

PRESS RELEASE

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VIFOR PHARMA REPORTS STRONG H1 2017 RESULTS AND RAISES GUIDANCE

- **Strong financial performance in H1 2017**
- **Three medium-term strategic growth drivers on track**
- **Milestone 2020 strategic plan initiated**
- **Two strategic in-licensing deals and one strategic out-licensing deal concluded**
- **Net sales and EBITDA guidance for 2017 raised and positive outlook confirmed**

IN H1 2017, VIFOR PHARMA RECORDED A STRONG FINANCIAL PERFORMANCE DRIVEN BY ITS THREE MEDIUM-TERM STRATEGIC GROWTH DRIVERS. THE COMPANY ALSO SUCCESSFULLY INITIATED ITS MILESTONE 2020 STRATEGIC PLAN AND CONCLUDED THREE NEW STRATEGIC LICENSING DEALS. AS A RESULT OF THE STRONG H1 2017 FINANCIAL PERFORMANCE THE COMPANY IS RAISING ITS NET SALES AND EBITDA GUIDANCE FOR 2017 AND CONFIRMING THE POSITIVE OUTLOOK.

Financial performance: Strong growth trend continues

- Significant revenue growth with net sales of CHF 625.7 million, up 13.6%
- EBITDA excluding launch and ramp-up costs of Veltassa[®] increased to CHF 252.3 million, up 20.2%
- Strong growth reported in each of the three medium-term strategic growth drivers – Ferinject[®], Vifor Fresenius Medical Care Renal Pharma (VFMCRP) and Veltassa[®]
- Strong balance sheet and liquidity position with cash net of debt of CHF 140.5 million

Three medium-term strategic growth drivers on track

- On 1 January 2017, Daiichi Sankyo substantially increased its commercial effort to promote Injectafer[®] in the United States
- Post balance sheet on 19 July 2017, the European Commission approved Veltassa[®] in the 28 EU countries for the treatment of hyperkalaemia in adults

Milestone 2020 strategic plan initiated

- Galenica Santé successfully divested via an initial public offering onto the SIX Swiss Exchange
- Company name changed from Galenica Group to Vifor Pharma Group
- Etienne Jornod re-elected as Executive Chairman with remuneration exclusively in shares blocked until 2020
- Stefan Schulze appointed President of the Executive Committee and COO and management team strengthened
- Investment of approximately CHF 850 million planned in projects to develop and launch new products over the next three years

Three strategic licensing deals concluded

- Territory rights to avacopan (CCX168) expanded to everywhere outside the US and China
- Agreement with Akebia Therapeutics to sell vadadustat to Fresenius Medical Care dialysis clinics in the US
- Exclusive rights to develop and commercialise avacopan (CCX168) in Japan granted to Kissei Pharmaceutical Co., Ltd.

Net sales and EBITDA guidance raised

- Net sales expected to grow by more than 10%
- EBITDA excluding the costs to support the launch and ramp-up of Veltassa[®] expected to increase by more than 10%
- All other elements of financial guidance as of 14 March 2017 and positive outlook confirmed

1. FINANCIAL PERFORMANCE

Vifor Pharma Group

in million CHF	H1 2017	H1 2016	Change in %
Net sales	625.7	550.6	13.6
EBITDA excluding launch and ramp-up of Veltassa [®]	252.3	209.9	20.2
Cash net of debt	140.5	-1,832.1 ¹⁾	n/a
Net profit after minorities	1,093.7	158.9	588.3
Core earnings per share	0.61	2.0	-69.7

For further details, please see the Vifor Pharma Group 2017 Half-year Report (PDF only) at www.viforpharma.com.

1) As of year-end 2016

Key profit and loss figures

Vifor Pharma **Group net sales** for the first half of 2017 grew to CHF 625.7 million, a strong increase of 13.6% versus the prior year or 14.1% on a constant currency basis. **Reported EBITDA** in H1 2017 decreased to CHF 132.9 million compared to CHF 209.9 million in the prior year. However, excluding the costs to support the launch and ramp-up of Veltassa[®] of CHF 119.4 million, **EBITDA** increased by 20.2% versus the prior year to CHF 252.3 million. This increase was due to the strong growth in sales combined with cost containment.

Cost of sales for the first half of 2017 amounted to CHF 250.4 million compared to CHF 191.6 million in the prior period, resulting in a **gross margin** of 60.0% compared to 65.2% in the previous year. The strong growth of higher margin products such as Ferinject[®] was more than offset by the fact that in accordance with IFRS, the amortisation of the Veltassa[®] intangible assets is charged to cost of sales on a straight-line basis. This means that in future periods, the gross margin percentage will increase as the revenues of Veltassa[®] ramp up.

Research and development expenses increased to CHF 86.2 million compared to CHF 46.4 million in the previous year. This was primarily driven by ongoing Veltassa[®] clinical studies as well as investments in landmark Ferinject[®] cardiology studies.

Marketing and distribution expenses in H1 2017 amounted to CHF 198.7 million, an increase of 37.8% versus the prior period. This increase was mainly driven by the acquisition of Relypsa and some additional investments in the European commercial organisation in preparation for the Veltassa[®] launch from late 2017 or early 2018.

General and administration expenses in H1 2017 amounted to CHF 84.4 million compared to CHF 40.1 million in the previous year. The increase is primarily attributable to the additional costs from the acquisition of Relypsa CHF 32.8 million as well costs of CHF 7.4 million related to activities to support the governance of Vifor Pharma as a newly independent, publicly traded specialty pharmaceuticals company.

Other operating income increased to CHF 56.1 million in the first six months of 2017 compared to CHF 53.0 million in the previous year, and consisted primarily of royalty payments from Cellcept of CHF 40.2 million compared to CHF 44.3 million in the first half of 2016.

The financial result in H1 2017 of CHF -5.2 million consists primarily of interest payments on the bridge loan financing of CHF 1,450 million that was put in place to support the acquisition of Relypsa on 1 September 2016 and that was fully repaid on 11 April 2017.

Tax expense of CHF 12.5 million was reported in the first six months of 2017. Cash taxes of CHF 29.7 million were partially offset by the recognition of deferred taxes of CHF 17.2 million primarily in relation to tax losses within Relypsa.

Net profit after minorities for H1 2017 amounted to CHF 1,093.7 million compared to CHF 158.9 million in the previous year. This increase came primarily as a result of the profit from the separation of Galenica Santé via an IPO.

Core earnings per share in H1 2017 were CHF 0.61. Core earnings are defined as reported earnings after minorities adjusted for amortisation of intangible assets and goodwill to normalise for the significant impact from the acquisition of Relypsa.

Cash flows and financial position

Cash flow in operating activities for the first half of 2017 amounted to CHF 28.8 million compared to CHF 167.1 million in the previous year. **Cash flow from investing activities** was CHF 1,685.6 million due to divestiture of Galenica Santé via an IPO activities generating proceeds of CHF 1,778.8 million being partially offset by investments of CHF 93.2 million. **Cash flow from financing activities** of CHF -1,239.5 million was mainly due to the repayment of the Credit Suisse bridge loan of CHF -1,450.0 million and the loan repayment from Galenica Santé of CHF 360.0 million. In addition, the 2016 dividend of CHF -129.8 million was distributed to shareholders in May 2017.

The overall cash flow for the first half 2017 was therefore CHF 474.0 million, resulting in an increase in the **cash position** from CHF 180.9 million at the end of 2016 to CHF 654.9 million as of 30 June 2017.

Solid balance sheet

Goodwill and intangible assets as at the end of H1 2017 amounted to CHF 2.6 billion or 61.7% of all CHF 4.3 billion assets with the majority of these related to the acquisition of Relypsa.

Cash and cash equivalents at the end of H1 2017 amounted to CHF 654.9 million or 15.4% of total balance sheet assets. Cash net of outstanding debt of CHF 514.4 million was CHF 140.5 million.

With CHF 3.2 billion of shareholders' equity Vifor Pharma had a strong equity ratio at the end of H1 2017 of 75.4%.

Discontinued operations

Cash flow from discontinued operations amounted to CHF 7.0 million and represents the Galenica Santé business that was separated via an IPO on 7 April 2017. This total consists of CHF 32.0 million that was invested into the operating activities primarily due to an increase in accounts receivables, being more than offset by divestments and financing activities of CHF 4.9 million and CHF 34.1 million, respectively.

The CHF 1,778.8 million net proceeds from the Galenica Santé IPO were disclosed separately and were partially used to repay the bridge loan including interest of CHF 1,494.5 million that was used to finance the Relypsa acquisition.

2. THREE MEDIUM-TERM STRATEGIC GROWTH DRIVERS ON TRACK

Ferinject[®]/Injectafer[®]

Ferinject[®]/Injectafer[®] net sales in H1 2017 grew by 18.7% (20.1% in local currency) to CHF 193.9 million. More importantly, in-market sales of Ferinject[®]/Injectafer[®] grew 37.4% to CHF 565.8 million on a moving annual total (MAT) basis using the latest available data from March 2017. In addition, overall intravenous (i.v.) iron market share increased by 6.0 percentage points compared to prior year to 47.1% based on value and March 2017 information.

The reported growth rate of 18.7% in H1 2017 was adversely impacted by phasing in the ordering patterns of our wholesale and partner markets (-4.8%) and unfavourable foreign exchange differences (-1.4%).

On a full-year basis in 2017, growth in the net sales of Ferinject[®]/Injectafer[®] versus prior year are expected to be in the mid-twenties percentage range at constant exchange rates.

On 1 January 2017, Daiichi Sankyo focused a substantial portion of its commercial effort on the promotion of Injectafer[®] in the United States. We expect a positive impact on the referral stream of new patients in the second half of 2017.

In April 2017, American Regent, a member of the Daiichi Sankyo group announced that the first patient had been enrolled into the 3,000 patient HEART-FID study to assess the efficacy and safety of Injectafer[®] in the treatment of patients with heart failure, iron deficiency and a reduced ejection fraction.

Vifor Fresenius Medical Care Renal Pharma (VFMCRP)

Vifor Fresenius Medical Care Renal Pharma reported net sales in H1 2017 of CHF 197.6 million. As expected, Mircera[®] net sales of CHF 154.9 million showed a slight increase of +1.1% compared to the previous year due to the very high market share successfully captured in the first half of 2016.

Velphoro[®] net sales increased significantly to CHF 38.8 million, a growth of 80.4% versus the prior year period.

Veltassa[®]

Veltassa[®] net sales in the US in H1 2017 reported on an ex-works basis were very strong and increased to CHF 24.3 million, thereby confirming the potential of the product.

Post balance sheet on 19 July 2017, the European Commission approved Veltassa[®] in the 28 EU countries for the treatment of hyperkalaemia in adults.

3. MILESTONE 2020 STRATEGIC PLAN INITIATED AND ON TRACK

On 14 March 2017, the company announced the Board of Directors' decision to launch the Milestone 2020 strategic plan to promote the promising growth potential of Vifor Pharma in the best possible way. The plan consists of the following five strategically important decisions:

- The Galenica Group to be renamed Vifor Pharma Group
- Vifor Pharma Group to invest around CHF 850 million into the development and launch of new products until the end of 2019
- To finance these projects and to consolidate the company, Galenica to float the Galenica Santé Business Unit on the stock market by way of an IPO

- The Board of Directors to propose a dividend of CHF 2 (after 1:10 share split) for each of 2017, 2018 and 2019 to the Annual General Meeting
- The Executive Chairman Etienne Jornod to continue to be remunerated exclusively in shares, confirming his personal belief in the strategy and commitment to implementing it; in addition, all past and future shares of Etienne Jornod to be blocked until 2020

Galenica Santé IPO successfully completed

Galenica Santé was successfully divested via an IPO onto the SIX Swiss Exchange on 7 April 2017 with a placement of 97.5% of the ordinary registered shares. 2.5% of Galenica Santé shares were reserved for the exchange of Vifor Pharma shares into Galenica Santé shares for eligible Galenica Santé employees. On 30 June 2017, Galenica Santé purchased from Vifor Pharma all remaining Galenica Santé shares that were not exchanged for CHF 41.2 million. The transaction valued Galenica Santé at CHF 1.95 billion. The IPO proceeds enabled Vifor Pharma Group to immediately repay debt of CHF 1.45 billion related to the acquisition of Relypsa, which was completed on 1 September 2016. As a result of the IPO, the company was put into a strong financial position being net-of-debt cash-positive.

Change of name to Vifor Pharma Group

On 11 May 2017, the Annual General Meeting approved the change in the company name from Galenica Group to Vifor Pharma Group. In addition, a 1:10 share split to increase the tradability of shares and the introduction of a one-share, one-vote policy were also approved.

Management team strengthened

On 11 May 2017 Etienne Jornod was re-elected as Executive Chairman, with his remuneration to be exclusively in shares blocked until 2020

The management team of Vifor Pharma was strengthened with the appointment of Stefan Schulze as President of the Executive Committee and COO effective 11 May 2017, and the following roles were appointed to the Executive Committee on the same day:

- **Colin Bond**, CFO
- **David Bevan**, CEO VFMCRP (appointed 12 June)
- **Dario Eklund**, Chief Commercial Officer
- **Scott Garland**, President Relypsa
- **Michael Puri**, Head of Global Human Resources
- **Chris Springer**, Head of Global Business Development

Planned investments

In H1 2017 in accordance with its Milestone 2020 plan, the company initiated its investment program of around CHF 850 million in projects to develop and launch new products over the next three years. The plan includes the ongoing US market launch of Veltassa[®], the planned launch of Retacrit[™] in the US and of Veltassa[®] and Rayaldee[®] in Europe between 2017 and 2020. Additional investment is also planned to further expand the market for Ferinject[®]/Injectafer[®], Velphoro[®] and Mircera[®].

These investment costs will impact Vifor Pharma Group's results and profits from 2017 to 2019. The Board of Directors is confident that these investments will unlock the potential of the company and generate significant medium-term upside, with net sales expected to exceed CHF 2 billion in 2020 and EBITDA to reach a high triple-digit level.

4. TWO STRATEGIC IN-LICENSING DEALS AND ONE OUT-LICENSING DEAL CONCLUDED

Consistent with the strategy of the company to conclude late-stage licensing deals to access innovation and strengthen our partner network, the following three agreements were completed in H1 2017:

- In January 2017, VFMCRP's expanded its exclusive licensing agreement with ChemoCentryx to develop and commercialise avacopan (CCX168) to include Japan, the remainder of Asia (excluding China), Australia and the Middle East. As a result, VFMCRP now has the right to market avacopan (CCX168) everywhere outside the US and China, where commercial rights are retained by ChemoCentryx.
- In May 2017, Vifor Pharma Group and Akebia Therapeutics, Inc. entered into an exclusive license agreement granting Vifor Pharma Group the right to sell vadadustat to Fresenius Medical Care North America dialysis clinics in the United States upon approval by the US Food and Drug Administration (FDA).
- In June 2017, VFMCRP granted Kissei Pharmaceutical Co., Ltd. exclusive rights to develop and commercialise avacopan (CCX168) in Japan.

5. NET SALES AND EBITDA GUIDANCE RAISED

Due to the strong financial performance of Vifor Pharma in H1 2017, the guidance for the full year 2017 that was issued on 14 March 2017 in respect of net sales and EBITDA is increased.

At constant exchange rates, Vifor Pharma net sales are now expected to grow by more than 10% in 2017 compared to the high single-digit rate communicated on 14 March 2017. Excluding the costs to support the launch and ramp-up of Veltassa[®] of approximately CHF 260 million, EBITDA is also expected to increase by more than 10% instead of the mid-to-high single-digit rate that was communicated on 14 March 2017.

In the medium term, net sales are expected to exceed CHF 2 billion in 2020 and EBITDA is expected to reach a high triple-digit level in 2020.

From 2017 to 2019, the dividend is expected to be at the same level as for 2016, taking the 1:10 share split into consideration. From 2020 onwards, the pay-out ratio is targeted at 35% of net income.

For further details, please see the Vifor Pharma Group 2017 Half-year Report (PDF only) at www.viforpharma.com.

Live conference call and webcast

Today, 8 August 2017, at 4:00 p.m. (CET), Vifor Pharma will host a live conference call (use the phone number below) and webcast (go to <http://edge.media-server.com/m/p/2tag5mzd>). The pin code for the live conference call is 8986441.

Phone numbers for the live conference call

Switzerland:	+41 43 547 8000
France:	+33 1 76 77 22 28
United States of America:	+1 646 254 3361
Germany:	+49 69 2222 10625
Other countries:	+44 20 3427 1919

Replay

A conference call replay (see phone numbers below) will be available from 8 August 2017 at approximately 7:00 p.m. (CET) to 7 September 2017. The pin code for the conference call replay is 8986441.

A webcast replay (go to <http://edge.media-server.com/m/p/2tag5mzd>) will be available from 8 August 2017 at approximately 7:00 p.m. (CET) to 7 August 2018.

Phone numbers for the conference call replay

Switzerland:	+41 43 547 8002
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United States of America:	+1 719 457 0820
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FURTHER INFORMATION

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Vifor Pharma Group, formerly Galenica Group, is a global specialty pharmaceuticals company. It aims to become the global leader in iron deficiency, nephrology and cardio-renal therapies. The company is the partner of choice for specialty pharmaceuticals and innovative patient-focused solutions. Vifor Pharma Group strives to help patients around the world with severe and chronic diseases lead better, healthier lives. The company develops, manufactures and markets pharmaceutical products for precision patient care. Vifor Pharma Group holds a leading position in all its core business activities and consists of the following companies: Vifor Pharma; Vifor Fresenius Medical Care Renal Pharma, a joint company with Fresenius Medical Care; Relypsa; and OM Pharma. Vifor Pharma Group is headquartered in Switzerland, and listed on the Swiss Stock Exchange (SIX Swiss Exchange, VIFN, ISIN: CH0364749348). For more information, please visit www.viforpharma.com.