

Financial Statements 1999
of the Galenica Group and Galenica Holding Ltd
as presented to the Annual General Meeting
of Shareholders held in Berne on 25 May 2000.

Consolidated Profit and Loss Account

in thousand CHF	Details	1999	1998
Income			
Net sales	1	1,884,661	1,773,631
Decrease in inventory		2,796	1,870
Other income	2	19,305	15,997
Total income		1,906,762	1,791,498
Expenses			
Cost of sales		(1,621,257)	(1,532,311)
Salaries and social security contributions	3	(130,096)	(126,682)
Other expenses	4	(89,818)	(80,338)
Depreciation	5	(19,637)	(18,724)
Total Expenses		(1,860,808)	(1,758,055)
Profit from operations		45,954	33,443
Financial income	6	4,892	4,143
Financial expenses	7	(1,569)	(2,384)
Other income	8	5,849	5,266
Other expenses	9	(2,293)	(1,450)
Profit for the year before extraordinary items and taxes		52,833	39,018
Extraordinary income	10	8,435	7,748
Extraordinary expenses	11	(11,384)	(3,553)
Profit for the year before taxes		49,884	43,213
Taxes	12	(8,058)	(8,875)
Profit for the year		41,826	34,338
Thereof minority interests		(26)	5

Consolidated Balance Sheet as of 31 December

	in thousand CHF	Details	1999	1998	
Assets					
		Current assets			
		Cash and securities	13	51,590	78,027
		Trade accounts receivable	14	257,644	223,571
		Other accounts receivable, prepaid expenses and accrued income	15	14,169	28,796
		Inventories	16	190,091	159,701
		Total current assets	64.7 %	513,494	65.1 % 490,095
		Long-term assets			
		Other long-term assets			
		– Loans	17	7,652	8,398
		– Participations	17	524	396
		Intangible assets	17/18	1,833	2,480
		Fixed assets	17/18	269,838	251,833
		Total long-term assets	35.3 %	279,847	34.9 % 263,107
		Total assets	100 %	793,341	100 % 753,202
Liabilities and shareholders' equity					
		Liabilities			
		Current liabilities			
		– Bank loans		86,744	9,001
		– Trade accounts payable		160,078	145,374
		– Other accounts payable and accrued expenses	19	137,927	157,672
		Long-term liabilities			
		– Mortgages		2,700	3,400
		Provisions	20	50,381	55,293
		Total liabilities	55.2 %	437,830	49.2 % 370,740
		Minority interests	0.0 %	50	0.0 % 33
		Shareholders' equity			
		Share capital	21	32,500	42,250
		Reserves	21	322,961	340,179
		Total shareholders' equity	44.8 %	355,461	50.8 % 382,429
		Total liabilities and shareholders' equity	100 %	793,341	100 % 753,202

Consolidated Statement of Fund Flows

in thousand CHF	1999	1998
Profit for the year	41,826	34,338
Amortisation of intangible assets and depreciation of fixed assets	19,637	18,724
Increase/(decrease) in latent taxes and provisions	(2,842)	(3,366)
Cash Flow	58,621	49,696
Decrease/(increase) in accounts receivable	(30,705)	(55,474)
Decrease/(increase) in receivables and prepayments	18,629	(6,384)
Decrease/(increase) in inventories	(25,040)	4,106
Increase/(decrease) in accounts payable	6,960	(16,804)
Increase/(decrease) in other liabilities and accruals	51,109	81,373
Net funds provided by operating activities	79,574	56,513
Disposal of other long-term assets	5,885	1,601
Investment in other long-term assets	(5,139)	(2,220)
Investments in intangible assets	(702)	(710)
Investment in fixed assets	(37,765)	(17,611)
Disposal of fixed assets	1,882	293
Disposal/(purchase) of consolidated investments	(55,769)	–
Net funds used in investing activities	(91,608)	(18,647)
Dividends paid/repayment of capital	(14,192)	(12,832)
Increase/(decrease) in long-term liabilities	(700)	(1,400)
Net funds used in financing activities	(14,892)	(14,232)
Translation differences	489	(54)
Net increase/(decrease) in cash	(26,437)	23,580
Cash, cash equivalents and securities on 1 January	78,027	54,447
Cash, cash equivalents and securities on 31 December	51,590	78,027

Notes to the Consolidated Financial Statements

General

The consolidated financial statements of the Galenica Group for the year 1999 are prepared largely in compliance with the principles of the 4th and 7th EC Directives and are in accordance with the Swiss Accounting and Reporting Recommendations (ARR). They present a true and fair view of the financial position and results of operations.

The consolidated financial statements are based on the audited financial statements of the individual group companies which were prepared according to uniform principles.

Principles of consolidation

Method of consolidation and companies included

The group financial statements include all companies (36) in which Galenica Holding Ltd holds directly or indirectly a majority share. The composition of the Group was broadened with the acquisitions of 1 January 1999 of the companies Bipharma SA, Pharmacie et Droguerie de St-Laurent SA, Pharmacie Conod SA (Distribution Division), the Mediche Group (Industrial Division) and the Joint-Venture Winpharm Ltd (Agencies and Marketing Division). The inactive companies Galenica Service Ltd, Golaz France EURL and Demopharm B.V. have been eliminated. A summary of the active consolidated participation is shown on pages 40 to 43, this may be supplemented with the following inactive companies:

	Registered Office		Capital Participation	in %
Amidro Ltd	Schönbühl	CHF	500,000	100
Cophar Ltd	Berne	CHF	700,000	100
Demopharm Holding AG in Liq.	Lyss	CHF	500,000	100
Galenica Ltd	Schönbühl	CHF	110,000	100
Pharmacal Ltd	Berne	CHF	500,000	100
Pharmadro Ltd	Biel	CHF	1,500,000	100
Ropharmex Ltd	Ecublens	CHF	500,000	100
Swiss Pharma GmbH	Freiburg i.Br./D	DEM	100,000	100
SWW Stotzer Wyberg				
Wyss Ltd	Schönbühl	CHF	100,000	100

Income and expense, together with assets and liabilities, are fully consolidated. The interests of the minority shareholders in the equity and results of operations are disclosed separately.

Balance sheet date

The period covered by the individual financial statements of the companies included in the consolidation is in all cases the business year ending 31 December.

Intercompany transactions

Assets and liabilities, as well as income and expense, resulting from transactions within the Group have been offset and the intercompany profits in the inventories have been eliminated.

Translation of foreign currencies

The balance sheets of the foreign companies prepared in local currency have been translated at the rates of exchange in force at year-end and the profit and loss accounts at the average exchange rates during the year. The resulting translation differences have been charged or credited to the reserves in the consolidated shareholder's equity.

Realised exchange differences have been charged or credited to the profit and loss account:

Exchange rates	Balance sheet		Profit and loss	
	1999	1998	1999	1998
German Mark (DEM)	82.14	81.75	81.83	82.35
French Franc (FRF)	24.49	24.35	24.40	24.56
U.S. Dollar (USD)	1.5865	1.3685	1.5026	1.4482
Italian Lira (ITL)	0.0830	0.0826	0.0827	0.0834
Dutch Guilder (NLG)	72.90	72.55	72.63	73.06
£ Sterling (GBP)	2.5650	2.271	2.4309	2.3989
Euro (EUR)	1.6065	–	1.6005	–

Taxes

The income and capital taxes for the current period are charged to the profit for the year. Provisions are made for the latent taxes on the untaxed reserves, the movements being charged directly to tax expense.

Treasury shares and participation certificates

The shares of Galenica Holding which are held by affiliated companies are shown in the balance sheet under securities. These items have not been offset against the capital of the holding company in the consolidation because they are at free disposal. Details of the treasury shares are shown on page 58.

Capital consolidation

Capital has been consolidated according to the purchase method whereby the assets and liabilities of the consolidated group companies have been revalued according to uniform principles at the time of the first consolidation. The positive or negative goodwill resulting from this revaluation (difference between the purchase price and the total equity shown in the company's books) is charged or credited to the reserves in the consolidated shareholders' equity. The impact of theoretical capitalisation and amortisation is disclosed in the notes on the consolidated financial statements.

Valuation principles

Cash and securities

Cash, postal checking account and bank balances are included at nominal value.

The securities are valued at the market value at year-end. Our own shares are valued at cost, less required provisions.

Trade accounts receivable

The trade accounts receivable are included in the balance sheet net of the necessary doubtful debt provisions.

Inventories

The inventories are valued as follows:

- Raw materials and trade goods at the lower of cost or market value
- Work in process and manufactured goods at the cost of manufacture

The inventory values reflect are after the deduction of the economically necessary valuation provisions.

Intangible assets

Intangible assets comprise licences, patents, trade marks and similar rights acquired from third parties. These assets are amortised on a straight line basis over their useful lives, not exceeding 5 years.

Tangible fixed assets

Land is valued at historical cost. The remaining tangible fixed assets are valued at purchase cost less the economically necessary depreciation.

Depreciation is charged on the straight line basis over the following useful lives:

	Years
Buildings	40
Manufacturing equipment	12
Warehouse equipment	12
Furniture, office machines	10
IT equipment	5
Motor vehicles	2

Leasing

Finance leases are recorded in the balance sheet and disclosed separately. Operating lease commitments are not recorded in the balance sheet.

Research and development

The expenditure on research and development is not capitalised but charged directly to the profit and loss account.

Non-consolidated participations

Minority shareholdings of between 20 % and 50 % are accounted for using the equity method whereby the Group's share in the net equity of the investee is included in the balance sheet under participations and its share in the net profit is shown in the profit and loss account under financial income.

Provisions

This heading includes economically necessary provisions, including the provision for deferred taxes.

Details on the group financial statements

1. Net sales

The consolidated net sales comprise the following:

in million CHF	Consolidated per sector		Sales to Group companies		Consolidated net sales	
	1999	1998	1999	1998	1999	1998
Distribution	1,513.4	1,481.0	–	–	1,513.4	1,481.0
Industry	135.5	106.0	32.3	27.8	*103.2	**78.2
Agencies and marketing	420.9	347.5	152.8	133.1	268.1	214.4
Total					1,884.7	1,773.6

* of which CHF 71.5 million abroad, of which 53% in Europe, ** of which CHF 55.9 million abroad, of which 48% in Europe

2. Other operating income

in thousand CHF	1999	1998
Services to customers	9,232	8,754
Other operating income	10,073	7,243
Total	19,305	15,997

3. Salaries and social security contributions

in thousand CHF	1999	1998
Salaries and wages	102,706	98,129
Pension expenses	5,815	8,357
Other social security costs	11,378	10,283
Other personnel expenses	10,197	9,913
Total	130,096	126,682

The development in Pension expenses was significantly influenced by the partial liquidation of the employers contribution fund reserves in order to partially finance the pension fund.

4. Other operating expenses

Other operating expenses amount to CHF 89.8 million (1998: CHF 80.3 million) and include expenditure on maintenance and repairs, operating and energy costs, as well as administrative, sales and other expenses.

5. Depreciation

Regular depreciation comprises:

in thousand CHF	1999	1998
Buildings	6,736	6,072
Manufacturing equipment	2,102	1,651
Warehouse equipment	3,379	3,392
Furniture, office machines	946	934
IT equipment	3,926	4,497
Motor vehicles	1,767	1,195
Intangible assets	781	983
Total	19,637	18,724

6. Financial income

in thousand CHF	1999	1998
Interest income	1,950	2,855
Securities and other financial income	2,674	1,015
Income from non-consolidated participations	268	273
Total	4,892	4,143

7. Financial expenses

in thousand CHF	1999	1998
Interest expenses	1,098	1,088
Other financial expenses	471	1,296
Total	1,569	2,384

8. Other income

Other income includes income from real estate and other non-operating sources.

9. Other expenses

Other expense comprises primarily the real estate expense.

10. Extraordinary income

Extraordinary income is mainly a result of gains not related to the business year, from the sale of land at Crissier (VD) to B. Braun Medical Ltd and from other disposals of non-operating assets.

11. Extraordinary expenses

Extraordinary expenses contains expenses not related to the business year, costs in relation with the closing of the Biel distribution centre, extraordinary costs of projects and extraordinary depreciation of equipment in connection with the future move of Galenica Représentations Ltd to Burgdorf.

12. Taxes

in thousand CHF	1999	1998
Current income taxes	6,511	7,673
Deferred income taxes	713	242
Capital and other taxes	834	960
Total	8,058	8,875

13. Cash and securities

in thousand CHF	1999	1998
Cash	24,480	60,779
Own shares and participation certificates	3,916	2,747
Other securities	23,194	14,501
Total	51,590	78,027

16. Inventories

in thousand CHF	Raw materials trade goods		Work in progress		1999	Total 1998
	1999	1998	1999	1998		
Distribution	143,622	114,692	-	-	143,622	114,692
Industry	6,871	7,901	13,466	10,587	20,337	18,488
Agencies and marketing	26,132	26,521	-	-	26,132	26,521
Total	176,625	149,114	13,466	10,587	190,091	159,701

17. Fixed asset summary

Acquisition costs in thousand CHF	Balance 31. 12. 98 gross	Translation differences	Change of the composition of the Group	Additions	Disposals	Balance 31. 12. 99 gross	Accumulated depreciation	Balance 31. 12. 99 net
Loans	8,398	-	-	5,139	(5,885)	7,652	-	7,652
Participations	396	-	-	128	-	524	-	524
Financial assets	8,794	-	-	5,267	(5,885)	8,176	-	8,176
Intangible assets	3,769	-	-	702	-	4,471	(2,638)	1,833
Land	17,280	-	683	4,815	(1,670)	21,108	-	21,108
Buildings	238,363	-	6,531	20,897	-	265,791	(73,407)	192,384
Manufacturing equipment	21,087	-	3,081	2,682	-	26,850	(9,557)	17,293
Warehouse equipment	39,976	-	-	1,177	-	41,153	(21,762)	19,391
Furniture, office machines	7,675	-	922	1,354	-	9,951	(4,768)	5,183
IT equipment	19,110	-	357	3,489	-	22,956	(12,625)	10,331
Motor vehicles	3,498	-	217	3,351	(212)	6,854	(2,706)	4,148
Tangible assets	346,989*	-	11,791	37,765	(1,882)	394,663	(124,825)	269,838
Total fixed assets	359,552	-	11,791	43,734	(7,767)	407,310	(127,463)	279,847

* Adjustment of the tangible assets no longer in use as of 1 January 1999.

14. Trade accounts receivable

in thousand CHF	1999	1998
Trade accounts receivable	265,706	229,387
Doubtful debt provision	(8,062)	(5,816)
Total	257,644	223,571

The doubtful debt provision is economically justified.

15. Other accounts receivable, prepaid expenses and accrued income

in thousand CHF	1999	1998
Other accounts receivable	7,038	17,070
Prepaid expenses and accrued income	7,131	11,726
Total	14,169	28,796

18. Investments

in thousand CHF	Distribution		Industry		Agencies and marketing (incl. various)		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
Land	141	511	–	–	4,674	–	4,815	511
Buildings	694	4,072	11,500	83	8,703	–	20,897	4,155
Manufacturing equipment	–	–	2,350	2,698	332	159	2,682	2,857
Warehouse equipment	659	1,304	30	63	488	593	1,177	1,960
Furniture, office machines	947	719	301	300	106	14	1,354	1,033
IT equipment	2,059	3,055	736	1,133	694	308	3,489	4,496
Motor vehicles	2,449	1,272	902	1,254	–	73	3,351	2,599
Intangible assets	–	–	702	710	–	–	702	710
Total	6,949	10,933	16,521	6,241	14,997	1,147	38,467	18,321

19. Other accounts payable and accrued expenses

in thousand CHF	1999	1998
Other liabilities	54,270	54,352
Loans	12,427	3,749
Accrued expenses	71,230	99,571
Total	137,927	157,672

20. Provisions

in thousand CHF	1999	1998
Provisions for recognisable risks	11,062	20,231
Restructuring provision	4,659	2,750
Provision for deferred taxes	34,660	32,312
Total	50,381	55,293

21. Movement in shareholders' equity

in thousand CHF	Share capital	Reserve for own shares	Share premium	Translation differences	Profit and loss account	Total Shareholders' equity
Shareholders' equity as of 31 December 1997	52,000	3,500	74,555	(1,151)	231,922	360,826
Profit for the year					34,333	34,333
Repayment of capital	(9,750)				126	(9,624)
Distribution of profit					(3,208)	(3,208)
Adjustment to the reserve for own shares		(1,000)			1,000	–
Translation differences				102		102
Shareholders' equity as of 31 December 1998	42,250	2,500	74,555	(1,049)	264,173	382,429
Profit for the year					41,852	41,852
Repayment of capital	(9,750)				74	(9,676)
Distribution of profit					(4,516)	(4,516)
Adjustment to the reserve for own shares		3,000			(3,000)	–
Change in the composition of the group				(193)	(53,872)	(54,065)
Translation differences				882		882
Valuation changes directly recorded					(1,445)	(1,445)
Shareholders' equity as of 31 December 1999	32,500	5,500	74,555	(360)	243,266	355,461

The value adjustment concerns the valuation of our own shares at the purchase price. A theoretical capitalisation of goodwill with an amortisation period of 5 years would result in a shareholders' equity of CHF 426.6 million (1998: CHF 412.6 million) (CHF + 71.1 million) and, in the consolidated profit and loss account, a profit for the year of CHF 15.7 million (1998: CHF 21.6 million) (CHF –26.2 million).

22. Contingent liabilities

The contingent liabilities total CHF 35.4 million (1998: CHF 39.9 million) and include guarantees in favour of customers.

There are no unusual pending transactions or risks.

23. Assets pledged as security for short-term bank loans

Mortgage bonds in the amount of CHF 4.0 million (1998: CHF 9.5 million) are pledged as security for short-term bank loans.

24. Liabilities to pension schemes

The liabilities to pension schemes amounted to CHF 510,000 at the end of 1999 (1998: CHF 516,000).

25. Insurances

The insurance values were:

in thousand CHF	31.12.1999	31.12.1998
Buildings	408,198	343,310

Manufacturing equipment, warehouse equipment, furniture, office machines,

IT equipment, motor vehicles

	162,304	145,015
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26. Leasing

Leasing expense in 1999 amounted to about CHF 257,000 (1998: CHF 516,000). The future leasing expense in respect to existing leasing contracts amounted to CHF 59,000 at the end of 1999 (1998: CHF 278,000).

There are no existing finance leases.

27. Board of Directors and important shareholders

There are no amounts due to or from members of the Board of Directors or important shareholders.

The fees of the members of the Board of Directors amounted to CHF 575,000 for the year 1999 (1998: CHF 575,000).

28. Events subsequent to the closing

On 17 January 2000 the A shares of Galenica Holding Ltd were listed on the Swiss stock exchange (SWX).

Auditors' Report on the Consolidated Financial Statements

ATAG Ernst & Young Ltd
Group Auditors

Berne, March 24, 2000

As auditor of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows and notes) of Galenica Group for the year ended December 31, 1999.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Accounting and Reporting Recommendations (ARR) and comply with Swiss law and the accounting principles prescribed by the Listing Rules of the Swiss Exchange.

We recommend that the consolidated financial statements submitted to you be approved.



Renzo Zbinden
Certified Accountant
(Auditor in charge)



Jürg Häusler
Certified Accountant

Profit and Loss Account for Galenica Holding Ltd

in CHF	Details	1999	1998
Income			
Income from participations	1	19,839,300	18,919,300
Income from investments	2	6,422,328	3,806,942
Other income	3	8,422,670	7,861,000
Total income		34,684,298	30,587,242
Expenses			
Salaries and social security contributions		(5,971,496)	(5,074,748)
Financial expenses		(397,159)	(778,657)
Other expenses		(2,133,835)	(1,602,877)
Total Expenses	4	(8,502,490)	(7,456,282)
Profit from operations		26,181,808	23,130,960
Non-operating income		76,137	117,298
Extraordinary income	5	2,707,723	3,287,293
Extraordinary expenses	6	(2,701,435)	(41,673)
Profit for the year before taxes		26,264,233	26,493,878
Taxes	7	(667,320)	(800,932)
Profit for the year	8	25,596,913	25,692,946

Balance Sheet for Galenica Holding Ltd as of 31 December

before distribution of available earnings

	in CHF	Details	1999	1998
Assets				
		Current assets		
		Cash	4,756,575	11,340,849
		Securities	9,739,569	9,022,233
		Accounts receivable, affiliated companies	4,819,399	4,960,052
		Other accounts receivable	1,718,564	2,432,281
		Prepaid expenses and accrued income	58,586	2,576,442
		Total current assets	9 6.8 % 21,092,693	10.6 % 30,331,857
		Long-term assets		
		Loans to third parties	10 –	300,000
		Loans to affiliated companies	11 121,959	48,000,000
		Participations	12 290,230,000	208,500,000
		Total long-term assets	93.2 % 290,351,959	89.4 % 256,800,000
		Total assets	100 % 311,444,652	100 % 287,131,857
Liabilities and shareholders' equity		Liabilities		
		Current liabilities		
		– Third parties	678,129	300,464
		– Affiliated companies	13 20,946,163	5,567,609
		Accrued expenses	4,262,296	3,502,633
		Long-term liabilities		
		– Loans from affiliated companies	13 4,000,000	5,500,000
		Provisions	–	2,000,000
		Total liabilities	9.6 % 29,886,588	5.9 % 16,870,706
		Shareholders' equity		
		Share capital	32,500,000	42,250,000
		Legal reserves		
		– General reserve	40,000,000	40,000,000
		– Reserve for own shares	5,500,000	2,500,000
		Other reserves	176,500,000	158,000,000
		Profit of balance	27,058,064	27,511,151
		Total shareholders' equity	14 90.4 % 281,558,064	94.1 % 270,261,151
		Total liabilities and shareholders' equity	100 % 311,444,652	100 % 287,131,857

Annex to the Financial Statements of Galenica Holding Ltd

Participations

The summary of the most important companies in the group is given on pages 40 to 43.

		Number	CHF
A shares	Galenica shares owned buy affiliated companies		
	As of 31 December 1997	48,018	
	1 st Quarter, 1998		
	Bought	7,930	740,955
	Sold	(6,655)	581,850
	2 nd Quarter, 1998		
	Bought	6,695	703,670
	Sold	(13,390)	1,334,300
	3 rd Quarter, 1998		
	Bought	10,460	1,108,760
	Sold	(4,380)	453,550
	4 th Quarter, 1998		
	Bought	5,165	547,490
	Sold	(16,875)	1,855,500
	As of 31 December 1998	* 36,968	
	1 st Quarter, 1999		
	Bought	7,630	809,860
	Sold	(12,470)	1,371,700
	2 nd Quarter, 1999		
	Bought	4,450	515,300
	Sold	(10,010)	1,114,660
	3 rd Quarter, 1999		
	Bought	7,640	886,240
Sold	(2,360)	272,600	
4 th Quarter, 1999			
Bought	82,560	8,532,960	
Sold	(102,155)	15,178,600	
As of 31 December 1999	* 12,253		

* Of this amount, 12,230 shares (1998: 35,600 shares) are reserved for employees of the Group, in connection with the stock option plan.

B shares	As of 31 December 1997	-	
	Bought	-	-
	Sold	-	-
	As of 31 December 1998	-	
	3 rd Quarter, 1999		
	Bought	32,040	22,574,596
	4 th Quarter, 1999		
	Bought	30,735	26,312,800
	Sold	(59,375)	50,160,000
	As of 31 December 1999	3,400	

Important Shareholders

	Number A shares	Number B shares	in % of the share-capital
As of 31 December 1998			
Galenica Pension Fund	100,000	16,000	5.5
As of 31 December 1999			
Galenica Pension Fund	100,000	20,000	5.5
Alliance UniChem Plc	73,000	72,500	13.4

There is no other single shareholder with more than 5% of the share capital. (1998: none).

Notes on the Financial Statements of Galenica Holding Ltd

Profit and loss account

With an increased income of 13.4% and an increase in expenses of 14%, the profit from operations was raised by 13.2%. After considering the non-operating income, the extraordinary income and expense and taxes, the profit amounts to CHF 25.6 million (– 0.4%).

1. Income from participations (CHF + 0.9 million)

The dividends distributed by the subsidiary companies based on the 1998 profits were increased.

2. Income from investments (CHF + 2.6 million)

This development can be attributed to the increase of investment income from longer term securities held as well as income from the sale of shares.

3. Other operating income (CHF + 0.6 million)

This item contains funds transferred from subsidiaries to cover the operational expenses of the holding company.

4. Operating expenses (CHF + 1.0 million)

The development in operating expenses is due to personnel costs as a result of organizational changes and the increase in financial expenses offset by the decrease of other expenses.

5. Extraordinary income (CHF – 0.6 million)

The extraordinary income originated from the dissolution of unnecessary tax provisions and from the compensation received from subsidiaries for extraordinary project costs.

6. Extraordinary expense (CHF + 2.7 million)

The extraordinary expenses mainly comprise project costs connected to the changes in the statutes, the strategic agreement with Alliance UniChem Plc as well as the acquisitions of the Billeter Group and the Medichemie Group.

7. Taxes (CHF – 0.1 million)

Taxes comprise current taxes owed for the 1999 business year, based on the results for that period.

8. Profit for the year (CHF – 0.1 million)

The profit for the year of CHF 25.6 million allowed for a proposal at the General Meeting of Shareholders of a dividend distribution of 50% of the share capital and a strengthening of the reserves.

Balance sheet

Assets

9. Current assets (CHF – 9.2 million)

The change in current assets is mainly attributed to decrease in cash, other accounts receivable as well as prepaid expenses and accrued income and an increase in securities.

10. Loans to third parties (CHF – 0.3 million)

The loan granted to Bioren Ltd has been fully repaid.

11. Loans to affiliated companies (CHF – 47.9 million)

The repayment of long-term loans to affiliated companies accounts for the change in this balance and are used to finance newly acquired participations.

12. Participations (CHF + 81.7 million)

This increase is mainly attributable to the acquisitions of participations in Bipharma SA, Pharmacie et Droguerie de St-Laurent SA, Pharmacie Conod SA and the Medichemie Group as well as to the transfer of Medicount Ltd from Galenica Distribution Ltd.

Liabilities and shareholders' equity

13. Loans from group companies (CHF + 13.9 million)

The increase of the long-term loans from subsidiaries is attributable to the financing of newly acquired participations.

14. Shareholders' equity (CHF + 11.3 million)

The increase in the «other reserves» account is explained by an allocation of CHF 21.5 million from the appropriation of the prior year's profit, and the increase in the reserve for our own shares of CHF 3.0 million. The change in shareholders' equity, which represents 90.4% of total assets (94.1% in the prior year), is explained as follows:

	in thousand CHF
Shareholders' equity as of 1 January 1999	270,261
– Dividend distribution	(4,550)
– Repayment of capital	(9,750)
+ Profit for the year 1999	25,597
Shareholders' equity as of 31 December 1999	281,558

Auditors' Report

ATAG Ernst & Young Ltd
Auditors

Berne, March 13, 2000

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Galenica Holding Ltd for the year ended December 31, 1999.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.



Renzo Zbinden
Certified Accountant
(in charge of the audit)



Jürg Häusler
Certified Accountant