role in the provision of medicines

- Indispensable role in one of the world’s highest quality healthcare systems, providing drugs, advice and services
- Continued efforts by government and health insurers to make pharmacists the first point of contact
- Growing importance to meet consumer trends towards more personalized healthcare and self-medication

Pharmacists play a crucial role in the provision of medicines

- Underlying healthcare sector growth drivers, including demographics, lifestyle and innovation
- One of the highest life expectancy rates in the world
- Non-discretionary nature of products and services

Source: IQVIA, Pharmamarkt Schweiz, YTD December 2017, QuintilesIMS Market Prognosis 2017-2021, Switzerland

1. Medicines Swissmedic list A, B, C, D sold from suppliers and wholesalers to hospitals, physicians, pharmacies and drugstores
2. Total market without hospitals
3. QuintilesIMS Market Prognosis 2017-2021, Switzerland; published September 2017
Experienced management team with proven track record

Jean-Claude Clémençon
CEO
- CEO since IPO
- Head of Business Sector Retail since 2015, 29 years industry experience of which 23 years at Galenica Group
- Joined Galenica Group in 1995
- Previously, Head of Logistics and HCI at Galenica Group, Head of Manufacturing at Rheintub, Rheinsulz and CEO of Raintec

Felix Burkhard
CFO
- CFO since 2017
- 27 years industry experience of which 23 years at Galenica
- Joined Galenica in 1995
- Previously, Head of Strategic Projects of Galenica Group and Head of Business Sector Retail

Daniele Madonna
Head of Retail
Business sector
- Pharmacist
- 16 years industry experience of which 14 years at Galenica
- Previously Store Manager, Regional Sales Manager and CEO of the joint venture Coop Vitality

Torvald de Coverly Veale
Head of Products & Brands
Business sector
- 36 years industry experience of which 3 years at Galenica
- Joined Galenica 2015
- Previously, responsible for international expansion at Walgreens Boots Alliance and Global Brand Director at Unilever

Christoph Amstutz
Head of Services
Business sector
- 30 years industry experience of which 11 years at Galenica
- Joined Globopharm in 2007 (led integration process into Galenica)
- Previously, Head of G-Pharma & Alloga and Business Unit Head at Bristol-Myers Squibb
Our ambition and self-perception

Galenica: The first choice for health, beauty and wellbeing.
Our Strategy - the power of 3 drives sustained value creation

- Leverage leading positions to promote higher margin and exclusive products
- Further expand and optimise retail network
- Drive efficiency through one single process for all three pharmacy formats

- Leverage scale advantages to develop new, value-added services
- Continue to drive synergies across the entire organisation

- Develop and launch own and partner brands and products for pharmacies

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>P&amp;G brands</td>
<td>P&amp;G brands</td>
</tr>
<tr>
<td>Clearblue</td>
<td>Oral-B</td>
</tr>
<tr>
<td>Kukident</td>
<td>Kukident</td>
</tr>
</tbody>
</table>

Products & Brands

Support

Services

Retail

Leverage

Growth

Click & Collect

Loyalty cards

GDP-qualified fleet

e-health

medifilm

August 2018 – © Galenica
The largest pharmacy retailer in Switzerland

### Network of chains (# of pharmacies as of 30 June 2018)

<table>
<thead>
<tr>
<th>Chain</th>
<th># of Pharmacies</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amavita</td>
<td>168</td>
<td>- Largest branded pharmacy network by number of pharmacies in Switzerland</td>
</tr>
<tr>
<td>Coop-Sun Store</td>
<td>97</td>
<td>- The first Swiss pharmacy chain</td>
</tr>
<tr>
<td>Coop Vitality</td>
<td>77</td>
<td>- Joint venture (49:51) with Coop, the 2nd largest retail group in Switzerland</td>
</tr>
<tr>
<td>Winconcept</td>
<td>157</td>
<td>- Service provider for independent pharmacies under Feelgood’s brand</td>
</tr>
<tr>
<td>Mediservice</td>
<td>1</td>
<td>- Specialty pharmacy focused on home healthcare for patients with chronic illnesses</td>
</tr>
</tbody>
</table>

### Webshop

- Largest pharmacy network, including online presence
- Offers broad product range, including well-known own brands, as well as health services and tests
- Built organically and through targeted acquisitions since 2000
- Including attractive, high customer traffic locations across Switzerland
- Average sales per pharmacy of CHF4.2m > 1.4x Swiss market average

### Highlights

1. Largest pharmacy network, including online presence
2. Offers broad product range, including well-known own brands, as well as health services and tests
3. Built organically and through targeted acquisitions since 2000
4. Including attractive, high customer traffic locations across Switzerland
5. Average sales per pharmacy of CHF4.2m > 1.4x Swiss market average

### Competitive positioning—#1 market position

By number of pharmacies

- **Amavita**: 157 (9%)
- **Coop-Sun Store**: 343 (19%)

Total # of pharmacies as of 2016: 1'792

~5.5x more pharmacies than next competitor

### Net sales performance (CHFm)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (CHFm)</th>
<th>EBIT Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1'251</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>1'308</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>1'349</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>1'390</td>
<td></td>
</tr>
</tbody>
</table>

CAGR 3.6%

### Health & Beauty

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (CHFm)</th>
<th>EBIT margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1'335</td>
<td>6.0%</td>
</tr>
<tr>
<td>2015</td>
<td>1'393</td>
<td>6.4%</td>
</tr>
<tr>
<td>2016</td>
<td>1'437</td>
<td>6.5%</td>
</tr>
<tr>
<td>2017</td>
<td>1'483</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

1. Amavita figures include 6 majority and minority holdings in other pharmacies
2. Based on 1976 Federal Court law permitting non-pharmacists to own a pharmacy for the first time
3. Includes 7 Amavita partnerships
4. Based on number of pharmacies. Source: pharmaSuisse 2017, QuintilesIMS Market Prognosis 2017-2021, Switzerland; and company websites
5. Own includes 77 pharmacies through joint venture with Coop; independent includes 7 Amavita partners
6. Retail pharmacy sales for GaleniCare on a like-for-like basis, including Amavita and Sun Store pharmacies only. Swiss market average based on Pharmasuisse, Roka 2015
7. H&B post-inter-segmental eliminations
Ongoing pharmacy network consolidation and optimisation

Proven track record of delivering synergies through streamlining of business processes and creating value through acquisitions and network optimisation

Demonstrated M&A track record with an average of 9 pharmacies acquired and 8 net pharmacies added per year over the last 6 years

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmacies acquired</td>
<td>10</td>
<td>20</td>
<td>5</td>
<td>2</td>
<td>13</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Net pharmacies added¹</td>
<td>11</td>
<td>12</td>
<td>6</td>
<td>0</td>
<td>11</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Total own Pharmacies</td>
<td>300</td>
<td>312</td>
<td>318</td>
<td>318</td>
<td>329</td>
<td>337</td>
<td>343</td>
</tr>
</tbody>
</table>

¹ Includes the impact of acquisitions with concurrent mergers, new openings and closings
3 Diversified product portfolio for health, beauty and wellbeing

GaleniCare’s retail product offering in % of sales

- 52% Prescription medicines
  - of which originals
  - of which generics
  - of which service fees
- 38% OTC medicines
- 17% Nutrition, Personal and Patient Care
- 12% Beauty
- 4% Other

1 Sales YTD December 2017, includes Amavita and SunStore pharmacies, without Mediservice, Winconcept and Coop Vitality
Leading role in Consumer Health with broad and innovative product portfolio

**Portfolio**

- OTC consumer health brands: Vifor Consumer Health
- Exclusive partner health and beauty brands
- OTC retail own brands: G-Pharma

**Highlights**

- Preferred OTC partner for Swiss Pharmacists
- Broad OTC Sales & Training force -> Distribution partner of choice
- Expanding portfolio of own and exclusive brands & products
- Ability to leverage Galenicare Retail platform to distribute own brands

**Competitive position: #2 Consumer Health\(^1\) market position**

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORAL PAIN REMEDIES(^3) No. 1</td>
<td>30%</td>
</tr>
<tr>
<td>TOPICAL PAIN REMEDIES(^3) No. 3</td>
<td>14%</td>
</tr>
<tr>
<td>COUGH &amp; COLD REMEDIES(^3) No. 2</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Net sales performance (CHFm)\(^3\)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>80(^4)</td>
</tr>
<tr>
<td>2015</td>
<td>84(^4)</td>
</tr>
<tr>
<td>2016</td>
<td>89</td>
</tr>
<tr>
<td>2017</td>
<td>95</td>
</tr>
</tbody>
</table>

Growth on a comparable basis

CAGR 5.8%

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1. Includes OTC, Patient Care, Personal Care and Nutritional products
2. Based on IQVIA Health MAT Dec 2017 gross sales value; IQVIA not including rebates, refunds or any sales deductions
3. 2014-16 net sales on a comparable basis including 12 month Vifor Consumer Health sales and G-Pharma adjustment
4. Adjusted for disposal of Equazen\(^®\) in November 2015
5. Market shares in categories are shown for Vifor Consumer Health, not including OTC retail own brands
Leader in pre-wholesale and wholesale distribution, supported by an innovative healthcare information business

**Services**

- **Alloga**
  - Pre-wholesale outsourced storage and distribution
  - Logistics services to pharmaceutical and various healthcare clients

- **Galexis**
  - Wholesale distribution with three modern sites; main site at Niederbipp operates at c.70% automation
  - Supplies to pharmacies, self-dispensing doctors' practices, drugstores, nursing homes and hospitals

- **ufd**
  - One-stop shop
  - Prepared medication in blisters

- **medifilm**
  - Product master data and scientific databases
  - IT platforms relating to electronic medication process
  - Software solutions and services for pharmacies

**Highlights**

- **Alloga**
  - 75 customers
  - >10,000 products
  - Temperature zones:
    - (i) -80°C, (ii) 2-8°C, (iii) 15-25°C

- **Galexis**
  - 10,000 customers
  - 100,000 products (c.9,000 Rx2)
  - >1,100 suppliers
  - Access to nearly all dispensers
  - Present in all three language regions
  - GDP3-compliant services

- **HCI Solutions**
  - Systemically relevant information and databases
  - Solutions for safe and cost-effective provision and application of medicines

**Competitive positioning - #1 market position**

- **Pre-wholesale market share %**
  - Alloga: No. 2
  - Galexis: No. 3
  - 2.5x larger than next competitor

- **Wholesale market share % (pharmacy)**
  - Alloga: No. 2
  - Galexis: No. 3
  - 2.0x larger than next competitor

**Net sales performance (CHFm)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alloga</td>
<td>2'171</td>
<td>2'245</td>
<td>2'329</td>
<td>2'502</td>
</tr>
<tr>
<td>Galexis</td>
<td>1.7</td>
<td>1.6</td>
<td>1.7</td>
<td>2.0</td>
</tr>
</tbody>
</table>

**EBIT margin (%)**

- CAGR 4.8%

1 Based on market share. Source: IQVIA Dec 2017
2 Prescription products
3 Good Distribution Practice

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Long-term track record of sustainable growth and attractive cash generation …

Galenica

Logistics, HealthCare Information & Retail\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (CHFm)</th>
<th>Reported EBIT (CHFm)(^3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2'129</td>
<td>39</td>
</tr>
<tr>
<td>2008</td>
<td>2'270</td>
<td>39</td>
</tr>
<tr>
<td>2009</td>
<td>2'467</td>
<td>56</td>
</tr>
<tr>
<td>2010</td>
<td>2'526</td>
<td>73</td>
</tr>
<tr>
<td>2011</td>
<td>2'603</td>
<td>73</td>
</tr>
<tr>
<td>2012</td>
<td>2'661</td>
<td>93</td>
</tr>
<tr>
<td>2013</td>
<td>2'766</td>
<td>99</td>
</tr>
<tr>
<td>2014</td>
<td>2'826</td>
<td>117</td>
</tr>
<tr>
<td>2015</td>
<td>2'915</td>
<td>126</td>
</tr>
<tr>
<td>2016</td>
<td>3'009</td>
<td>134</td>
</tr>
<tr>
<td>2017</td>
<td>3'214</td>
<td>148</td>
</tr>
</tbody>
</table>

\(2007–17\) CAGRs

- Retail market sales\(^2\): 2.1%
- Galenica net sales: 4.2%
- Galenica EBIT\(^3\): 14.3%

\(2007\)–\(2017\) EBITDA and cash conversion:

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA (CHFm)</th>
<th>Cash conversion(^5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>117</td>
<td>(40%)(^6)</td>
</tr>
<tr>
<td>2015</td>
<td>126</td>
<td>25%(^6)</td>
</tr>
<tr>
<td>2016</td>
<td>134</td>
<td>63%(^6)</td>
</tr>
<tr>
<td>2017</td>
<td>148</td>
<td>70%(^6)</td>
</tr>
</tbody>
</table>

\(2007\)–\(2017\) EBIT margin\(^3\):

- 2007: 39\%
- 2008: 39\%
- 2009: 56\%
- 2010: 73\%
- 2011: 73\%
- 2012: 93\%
- 2013: 99\%
- 2014: 117\%
- 2015: 126\%
- 2016: 134\%
- 2017: 148\%

Source:
- Company information, Galenica Annual Reports, IMS Health

Notes:
- The financial information presented with respect to the financial years ended 31 December 2007 through 2013 has been derived from the audited consolidated financial statements of Galenica AG and represent its Logistics, Retail and Other (Healthcare Information) businesses, excluding the Pharma business (please refer to the footnote on page 4)
- Not including Vifor Consumer Health
- Retail market includes direct and indirect pharmaceutical sales through retail pharmacies, self-dispensing doctors and mail-order services
- 2014-16 EBIT from combined financial statements and 2017 EBIT, excludes IAS 19 expense
- 2013 financials as per 2014 financial statements due to changed segment structure (Galenica Santé is reported as a separate segment since 2014). Financials not adjusted to include Products & Brands
- Calculated as (EBITDA-capex)/EBITDA. 2014-17 EBITDA excludes IAS 19 adjustment; capex includes investments in tangible and intangible assets
- Cash conversion impacted by high capex due to construction of Niederbiipp logistic centre

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… demonstrating strong performance in both segments

### Health & Beauty

**Retail**

- **Net sales (CHFm)**
  - 2007A: 429
  - 2013A: 1'246
  - 2014A: 1'335
  - 2015A: 1'393
  - 2016A: 1'437
  - 2017A: 1'483

- **EBIT (CHFm)**
  - 2007A: 16
  - 2013A: 63
  - 2014A: 80
  - 2015A: 89
  - 2016A: 93
  - 2017A: 100

- **EBIT margin (%)**
  - 2007A: 19.5%
  - 2013A: 25.3%
  - 2014A: 7.7%
  - 2015A: 6.7%
  - 2016A: 9%
  - 2017A: 3%

**Health & Beauty**

- **Net sales (CHFm)**
  - 2007A: 19.5%
  - 2013A: 1258
  - 2014A: 2158
  - 2015A: 2171
  - 2016A: 2245
  - 2017A: 2329

- **EBIT (CHFm)**
  - 2007A: 20
  - 2013A: 35
  - 2014A: 36
  - 2015A: 36
  - 2016A: 40
  - 2017A: 51

- **EBIT margin (%)**
  - 2007A: 1.2%
  - 2013A: 10.3%
  - 2014A: 4.8%
  - 2015A: 12%
  - 2016A: 6.7%
  - 2017A: 2%

### Services

**Logistics and HCI**

- **Net sales (CHFm)**
  - 2007A: 2011
  - 2013A: 2158
  - 2014A: 2171
  - 2015A: 2245
  - 2016A: 2329
  - 2017A: 2502

- **EBIT (CHFm)**
  - 2007A: 20
  - 2013A: 35
  - 2014A: 36
  - 2015A: 36
  - 2016A: 40
  - 2017A: 51

- **EBIT margin (%)**
  - 2007A: 1.2%
  - 2013A: 10.3%
  - 2014A: 4.8%
  - 2015A: 12%
  - 2016A: 6.7%
  - 2017A: 2%

### CAGR

- **Retail Health & Beauty**
  - 2007A: 19.5%
  - 2013A: 1258
  - 2014A: 2158
  - 2015A: 2171
  - 2016A: 2245
  - 2017A: 2329

- **Health & Beauty**
  - 2007A: 19.5%
  - 2013A: 1258
  - 2014A: 2158
  - 2015A: 2171
  - 2016A: 2245
  - 2017A: 2329

Source: Company information, Galenica Annual Reports

Note: The financial information presented with respect to the financial years ended 31 December 2006 through 2013 has been derived from the audited consolidated financial statements of Galenica AG and represent its Logistics, Retail and Other (Healthcare Information) businesses, excluding the Pharma business (please refer to the footnote on page 4).
First half year 2018
Result and profitability significantly improved

1. **Solid sales growth** → **+0.9%**
   affected by price reduction measures

2. **EBIT increased** → **+7.5%**
   on a comparable basis

3. **Net profit increased** → **+8.2%**
   on a comparable basis

4. **ROS improved** → **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**
Services innovations
Drug and patient safety - sustainability

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
Focus 2018/2019

1. Strengthening of online platforms
2. Expansion
3. Efficiency projects
### 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>

Value (at ex-factory prices)  
Volume (sold packages)

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

### Net sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (in million CHF)</th>
<th>EBIT Margin (ROS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3’141.2</td>
<td>49.4%</td>
</tr>
<tr>
<td>H1 2017</td>
<td>1’552.4</td>
<td>4.5%</td>
</tr>
<tr>
<td>H1 2018</td>
<td>1’566.1</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

### EBIT adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT Adjusted (in million CHF)</th>
<th>EBIT Margin (ROS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>148.2</td>
<td>4.5%</td>
</tr>
<tr>
<td>H1 2017</td>
<td>141.3</td>
<td>4.5%</td>
</tr>
<tr>
<td>H1 2018</td>
<td>76.6</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

**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

1 Sales figures for 2017 restated (IFRS 15)
2 excluding the effects of IAS19
3 excluding one-off effects
Health & Beauty segment – EBIT margin increased

**Net sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (in million CHF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1'478.8</td>
</tr>
<tr>
<td>H1 2017</td>
<td>727.5</td>
</tr>
<tr>
<td>H1 2018</td>
<td>745.7</td>
</tr>
</tbody>
</table>

**EBIT**

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT (in million CHF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>99.7</td>
</tr>
<tr>
<td>H1 2017</td>
<td>49.5</td>
</tr>
<tr>
<td>H1 2018</td>
<td>54.3</td>
</tr>
</tbody>
</table>

### 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)

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1 Sales figures for 2017 restated (IFRS 15)
5 Health & Beauty segment – net sales

**Retail**

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Sales (in million CHF)</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1'387.3</td>
<td>48.9%</td>
</tr>
<tr>
<td>H1 2017</td>
<td>678.1</td>
<td></td>
</tr>
<tr>
<td>H1 2018</td>
<td>695.8</td>
<td>+2.6%</td>
</tr>
</tbody>
</table>

**Products & Brands**

<table>
<thead>
<tr>
<th>Year</th>
<th>Products &amp; Brands Sales (in million CHF)</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>89.3</td>
<td>54.5%</td>
</tr>
<tr>
<td>H1 2017</td>
<td>48.7</td>
<td></td>
</tr>
<tr>
<td>H1 2018</td>
<td>48.7</td>
<td>+0.0%</td>
</tr>
</tbody>
</table>

**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%

1 Sales figures for 2017 restated (IFRS 15)
5 Services segment – solid development

Net sales\(^1\) (in million CHF)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2'362.4</td>
</tr>
<tr>
<td>H1 2017</td>
<td>1'166.9</td>
</tr>
<tr>
<td>H1 2018</td>
<td>1'177.1</td>
</tr>
</tbody>
</table>

EBIT (in million CHF)

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>7.0</td>
</tr>
<tr>
<td>H1 2017</td>
<td>43.6</td>
</tr>
<tr>
<td>H1 2018</td>
<td>22.3</td>
</tr>
</tbody>
</table>

EBIT margin (ROS)\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.8%</td>
</tr>
<tr>
<td>H1 2017</td>
<td>1.9%</td>
</tr>
<tr>
<td>H1 2018</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Highlights:
- 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%

\(^1\) Sales figures for 2017 restated (IFRS 15)
\(^2\) excluding one-off effects
### Financial result (in million CHF)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change</td>
<td>-1.9</td>
<td>-1.0</td>
<td>-1.3</td>
</tr>
</tbody>
</table>

### Tax rate

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>15.0%</td>
<td>18.0%</td>
<td>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)
Galenica Group – robust net profit evolution

**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>2017</th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash conversion¹</td>
<td>29.9</td>
<td>14.1</td>
<td>12.8</td>
</tr>
<tr>
<td>Investments in tangible assets</td>
<td>26.0</td>
<td>19.4</td>
<td>8.6</td>
</tr>
<tr>
<td>Investments in intangible assets</td>
<td>13.9</td>
<td>14.1</td>
<td>4.2</td>
</tr>
</tbody>
</table>

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

### 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>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-57.1</td>
<td>-35.8</td>
</tr>
<tr>
<td></td>
<td>-35.4</td>
<td>-31.2</td>
</tr>
<tr>
<td>98.9</td>
<td>43.4</td>
<td>6.2</td>
</tr>
<tr>
<td></td>
<td>71.6</td>
<td>81.6</td>
</tr>
<tr>
<td>144.4</td>
<td>47.3</td>
<td>39.2</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
Galenica Group – strong balance sheet

**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>Debt coverage</td>
<td>1.6x</td>
<td>1.7x</td>
<td>1.9x</td>
</tr>
<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>
<tr>
<td>% of total liabilities and shareholders' equity</td>
<td>48% 17%</td>
<td>43% 17%</td>
<td>46% 19%</td>
</tr>
</tbody>
</table>

**Highlights:**

- Net debt at 1,9 x EBITDA, even after dividend payment
- 2017 without dividend payment

1 calculated as net debt / EBITDA adjusted, excluding the effects of IAS 19
Swiss Pharmaceutical market
Authorities: measures and projects

<table>
<thead>
<tr>
<th>Measure</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in drug prices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change of category of OTC products¹</td>
<td></td>
<td></td>
<td>2019</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></td>
<td>from 2020</td>
</tr>
<tr>
<td>Amendment of Health Insurance Act (KVG)</td>
<td></td>
<td></td>
<td>....</td>
</tr>
</tbody>
</table>

¹ Swissmedic categories C, D
# Swiss Pharmaceutical market – regulatory matrix for products & channels

## Upcoming distribution changes expected to be largely favourable for pharmacies

<table>
<thead>
<tr>
<th></th>
<th>Hospital</th>
<th>Doctor</th>
<th>Online pharmacies</th>
<th>Pharmacy</th>
<th>Drugstore</th>
<th>Large retailers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swissmedic A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swissmedic B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swissmedic C(1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Prohibited by law</td>
</tr>
<tr>
<td>Swissmedic D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swissmedic E</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Praxis-Lab-Utilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medtec</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cosmetic and Body-Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House and Home</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Changes expected

1. **Soft deregulation in drug categories towards the market**
2. **Prohibited by law**
3. **Impact likely strongest on drugstores**

### Regulatory changes in discussion have limited impact on Galenica

1. Prescription for select Cat. B drugs may no longer be required
   - Still, consumers likely to continue purchasing non-prescription Cat. B drugs in pharmacies
2. Drugstores could start to compete for Cat. C products(2)
   - Limited impact expected in light of market share drugstores already have in Cat. C drugs
3. Large retailers might compete strongly in Cat. D OTC products(3)
   - Impact likely strongest on drugstores

### Source

Swissmedic and company information

### Notes

1. Category C medicinal products can only be sold through drugstores on an exceptional basis, i.e., if a canton concludes that a canton-wide dispensation cannot otherwise be achieved
2. Once Category C is integrated into Category D
3. Once these are re-classified into Category E
4. With respect to market access
Swiss Pharmaceutical market – composition of drug prices

Fixed margin elements help to offset price reductions

Composition of the price of a prescription/reimbursable drug: c.3/4 of the retail margin secured by fixed elements

- Ongoing ex-factory price declines
- Potential reduction in distribution margin
- Potential new price model for generics

Pricing structure likely limits impact on Galenica Santé from margin squeeze

Potential reduction would be compensated with increase in service fee

Would probably require change in legislation

Market price structures and Galenica Santé’s retail service fees limit impact of price cuts

Ex-factory price (in CHF) + price-related surcharge + surcharge per pack

<table>
<thead>
<tr>
<th>Ex-factory price</th>
<th>+ price-related surcharge</th>
<th>+ surcharge per pack</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.05-4.99</td>
<td>12.0%</td>
<td>4.00</td>
</tr>
<tr>
<td>5.00-10.99</td>
<td>12.0%</td>
<td>8.00</td>
</tr>
<tr>
<td>11.00-14.99</td>
<td>12.0%</td>
<td>12.00</td>
</tr>
<tr>
<td>15.00-879.99</td>
<td>12.0%</td>
<td>16.00</td>
</tr>
<tr>
<td>880.00-2,569.99</td>
<td>7.0%</td>
<td>60.00</td>
</tr>
<tr>
<td>From 2,570.00</td>
<td>–</td>
<td>240.00</td>
</tr>
</tbody>
</table>

Source: Swissmedic and company information
Note: FOPH stands for Federal Office of Public Health; sets prices based on basket of nine countries and quality aspects
1 Based on Company internal figures.
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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