



PRESS RELEASE

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Subject Galenica announces plans for IPO of Galenica Santé on SIX Swiss Exchange

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Galenica is confirming its intentions for a separation of the Group and a listing of the Business unit Galenica Santé. Galenica expects to sell the majority of its Galenica Santé shares in an IPO on SIX Swiss Exchange. The objective is to fully divest Galenica Santé over the medium term in order to complete the separation of the two businesses. Assuming stable market conditions, Galenica anticipates that the listing can be completed during the second quarter of 2017. At the next Annual General Meeting of Galenica Ltd., the name of the Galenica Group is to be changed into Vifor Pharma Group so that Galenica Santé can trade under the Galenica name.

In 2014, the Board of Directors of Galenica unveiled the vision to separate the Group and laid the foundation of two independent, listed companies. Since then, the Group organisation includes the two Business units Vifor Pharma and Galenica Santé. In 2015, Galenica Santé streamlined its business activities by creating the Health & Beauty business segment, which includes the then newly established Products & Brands Business sector.

The preparations for the separation of the Group and the listing of Galenica Santé are progressing according to plan. The IPO of Galenica Santé will enable the two future companies to develop in an even more focused way, taking into account their different respective growth dynamics. It will also give investors the opportunity to own separate pure-play entities. The proceeds should enable the Galenica Group to refinance the acquisition of Relypsa in full or in part.

Galenica Santé in brief

- **The leading fully-integrated healthcare provider in Switzerland**
- **Operating in a stable, attractive and resilient market**
- **A long-term track record of stable growth, strong margin improvement and attractive cash flow generation**
- **Further upside from leveraging the 3 growth vectors Retail, Products & Brands and Services**
- **Underpinned by a strong and highly experienced management team**

Galenica Santé – the leading fully-integrated healthcare provider in Switzerland

With net sales of over CHF 3 billion in 2016, Galenica Santé is the leading fully-integrated healthcare provider in Switzerland. The company operates the largest network of pharmacies in Switzerland. Galenica Santé is offering well-known own brands and products, exclusive brands and products from business partners as well as a variety of on-site health services and tests for customers. With nearly 500 own, joint venture and independent partner pharmacies, Galenica Santé offers unique potential for the sale of these and other brands. Galenica Santé is also the leading provider of pre-wholesale and wholesale distribution services in the Swiss healthcare market.

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The first choice for health, beauty and well-being

Galenica Santé wants to be the leading partner for all stakeholders in the Swiss healthcare market, and going forward as an independent company in an even more active and dynamic way. Galenica Santé believes that its business model constitutes a unique basis for its intention to shape the Swiss healthcare market of the future with innovation and agility, and to make its ambition a reality: Galenica Santé – the first choice for health, beauty and well-being.

The IPO will enable Galenica Santé to further implement its strategy and build on its strengths. The independence of Galenica Santé post-IPO should create added value for the company and its clients, partners, employees and shareholders.

Focus on further solid growth and margin improvement with a strong cash generation and an attractive dividend policy

The management of Galenica Santé has demonstrated over the past decade the ability to manage both opportunities and challenges. The company's focus is on further solid growth and margin improvement

- both organically and through targeted acquisitions,
- by the expansion of the product and service offering,
- by strengthening the pharmacy network,
- by investing in innovative business activities and
- by further leveraging operational advantages from the integrated and synergistic operations.

All of this is designed to translate into a strong cash generation for Galenica Santé and an attractive dividend policy for the shareholders.

Financial track-record 2006 to 2016

Over the last ten years (2006 to 2016), Galenica Santé has realised an average sales growth rate of 5.3% per year, more than double the average market growth¹⁾. In the same period, the EBIT-margin was increased from a level below 1% to a level above 4%. In addition, Galenica Santé believes that it has a further upside from leveraging the three growth vectors Retail, Product & Brands and Services and an excellent cash conversion²⁾, since 2010 every year above 70%. These strong results are underpinned by a very strong and highly experienced management team, leading approximately 6,100 employees (4,600 full time equivalents).

Combined financial statements 2014 – 2016

In view of the planned IPO, Galenica Santé restated the financials from 2014 as if Galenica Santé had been a standalone entity (combined financial statements 2014 – 2016)³⁾. Due to several adjustments, the EBIT 2016 adjusted (without IAS 19 impact) for Galenica Santé was reduced from CHF 136.0 million to CHF 134.2 million⁴⁾. Including IAS 19 impact, Galenica Santé achieved an EBIT 2016 of CHF 123.8 million.

Strong Balance Sheet

Galenica Santé has been incorporated with net debt of about CHF 350 million (circa 2x EBITDA) and about CHF 745 million of equity (circa 45% of total assets). Galenica Santé targets to retain a long term net leverage of around 2x EBITDA. The strong and sustainable balance sheet supports the targeted pay-out ratio above 65% of consolidated net profit (without IAS 19 impact). Galenica Santé plans to refinance its debt in the bond market shortly after the IPO.

1) The financial information presented with respect to the financial years ended 31 December 2006 through 2013 have been derived from the audited consolidated financial statements of Galenica Ltd. and represent its Logistics, Retail and Other (Healthcare Information) businesses, excluding the Pharma business. Galenica Santé Ltd., currently a wholly-owned subsidiary of Galenica Ltd., prepared combined financial statements for the financial years ended 31 December 2014, 2015 and 2016, which are available on the Galenica website. Accordingly, the financial information derived from the combined financial statements of Galenica Santé Ltd. and from the consolidated financials of Galenica Ltd. for its Logistics, Retail and Other (Healthcare Information) businesses, excluding the Pharma business, for prior periods may not be fully comparable.

2) Calculated as (EBITDA-capex)/EBITDA. 2014-16 EBITDA without IAS 19 impact; capex includes investments in tangible and intangible assets.

3) Galenica Santé Ltd. has historically not operated as an independent entity. The Combined Financial Statements, which include re-allocation of corporate costs, may therefore not be indicative of the financial position and financial performance that would have been achieved if Galenica Santé had operated as an independent entity.

4) Financial information is partly adjusted for additional expenses related to Swiss pension schemes (referenced as "IAS 19 impact"). Such expenses arise if the current service cost according to the actuarial valuation exceeds the employer contributions for the Pension Plan.

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Guidance 2017 and mid-term outlook

In 2017, Galenica Santé aims to maintain a sales growth similar to 2016 of 3.2%. In addition, the company expects a positive impact from the acquisition of Pharmapool Ltd. which generated sales of more than CHF 100 million in the past. Midterm, Galenica Santé aims to continue to grow at a rate that is greater than the Swiss healthcare market (expected growth +1% to +2%, IMS Health forecast) which is exposed to a price reduction cycle in 2018, 2019 and 2020.

Galenica Santé targets medium-term EBIT growth in excess of targeted net sales growth due primarily to operational efficiencies and expected growth increase of the Products & Brands Business sector with the highest margin of all three Business sectors. The company's EBIT growth target (excluding IAS 19 impact) for 2017 is slightly lower than its sales growth target because of the impact of the Pharmapool acquisition on the company's sales mix.

Dividend policy

Subject to the expected results, Galenica Santé intends to pay out a dividend of at least CHF 75 to 80 million in 2018 (for the financial year ended December 31, 2017). Midterm, Galenica Santé targets a payout ratio above 65% of consolidated net profit (without IAS 19 impact). Dividends will be paid out of the capital contribution reserve in first priority. This special reserve of about CHF 560 million will allow the company to pay out dividends which are exempt from withholding tax and, for Swiss resident individuals, exempt from income tax, for several years.

More information about Galenica Santé and its financial track-record is available in the annual report 2016 of the Galenica Group at www.galenica.com, under the heading "reports", and in the Galenica Santé Investor Presentation including the combined financial statements 2014-2016 at www.galenica.com, under the heading "IPO Galenica Santé".

Highly experienced management team with proven track record

Board of Directors

As of the intended listing, the Board of Directors of Galenica Ltd. has designated the following members for the Board of Directors of Galenica Santé:

<u>Member</u>	<u>Function</u>	<u>Experience</u>
Dr. Jörg Kneubühler	Chairman Doctorate in economics	15 years at Galenica, 28 years industry experience
Daniela Bosshardt-Hengartner	Pharmacist	9 years experience as member of the Board of Galenica
Prof. Dr. Michel Burnier	Swiss-registered doctor of Internal Medicine and Nephrology	7 years experience as member of the Board of Galenica
Fritz Hirsbrunner	Economist (lic.oec.)	5 years experience as member of the Board of Galenica
Dr. Philippe Nussbaumer	Doctorate in pharmacy and MBA in economics	20 years experience as independent pharmacist
Dr. Andreas Walde	Attorney-at-law and doctorate in law	4 years at Galenica, 29 years industry experience

The Board of Directors is composed of highly experienced experts and personalities with decades of industry experience and extensive knowledge about the Galenica Santé business.

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Corporate Executive Committee

In addition, the Board of Directors of Galenica Ltd. has designated the following members for the Corporate Executive Committee of Galenica Santé:

<u>Member</u>	<u>Function</u>	<u>Experience</u>
Jean-Claude Cléménçon	Chief Executive Officer (CEO) and Head of Retail Business sector	22 years at Galenica, 28 years industry experience
Felix Burkhard	Chief Financial Officer (CFO)	22 years at Galenica, 26 years industry experience
Torvald de Coverly Veale	Head of Products & Brands Business sector	2 years at Galenica, 35 years industry experience
Christoph Amstutz	Head of Services Business sector	10 years at Galenica, 29 years industry experience

The members of the Corporate Executive Committee are experienced experts, senior Business sector managers who have extensive industry knowledge as well as long-term experience in the Galenica Group and with leading multi-national companies.

The senior management team has demonstrated its ability to grow the business and successfully integrate acquisitions over the years to help Galenica Santé become the leading fully-integrated healthcare provider in Switzerland. The industry knowledge and leadership of the senior management team, combined with their long-term experience, provide Galenica Santé with a significant competitive advantage and are also instrumental for the implementation of the strategy and achievement of the long-term objective of delivering sustainable growth.

Banking syndicate in the IPO

Citigroup, Credit Suisse and UBS have been appointed as Joint Global Coordinators and Joint Bookrunners for the envisaged IPO of Galenica Santé. Deutsche Bank is also acting as a Joint Bookrunner. Baader Bank, Bank am Bellevue, Bank Vontobel AG and Zürcher Kantonalbank are acting as Co-Lead Managers.

Centerview Partners is acting as the independent financial advisor to Galenica.

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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.

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