

PRESS RELEASE

Date 14 March 2017
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Subject Results of the Galenica Group 2016

Galenica again posts strong results in 2016

The Galenica Group once again reported strong results in 2016.

Consolidated net sales grew by 8.6% to CHF 4,118.4 million. On a comparable basis, excluding the negative effects due to IAS 19 and the acquisition of Relypsa, EBITDA rose by 11.4% and EBIT by 10.2%. Net profit before deduction of minority interests was up by 13.5% and net profit after deduction of minority interests by 12.9%.

The acquisition of US company Relypsa had a negative impact on the Group's results and reduced EBITDA by CHF 103.4 million, EBIT by CHF 129.4 million and net profit before and after deduction of minority interests by CHF 91.6 million. Accordingly, EBITDA fell by 9.0% to CHF 489.1 million, EBIT by 19.8% to CHF 361.5 million, net profit before deduction of minority interests by 12.5% to CHF 323.8 million and net profit after deduction of minority interests by 19.1% to CHF 243.6 million.

The Galenica Group confirms its intention to list Galenica Santé on the SIX Swiss Exchange. Galenica has today issued two separate press releases: one on the strategy of the Galenica Group and one on the planned IPO of Galenica Santé.

Vifor Pharma: breaking the billion-franc sales mark

Vifor Pharma increased net sales by 24.8% to CHF 1,167.0 million. This strong growth took company sales over the one-billion-franc mark for the first time in 2016. CHF 349.5 million (+39.3%) of total sales came from Vifor Pharma affiliates and partners from sales of the iron deficiency product Ferinject®/Injectafer®. EBIT, excluding the US pharma company Relypsa acquired in 2016, rose by 14.3% to CHF 374.6 million. Taking into account the effects of the Relypsa acquisition, EBIT was down 25.2% to CHF 245.2 million.

As a result of the acquisition of Relypsa to intensify the global business, Vifor Pharma now has a fully integrated commercial sales organisation in the key US market. Further priorities for Vifor Pharma in 2017 include expanding the iron market, especially in the USA, and reinforcing Vifor Fresenius Medical Care Renal Pharma as a leading player in nephrology in cooperation with partner Fresenius Medical Care. With the intended division of the Galenica Group, Vifor Pharma will establish itself in 2017 as an independent global pharma company in selected therapeutic areas.

Guidance Vifor Pharma Group

At constant exchange rates Vifor Pharma net sales are expected to grow by high single digit in 2017. Excluding the costs to support the launch and ramp-up of Veltassa® of approximately CHF 260 million, EBITDA is also expected to increase at a mid to high single digit rate. 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. From 2020 onwards the payout ratio is targeted at 35% of net income.

Galenica Santé: further margin improvements

Galenica Santé concentrated its strengths in 2016 and increased sales by 3.2% to CHF 3,008.9 million. All Business sectors performed well in a challenging market, despite pressure on drug prices, consumer tourism outside Switzerland and a relatively weak flu season. EBIT of CHF 136.0 million (+6.2%) once again exceeded growth in sales.

One of Galenica Santé's central objectives is to increase efficiency. To this end, cooperation both within and between the three Business sectors will be further promoted and common processes more closely coordinated.

The guidance from Galenica Santé is included in the separate press release on the planned IPO of Galenica Santé issued today.

EBITDA, EBIT and consolidated net profit of the Galenica Group

in million CHF	Galenica Group		Influences		Galenica Group ¹⁾ excluding Relypsa and IAS 19	
			Relypsa	IAS 19		
EBITDA	489.1	-9.0%	-103.4	-16.0	608.5	+11.4%
EBIT	361.5	-19.8%	-129.4	-16.0	506.9	+10.2%
Net profit						
- before deduction of minority interests	323.8	-12.5%	-91.6	-13.4	428.8	+13.5%
- after deduction of minority interests	243.6	-19.1%	-91.6	-13.4	348.6	+12.9%

1) on a comparable basis

EBIT of Vifor Pharma and Galenica Santé

in million CHF	2016	2015	Change in %
Vifor Pharma	245.2	327.7	-25.2
Galenica Santé	136.0	128.0	+6.2
- Health & Beauty	96.2	89.8	+7.2
- Services	41.4	37.1	+11.7
- Eliminations Galenica Santé	-1.6)	1.1	-
Corporate and eliminations	-19.7	-4.9	-
EBIT Galenica Group	361.5	450.8	-19.8

GALENICA GROUP

In 2016, the Galenica Group realised consolidated net sales of CHF 4,118.4 million (+8.6%). The acquisition of US company Relypsa had a negative impact on the Group's results. Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) declined by 9.0% to CHF 489.1 million, consolidated earnings before interest and taxes (EBIT) by 19.8% to CHF 361.5 million, net profit before deduction of minority interests by 12.5% to CHF 323.8 million and net profit after deduction of minority interests by 19.1% to CHF 243.6 million. The acquisition of Relypsa reduced EBITDA by CHF 103.4 million, EBIT by CHF 129.4 million and net profit before and after deduction of minority interests by CHF 91.6 million.

On a comparable basis, excluding the negative effects due to IAS 19 and the acquisition of Relypsa, EBITDA was up by 11.4%, EBIT by 10.2%, net profit before deduction of minority interests by 13.5% and net profit after deduction of minority interests by 12.9%. IAS 19 reduced EBITDA and EBIT in 2016 by CHF 16.0 million and net profit before and after deduction of minority interests by CHF 13.4 million. The effects of IAS 19 only impacted the consolidated results of the Group, not the results of the Business sectors.

Galenica continued to invest in research and development, investing CHF 127.1 million (previous year: CHF 88.8 million). Investments in property, plant and equipment and intangible assets totalled CHF 304.6 million (previous year: CHF 368.6 million).

VIFOR PHARMA

Vifor Pharma once again recorded strong results in 2016. The Business unit achieved sales growth of 24.8% to a total of CHF 1,167.0 million. Adjusted for currency effects, the increase was 23.0%. Excluding the effects of Relypsa, consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 16.5% to CHF 434.3 million. Including the effects of the acquisition of Relypsa EBITDA was CHF 330.9 million, equivalent to a year-on-year decline of 11.3% (CHF 42.0 million). Consolidated earnings before interest and taxes (EBIT) excluding the effects of Relypsa rose by 14.3% to CHF 374.6 million. Including Relypsa and the associated costs of launching Veltassa[®] in the USA, EBIT declined by 25.2% (CHF 82.5 million) to CHF 245.2 million.

Iron deficiency

The sales growth of Vifor Pharma is partly based on further increased sales of the iron replacement products Ferinject[®]/Injectafer[®] (+39.3%) and Venofer[®] (+14.7%). In addition, sales of Mircera[®], the product licensed from Roche to treat symptomatic anaemia in patients with chronic kidney disease, were up by 59.0% to CHF 328.6 million. Sales of the phosphate binder Velphoro[®] rose by 25.8%. Licence fee income for CellCept[®] remained stable at CHF 86.4 million (previous year: CHF 88.5 million). Vifor Pharma strengthened its leading international position in iron deficiency and also helped the market to grow at the same time. According to IMS, the global market for iron replacement products increased from CHF 2,453 million in 2015 to CHF 2,755 million in 2016. Vifor Pharma's share of this market went up from 36% to 37%. The result is that at the end of 2016, Vifor Pharma held 69% of the sub-market for intravenous iron and 10% of the sub-market for oral iron.

Nephrology

Other key elements behind the sustained success of Vifor Pharma include numerous partnerships with pharma companies and a strong global network, and in particular **Vifor Fresenius Medical Care Renal Pharma (VFMCRP)**, the common company with Fresenius Medical Care. In 2016, VFMCRP obtained rights from OPKO Health to commercialise RAYALDEE[®] for the treatment of secondary hyperparathyroidism in patients with chronic kidney disease and vitamin D deficiency in Europe, Canada and certain other markets. The Marketing Authorisation Application (MAA) is being prepared for the European Medicines Agency (EMA).

During the year, VFMCRP also entered into an alliance with ChemoCentryx in the treatment of renal diseases, acquiring certain marketing rights for CCX168 (international nonproprietary name: Avacopan), a complement 5a receptor inhibitor for rare renal diseases. The Phase III study began in early 2017. As a result, VFMCRP has significantly expanded the product pipeline in nephrology and successfully continued its development as a world-leading pharma company in this area.

Cardio-renal therapies

With the acquisition of US company **Relypsa Inc.**, in September 2016, Vifor Pharma took a strategically important step, obtaining not only the global rights to the potassium binder Veltassa[®] (Patiromer for oral suspension) for treating hyperkalaemia, but also a dedicated US sales organisation. Veltassa[®] was launched in the USA in early 2016 and achieved total sales of CHF 12.3 million during the year (of which CHF 7.4 million since the acquisition by Vifor Pharma). The EU Marketing Authorisation Application for Patiromer for oral suspension was also filed during 2016.

In November 2016, the potential of Veltassa[®] as an important growth driver for Vifor Pharma was further increased when the US Food and Drug Administration (FDA) approved a supplemental New Drug Application (sNDA) for Veltassa[®] for oral suspension, which involved important changes to the summary of product characteristics (SmPCs). The US SmPCs for Veltassa[®] now no longer carry a boxed warning about observing a delay between taking Veltassa[®] and other oral medicines.

Investments

Vifor Pharma also continued to invest in its research, development and production facilities in 2016: investments were mainly made in Switzerland and totalled CHF 100.8 million excluding Relypsa, and CHF 117.0 million including Relypsa. A new packaging line was installed in St. Gallen for Ferinject[®] and Venofer[®], while in Portugal the foundation stone was laid for a modern production facility that will manufacture Veltassa[®] for all markets outside the USA.

Outlook

The most important priority for 2017 is to establish Vifor Pharma as an independent global specialty pharma company following the planned IPO of Galenica Santé. The company is also keen to extend its worldwide presence while simultaneously remaining strongly rooted in the Swiss home market. Vifor Pharma plans to expand the iron market, especially in the USA, through further investigative work into iron deficiency. In close cooperation with partner Fresenius Medical Care, VFMCRP will seek to establish itself even more strongly as a leading player in nephrology and cardio-renal therapies, including by working closely with Relypsa. Thanks to the acquisition of Relypsa and the product Veltassa[®], Vifor Pharma has a leading position in cardio-renal therapies. Veltassa[®] is the first medicine for treatment of people with elevated blood potassium levels to be approved in the USA in more than 50 years.

GALENICA SANTÉ

All Business sectors of Galenica Santé performed very well in 2016, as is apparent from the 3.2% increase in sales to CHF 3,008.9 million – despite pressure on drug prices, consumer tourism outside Switzerland and a relatively weak flu season. EBIT of CHF 136.0 million (+6.2%) once again exceeded growth in sales. Investments of CHF 34.7 million (previous year: CHF 43.8 million) were spent amongst other things on finalising the Galexis extension in Niederbipp.

The **Health & Beauty segment**, which comprises the Products & Brands and Retail Business sectors, increased net sales in 2016 by 3.1% to CHF 1,437.0 million. Operating income (EBIT) was up 7.2% to CHF 96.2 million. Return on sales (ROS) rose year-on-year to 6.7%. Investments totalled CHF 14.9 million in 2016 (previous year: CHF 17.7 million).

The **Products & Brands Business sector** increased sales by 0.5% to CHF 89.3 million in 2016. The growth was influenced by the discontinuation of the Equazen™ brand portfolio, which was sold along with Potters to Soho Flordis International at the end of 2015. On a like-for-like basis, Products & Brands grew by 6.2%. In 2017, the healthcare business in the Swiss OTC market will be strengthened, products will be launched by new partners, especially in cosmetics and beauty, and export sales boosted by selected products.

At the start of 2017, Vifor Consumer Health entered the wound treatment market by acquiring the brands Merfen® and Vita-Merfen®, successfully further expanding its strong position in the Swiss healthcare market.

The **Retail Business sector** continued to perform successfully in a challenging market environment in 2016, increasing net sales year-on-year to CHF 1,348.6 million (+3.1%, without Coop Vitality). In addition to organic growth of 1.6%, the expansion of the pharmacy network was the main driver of this trend. The intention is that future growth should be organic, for instance through new offers and services, and also come from targeted acquisitions and new openings. At the same time efficiency will be improved by simplifying and harmonising processes, with the systematic introduction of the pharmacy software TriaPharm® being one example of this.

The **Services segment** made gains both in business volumes and profitability in 2016. Net sales increased by 3.8% to CHF 2,328.9 million and operating income (EBIT) rose disproportionately by 11.7% to CHF 41.4 million, resulting in return on sales (ROS) rising again to 1.8%. A milder flu season than last year was more than offset by gaining new customers and continuing range expansion, particularly in the cosmetics market. Investments totalled CHF 20.2 million (previous year: CHF 26.9 million) and were mainly used for the final construction phase of the Niederbipp distribution centre expansion.

In 2017, the replacement of the current Alloga and Galexis ERP (Enterprise Resource Planning) systems will be a key priority. Galexis also intends to use the expanded logistics platform to extend its offering, for example with the Switzerland-wide exclusive distribution of cosmetics, additional medical technology products for pharmacies and new ranges in the areas of homeopathy and chemicals. Alloga intends to invest in the architectural infrastructure of the Burgdorf site. The cold room is due to be expanded and linked directly to incoming goods and delivery via 'direct docking'.

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2016 Annual Report of the Galenica Group

Further information can be found in the 2016 Annual Report of the Galenica Group. The PDF version can be downloaded from Galenica's website: [Link to the annual report](#)

Dates for the diary

Annual General Meeting:	11 May 2017
Half-year results 2017:	8 August 2017

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***Galenica** is a diversified Group active throughout the healthcare market which, among other activities, develops, manufactures and markets pharmaceutical products, runs pharmacies, provides logistical and database services and sets up networks. With its two Business units Vifor Pharma and Galenica Santé, the Galenica Group enjoys a leading position in all its core business activities. A large part of the Group's income is generated by international operations. Galenica is listed on the Swiss Stock Exchange (SIX Swiss Exchange, GALN, security number 1,553,646).*

Additional information concerning the Galenica Group can be found at www.galenica.com.