

CORPORATE GOVERNANCE

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Galenica is totally committed to the principles of Corporate Governance. The Group's regulations for good governance are set out in its articles of incorporation, organisational regulations and the job descriptions of the various committees. Galenica meets the requirements stated in the Directive of the Swiss Exchange (SIX) on Information Relating to Corporate Governance and follows the recommendations of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

GROUP STRUCTURE AND SHAREHOLDERS

Structure of the Group

_Galenica Ltd., headquartered at Untermattweg 8, CH-3027 Bern, Switzerland, is a public limited company under Swiss law. As a holding company, Galenica Ltd. owns all the companies within the Galenica Group directly or indirectly. The Group's structure and the consolidated subsidiaries and associates are shown on pages 51 and respectively 141 to 142, the addresses on the back cover.

_The shares of Galenica Ltd. are quoted on the Swiss Exchange (SIX), but no single company within the Group is quoted and there are no cross shareholdings between companies within the Group or with other publicly listed companies.

Shareholders

_On 31 December 2010, Galenica had 9,682 shareholders, including two major shareholder holding over 3% of the registered votes:

_Alliance Boots Group Limited, Weybridge London (UK), with 1,656,172 registered shares of CHF 0.10 par value each. These shares are registered in accordance with the articles of incorporation as follows:

_1,300,000 registered shares with a par value of CHF 0.10 each with voting rights (20%);

_356,172 registered shares with a par value of CHF 0.10 each with no voting rights.

_On 16 March 2010 the company announced that it was changing its name from Alliance UniChem Group Limited to Alliance Boots Group Limited. The number of shares held and the company's address remain unchanged.

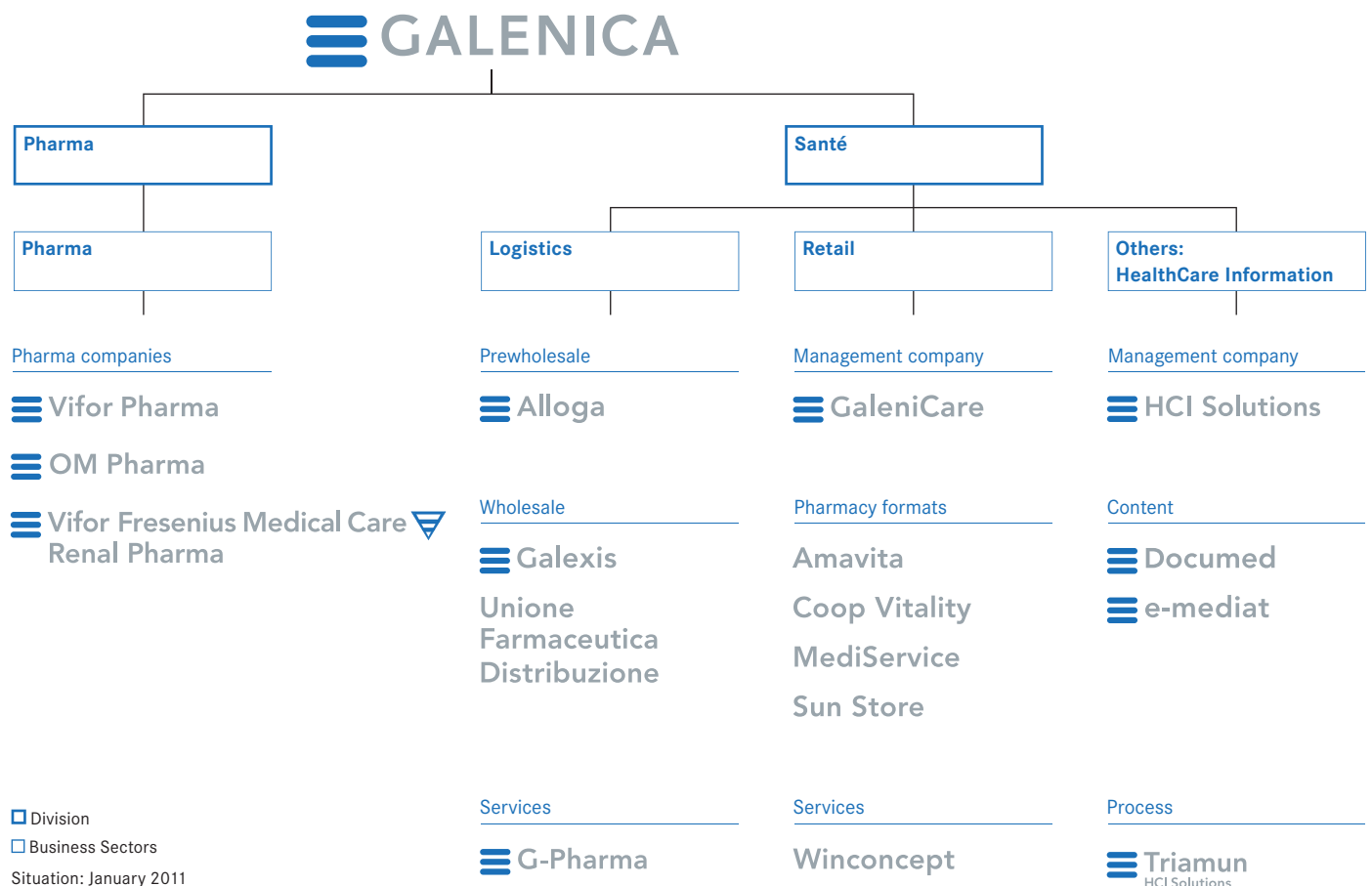
_The Credit Suisse Group, Zurich, namely

_Credit Suisse Group AG, Paradeplatz 8, P.O. Box, 8070 Zurich, Switzerland

_Clariden Leu Holding AG, Bahnhofstrasse 32,
 8001 Zurich, Switzerland
 _Credit Suisse AG, Paradeplatz 8, P.O. Box,
 8070 Zurich, Switzerland
 _Credit Suisse Life (Bermuda) Ltd., Argyle House,
 41A, Cedar Avenue, Hamilton HM 12, Bermuda
 _Credit Suisse (International) Holding AG,
 Bahnhofstrasse 17, 6300 Zug, Switzerland
 _Credit Suisse Investments (UK), One Cabot Square,
 London E14 40J, Great Britain
 _Credit Suisse Investment Holdings (UK),
 One Cabot Square, London E14 40J, Great Britain
 _Credit Suisse Securities (Europe) Limited,
 One Cabot Square, London E14 40J, Great Britain
 _Clariden Leu AG, Bahnhofstrasse 32,
 8001 Zurich, Switzerland
 as indirect holders of Credit Suisse Group AG, Brand-
 schenkestrasse 25, 8002 Zurich, Switzerland, reported

on 17 September 2010 acquisition and disposal
 items (5.42%, respectively 5.11% voting rights). On
 the balance sheet date, their voting interest was un-
 changed and there was no application for an entry of
 these registered shares with voting rights.
 _Please refer to [http://www.six-swiss-exchange.com/
 shares/companies/major_shareholders_en.html](http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html) for de-
 tailed information.
 _No other shareholder has reached the 3% threshold of
 registered shares.

STRUCTURE OF THE GALENICA GROUP 2011



STRUCTURE OF THE SHARE CAPITAL

Share capital

_On 31 December 2010, Galenica had fully paid-up share capital of CHF 650,000, divided into 6,500,000 publicly listed registered shares with a par value of CHF 0.10 each.

_Galenica's shares (securities no. 1553646) are listed on the Swiss Exchange (SIX). As of 31 December 2010 6,480,263 registered shares (without treasury shares) were outstanding. The market capitalisation amounted to CHF 3,661,348,595.

Authorised capital

_According to Article 3a of the articles of incorporation, the Board of Directors is authorised to increase the share capital of CHF 650,000 by a maximum of CHF 65,000 at any time up to and including 5 May 2012 by issuing no more than 650,000 fully paid-up registered shares.

Conditional capital

_Galenica has no conditional capital.

Changes in the capital

_The share capital has remained unchanged since the capital repayment approved by shareholders at the General Meeting on 19 May 2005. This par value repayment, which amounted to CHF 3.90 per share, reduced the share capital from the original amount of CHF 26.0 million to the current total of CHF 650,000. Further information about changes in the share capital, reserves and distributable profit over the past three years can be found on page 152. Please see past Annual Reports for information concerning prior years.

Participation certificates

_Galenica has no participation certificates.

Dividend certificates

_Galenica has not issued any dividend certificates.

Registration of shareholders and limitations upon transferability

_Any application for registration of shareholders in the shareholders' register may be refused by the Board of Directors within 20 days. The Board shall refuse to recognise a share purchaser as a shareholder or usufructuary with voting rights for any shares which, when added to shares already registered as voting shares in the purchaser's name, would give the purchaser more than 5% of all shares carrying voting rights.

_Legal entities and partnerships, other groups of persons or joint owners who are interrelated through capital ownership, voting rights, common management or are otherwise linked, as well as individuals or legal entities or partnerships that act in concert to circumvent this provision shall be treated as one single entity.

_The Board of Directors may refuse registration in the shareholders' register if purchasers do not declare explicitly, upon request, that they have acquired the shares in their own name and for their own account. The Board of Directors is also authorised, after hearing the individuals concerned, to cancel any entries in the shareholders' register that were obtained on the basis of incorrect information.

_The articles of incorporation allow the Board of Directors to approve exceptions to the foregoing registration restrictions in order to permit the participation of strategic partners of Galenica Ltd., in an amount not exceeding 20% of the share capital entered in the commercial register. The Board has already exercised this right in connection with its strategic partner Alliance Boots Group Limited, which belongs to the Alliance Boots Group.

_For the purpose of grandfather rights, the articles of incorporation allow the pension funds of the companies in the Galenica Group to be recorded as shareholders with voting rights in an amount not exceeding 10% of all shares with voting rights.

Registration of nominees

_A nominee may be registered with voting rights up to a limit of 2% of the share capital entered in the commercial register. Shares in excess of this limit can only be registered if the nominee in question discloses the name, address and number of shares of the person for whose account the nominee holds 0.5% or more of the share capital entered in the commercial register. In financial year 2010, signed agreements of this nature with Galenica existed in the case of two shareholders.

Convertible bonds/options

_Galenica has no outstanding convertible bonds, nor has it issued any traded options.

THE BOARD OF DIRECTORS

_With regard to the composition of the Board of Directors, care is taken to ensure that each area of the Galenica Group's activities is represented by at least one member, if possible, and that the necessary specialised expertise is also available. The Board of Directors commissions a review of its functional effectiveness, generally once every two years, with the assistance of an external consultant. Such a review was conducted in 2009 by Professor Ernst Brugger of the University of Zurich, a recognised specialist in corporate governance.

_With the exception of Etienne Jornod, who as Chairman also serves as Chief Executive Officer, none of the members of the Board of Directors was actively involved in the operations of Galenica or any of the companies in the Group during the year under review or at any time during the previous three years.

_Disclosure of potential conflicts of interest: No member of Galenica's Board of Directors has any significant relations with Galenica or any of its subsidiaries. Stefano Pessina represents Alliance Boots Group Limited (Alliance Boots Group), which is Galenica's largest shareholder.

Election and term of office

_The Board of Directors is elected by the General Meeting. The Board consists of a minimum of five and a maximum of twelve members, and the term of office of each member is usually three years. Members may be re-elected, and terms of office are staggered. The articles of incorporation do not stipulate a limit regarding terms of office. Elections are held separately for each Board member being elected, at which time the term of office is also determined. The Board of Directors is of the opinion that the three-year term of office is advantageous for the company from the standpoint of Board members' familiarity with the company, commitment and independence.

Internal organisation

_The Board of Directors has the duties assigned to it by law (Art. 716a of the Swiss Code of Obligations) and by Art. 16 of the articles of incorporation.

_Decisions are made by the entire Board of Directors. The Board may assign the preparation and implementation of its decisions or the supervision of certain businesses to individual members or to committees (Art. 19 of the articles of incorporation).

_The main duties of the Board of Directors pursuant to the Swiss Code of Obligations and the articles of incorporation are the following non-delegable and inalienable duties:

- _the overall management of the company and the issuing of necessary directives;
- _the determination of the organisational structure;
- _the organisation of the accounting system, financial planning and financial controlling;
- _the appointment and removal of the persons entrusted with the management and representation of the company;
- _the ultimate supervision of the persons entrusted with the management of the company, specifically with regard to their compliance with the law, the articles of incorporation, regulations and directives;
- _the preparation of the Annual Report, preparations for the General Meeting, and implementation of its resolutions;
- _notification of the judge in the event of over-indebtedness.

_The Board of Directors may pass binding resolutions for the company with respect to all matters that are not expressly reserved to the authority of the General Meeting either by law or the articles of incorporation.

_The agendas for Board meetings are drawn up by the Chairman of the Board. Any member of the Board may propose, in writing, items to be included on the agenda. The members of the Board shall receive the documentation they need to prepare for items on the agenda in good time, normally at least ten days before the meeting in question.

_In 2010, the Board of Directors held seven meetings. In addition to meetings and the associated flow of information (documentation on individual agenda items, reports), the Board of Directors is also informed on a regular basis regarding the Group's activities and challenges as well as the current state and general development of the business sectors. Furthermore, the Board of Directors is often consulted in its role as advisory body. The Corporate Executive Committee usually participates in at least part of every meeting, to report on ongoing business and to discuss the documentation in view of decisions to be taken. External advisors are consulted as needed on individual matters.

Committees

_The Board of Directors has four standing committees. Each committee has a written job description that defines its duties and responsibilities. The Chairman and members of the Board Committees are elected by the entire Board of Directors and meet as often as business



Members of the Board of Directors

Etienne Jornod, Chairman and CEO

since 1996, elected until 2011
 _born in 1953, Swiss citizen
 _lic.oec., HEC University of Lausanne/Senior Executive Program, Stanford University (USA)
 _joined the Group in 1975 as a Junior Product Manager, left the Group in 1978, returned in 1981 (after obtaining a university degree) as an assistant to the Corporate Executive Committee, joined the Corporate Executive Committee in 1989, Chairman of the Board of Directors and CEO of Galenica Ltd. since 1996
 _member of the Board of Directors: Alliance Boots

Dr. Paul Fasel, Vice Chairman and Lead Director

since 1997, elected until 2012
 _born in 1944, Swiss citizen
 _Pharmacist, Dr. pharm., University of Bern
 _member of the Board of Directors:
 Unione Farmaceutica Distribuzione SA, Lugano

Daniela Bosshardt-Hengartner

since 2008, elected until 2012
 _born in 1972, Swiss citizen
 _Pharmacist, Federal Diploma in Pharmacy, Federal Institute of Technology Zurich
 _financial analyst at Bank am Bellevue (1998–2002) and M2 Capital (2003–2004)
 _management consultant in the Pharma, Medicinal, Technology and Biotechnology sectors since 2004
 _member of the Board of Directors of Nobel Biocare Management AG, Zurich

Kurt W. Briner

since 2004, elected until 2013
 _born in 1944, Swiss citizen
 _School of Commerce Basle/Lausanne
 _formerly CEO of Sanofi Pharma (1988–1998)

Prof. Dr. Michel Burnier

since 2010, elected until 2013
 _born in 1953, Swiss citizen
 _Swiss-registered Doctor of Internal Medicine and Nephrology
 _University Lecturer, University of Lausanne
 _formerly a member of the Medicines Committee of the Swiss Association of Pharmacists (until 2001), the Board of Swissmedic (2002–2010) and the Board of Directors of Speedel Holding Ltd. (2007–2009)
 _member of the following international organisations:
 Swiss Society of Nephrology (President), Scientific Council of the European Society of Hypertension (Treasurer) and Swiss Society of Hypertension (Vice-President)

Dr. Hans Peter Frick

since 2010, elected until 2013
 _born in 1946, Swiss citizen
 _Doctor of Law, LL.M., University of Zurich, postgraduate University of Alberta, Edmonton, Canada, studies in business management at the International Management Institute (IMI), Geneva
 _legal counsel at Hewlett Packard, EMEA in Geneva (1975–1987)
 _Deputy General Secretary and Chief Executive of the Association of International Bond Dealers (AIBD) in Zurich and London (1987–1989)
 _joined Nestlé in 1990, since 1992 Group General Counsel
 _member of the Client Advisory Council of LEX Mundi and of the Board of Directors of the International Institute for Conflict Prevention & Resolution (CPR), New York

Stefano Pessina

since 2000, elected until 2012
 _born in 1941, Italian citizen
 _nuclear engineering degree, Milan Polytechnic
 _former management consultant, active in various pharmaceutical distribution companies since 1976, became Deputy Chairman in 1997, between 2001 and 2006 CEO of Alliance UniChem Plc, Weybridge (UK), and from 2006 Executive Chairman of Alliance Boots, London (UK)

This E. Schneider

since 2004, elected until 2013
 _born in 1952, Swiss citizen
 _lic.oec. HSG, University of St. Gallen/Graduate School of Business, Stanford (USA)
 _previously held various managerial positions in fund management and retail in Europe and in the USA, at SAFAA (1991–1993), Valora (1994–1997) and Selecta Group (1997–2002); became CEO of Forbo International Ltd., Baar (Switzerland) in 2004
 _member of the Board of Directors: Forbo Holding Ltd., Baar, (Delegate of the Board of Directors), Selecta AG, Muntelier (Chairman of the Board of Directors), Rieter Holding AG, Winterthur (Vice-Chairman of the Board of Directors)

_Carl M. Meyer, who was a member of the Board of Directors since 1995, stood down at the General Meeting on 6 May 2010 having reached the age limit. Galenica would like to thank him for the competent services he rendered to the Galenica Group during his period of office and wishes him all the very best for his retirement.

The Board of Directors
 _Standing from the left: Hans Peter Frick, Paul Fasel, Etienne Jornod, Stefano Pessina
 _Seated from the left: Kurt W. Briner, This E. Schneider, Daniela Bosshardt-Hengartner, Michel Burnier

requires. They draw up their own agendas and keep minutes of meetings. Except for the Compensation and Nomination Committee, the committees have no decision-making authority of their own. Decisions are always made by the entire Board of Directors. The committees review and give recommendations on all businesses over which the Board of Directors has decision-making authority.

_Financial Committee

_Members: This E. Schneider (Chairman), Paul Fasel, Etienne Jornod

_Duties and responsibilities:

_assess the financial structure, the development of investments and acquisitions, and the influence of currency fluctuations and measures to be taken;

_monitor the Group’s financial situation and financial controls;

_receive regular information from the Corporate Executive Committee concerning major changes that could affect the Group’s financial situation.

_In the year under review, the Financial Committee focused on its usual tasks in accordance with its written job description, in addition to the following main topics:

_The longer-term financial plans produced by the Group, particularly with a view to expanding international pharmaceutical activities, significantly increased research and development activities and their short and medium-term impact on the Group’s earnings situation, were discussed at length.

_As a result of changing conditions in the Swiss healthcare market and their impact on pharmacies, the criteria for new pharmacy openings and acquisitions were discussed in detail and adjusted where necessary.

_Thanks to the strong growth of Sun Store and OM Pharma, the covenants gained significance. The Financial Committee is confident that their monitoring is effective and complied with at all times.

_The Financial Committee addressed the refinancing of debt by means of a bond. In an attractive capital market environment, Galenica was able to secure long-term financing at attractive rates.

_As a result of the volatile currency markets, opportunities and limits for hedging currency effects were proposed and discussed.

_The Financial Committee held four meetings over the year under review and communicated personal assessments by telephone.

_Audit Committee

_Members: Hans Peter Frick (Chairman), This E. Schneider, Daniela Bosshardt-Hengartner

_Duties and responsibilities:

_verify compliance with internal and external regulations by carrying out random checks;

_review, evaluate and submit its nomination for external auditor to the Board of Directors for the General Meeting;

_define internal and external audit programmes;

_analyse at least once a year the scope of internal controls, the auditing projects and processes affected, the results of internal audits and the implementation of recommendations by the Corporate Executive Committee;

_review, together with external auditors, the Group’s compliance with accounting rules and standards;

_assess the organisation of risk management;

_review, together with external auditors, the risks that could affect the Group’s result and the measures planned for reducing those risks.

Members of the Board of Directors and the Board Committees

	Board member since	Elected until	Financial Committee	Audit Committee	Compensation and Nomination Committee	Strategy and Organisation Committee
Etienne Jornod	1996	2011	Member			Chairman
Paul Fasel	1997	2012	Member		Chairman	Member
Daniela Bosshardt-Hengartner	2008	2012		Member		
Kurt W. Briner	2004	2013			Member	Member
Michel Burnier	2010	2013				
Carl M. Meyer ¹⁾	1995	2010	Chairman	Member		
Hans Peter Frick	2010	2013		Chairman		
Stefano Pessina	2000	2012				
This E. Schneider	2004	2013	Chairman	Member	Member	
Number of meetings 2010			4	2	5	6

¹⁾ Left on 6 May 2010

_The Audit Committee discussed the findings of the external auditors Ernst&Young with regard to the annual financial statements for 2009 with those responsible and noted with satisfaction that the internal controls satisfy the legal requirements and that the audit rated the coverage of business activities as very good.

_The status report on the correction of faults from Ernst&Young's 2009 audit of the Group and the individual businesses was discussed with those responsible and the corrective measures that were introduced were recognised.

_The compensation reports were also reviewed in view of the main areas of focus defined by SIX for 2010.

_The successful implementation of the measures initiated by management was checked and confirmed by the Audit Committee.

_As a result of the governance structure that came into effect on 11 March 2010, reporting to the Board of Directors has been concentrated at Group level and therefore simplified.

_The Group's growth through the acquisition of Sun Store and OM Pharma requires more comprehensive controls, for which the Committee has approved the necessary funds.

_Topics for the internal audit for the period 2011 until 2013 were discussed by the Committee with those responsible, particularly future audits in foreign subsidiaries, and the main areas of focus were approved.

_In particular, the initiatives and the understanding to introduce model processes (standard operating procedures or SOPs), as developed by Vifor Pharma, and the option to introduce such processes for certain functional activities (e.g. purchasing) throughout the Group as well, were appreciated.

_In the area of IT security, new directives for dealing with social media sites were issued.

_The assigned tasks were dealt with in two meetings, which are normally also attended by the Chairman of the Board of Directors, the CFO and other members of the Corporate Executive Committee as required, each in an advisory capacity.

_Compensation and Nomination Committee

_Members: Paul Fasel (Chairman), Kurt W. Briner, This E. Schneider

_Duties and responsibilities:

_propose a compensation strategy for the Corporate Executive Committee to the Board of Directors;

_propose to the Board of Directors the salaries and compensation for the members of the Board of Directors and the Committee;

_decide on the compensation for the Corporate Executive Committee and the CEO and report on this decision to the Board of Directors;

_propose nominations for positions on Galenica's Board of Directors and on the boards of Group companies.

_At the first meeting, the definitive compensation for senior management was approved, and the salaries for the Board of Directors were discussed and submitted to the Board of Directors.

_Key topics included evaluation of and preparation for the appointment of the new Group CEO.

_Two new members were put forward for election to the Board of Directors. The composition of the Board's committees was adjusted.

_A newly formed group of members of the Board of Directors which also acts as the Board of Directors of OM Pharma, has supported the integration of this company and will enable an in-depth preparation of certain topics relating to the business sector Pharma in future.

_The organisation of the Boards of Directors of foreign subsidiaries was discussed and delegated to the Corporate Executive Committee for implementation.

_For the purposes of good corporate governance, companies in the Health Division will no longer have external members serving on their Boards of Directors. These committees were changed into Advisory Boards. In order to manage the Health Division a new group was formed by members of the Board of Directors which also acts as the Board of Directors for the Retail business sector.

_The process for establishing objectives for the bonus and the long-term participation of members of senior management was discussed at several meetings and amended to meet the needs of the company's long-term development. A key component of the work dealt with the function of the executive Chairman, a role that is being created. In particular, the distribution and delimitation of competences and responsibilities between the executive Chairman and the CEO was prepared for submission to the Board of Directors and the next steps put in place.

_The half-year report of the Chairman and CEO was approved by the Board of Directors.

_An overhaul of the compensation system was commissioned with the objective of simplifying and optimally supporting the creation of long-term value.

_Two new members were proposed for election to the Corporate Executive Committee.

_At the last meeting, the expected remuneration for 2010 and the basic salaries for the Corporate Executive Committee for 2011 were established.

_The Compensation and Nomination Committee held five meetings in 2010.

_Strategy and Organisation Committee

_Members: Etienne Jornod (Chairman),
Paul Fasel, Kurt W. Briner

_Duties and responsibilities:

_evaluate the structure and the organisation of the Group and its individual companies at the level of the Board of Directors, the Board's committees, the Corporate Executive Committee and the senior management;

_evaluate acquisition proposals with regard to conformity to strategy and tactical procedures.

_The Chairman and CEO regularly presents his ideas to this Committee with the goal of improving the Group's efficiency or modifying certain structures to promote growth. In view of the fact that Galenica has changed fundamentally over the last few years, special attention is paid to the alignment of know-how with the Group's new position in the industry, particularly in the business sectors Pharma, HealthCare Information and Retail.

_2010 was characterised by preparations for major strategic projects, notably the creation of the common company Vifor Fresenius Medical Care Renal Pharma. This took up a great deal of the Chairman and CEO's time and he regularly shared his thoughts with the Committee. In parallel, the Committee dealt with updating the Group strategy which, despite remaining fundamentally unchanged for 15 years, is subject to continual review, based on trends in international markets in particular. The specific characteristics of the Swiss market, in which the Group has more than 6,000 employees and where the main production sites are located, were also the focus of in-depth study.

_The appropriateness of the strategy and the means used to implement it require regular adjustment of resources, particularly at management level. The need to call increasingly on the services of managers with international and specifically pharmaceutical expertise has thus become vital. The first strategic measure in this regard was the acquisition of the Canadian company Aspreva in 2008, which enabled the integration of some 100 very

high-level managers in one step. The Committee followed this move closely, defining general rules of engagement and meeting over 30 managers during specific sessions. It was thus able to ensure excellent work was performed in terms of recruitment and the development of the Group culture within the meaning defined by the Board and as elaborated by the Committee.

_The question of how to bring the Corporate Executive Committee closer to the management of Logistics and Retail was also the focus of intense discussions and resulted in a very satisfactory outcome with the integration of the Heads of the two business sectors into the Corporate Executive Committee.

_The Strategy and Organisation Committee was also instrumental in defining the future role of Etienne Jornod. Following unanimous intervention by the Board of Directors, Etienne Jornod agreed to keep an operational role within his function as Chairman of the Board of Directors. As Executive Chairman, he will carry on certain operational functions as defined in the profile presented in this report (see page 58). The Committee also held discussions with major shareholders and representatives of shareholders in Galenica on this matter. The solution chosen will enable the strategic and operational drive that has characterised Galenica for more than 15 years to be maintained.

_As part of this task, the Committee interviewed various candidates for CEO and made its choice, leading to a formal proposal that was unanimously accepted by the Board of Directors. At the suggestion of the Committee, the Board decided to give David Ebsworth the time necessary until the end of 2011 to perfect his knowledge of the Swiss market and the specific characteristics which give the Group its unique position in this market. He will assume operational responsibility from 1 January 2012, based on a budget which he will have drawn up himself for all of the Group's business sectors.

_The Committee held six meetings in 2010. In addition, a number of informal meetings for sharing information were held both in Switzerland and abroad.

Splitting of the dual mandate of Chairman of the Board of Directors and CEO between two Group executives

_As early as 2008 the Board of Directors decided, at the suggestion of Etienne Jornod, to separate the dual function of the Chairman of the Board of Directors and the CEO in 2011. After 15 years successfully managing the Galenica Group in this dual function, Etienne Jornod informed the Board of Directors that he will resign from the position of CEO effective 31 December 2011.

_Thereafter, Etienne Jornod will take on the role of Executive Chairman of the Board of Directors with clearly defined operational functions. The new CEO, David Ebsworth, will assume operational management of the company. David Ebsworth is a leader with international experience and wide-ranging knowledge of all aspects of the pharma business and important international pharma markets.

_The Board of Directors is convinced that, in light of the Galenica Group's strong momentum and increasing internationalisation, these changes are of great importance for the future of the company. They will ensure continuity and, at the same time, generate additional management capacity, especially for the operational business. They are a continuation of the Galenica Group's strong corporate culture and will also create stability, growth and a diverse range of opportunities for employees.

Role of the Executive Chairman of the Board of Directors

_As Executive Chairman, Etienne Jornod (b. 1953) will retain responsibility for leading the Board of Directors, the ongoing strategic development of the Group, alliances and acquisitions, the positioning of the Group, communications and stakeholder relations. In particular, he will continue to play his executive role in important strategic Boards of the Galenica Group, such as Chairman of the Board of Directors of Vifor Fresenius Medical Care Renal Pharma and member of the Board of Directors of Coop Vitality, as well as member of the Board of Directors of Alliance Boots, associated with Galenica by a strategic partnership since 1999. Moreover, he will continue to ensure, maintain and further develop the relations with strategic partners, key shareholders and stakeholders.

_The Executive Chairman will also have overall responsibility for the Group's corporate culture, a competitive factor that is becoming increasingly important in the labour market. With this in mind, he will continue to shape the Galenica Group's HR policy and communications. The Executive Chairman will also be very closely involved in the achievement of key strategic projects. Our strategy is to preserve and build on the Swiss heritage of the Galenica Group. Approximately 6,000 of the 6,500 Galenica employees are based in Switzerland.

Role of the CEO and management of the Group Corporate Executive Committee

_The new CEO will be responsible for the operational management of all of the Group's business sectors, for preparing budgets and ensuring that they are met as well as for developing relationships with customers, suppliers and authorities. He will lead the Corporate Executive Committee whilst working closely with the Executive Chairman on key decisions.

_The CEO will be responsible for the Group's operational management and the financial results. As described above, the CEO's responsibilities will be coordinated with those of the Executive Chairman. The CEO will be primarily responsible for the operational management of the Group and the Corporate Executive Committee and for performance management of the individual members of the Corporate Executive Committee.

_The CEO will report directly to the Executive Chairman, who in turn will inform the Board of Directors and submit transactions of strategic, HR-related and financial importance for consultation and decision-making.

The success of Galenica depends on the operational implementation of its strategy

_The Board of Directors is convinced that the success of Galenica depends on how well the strategic decisions made in recent years and confirmed by the Board of Directors in 2010 are implemented. This strategy is a continuation of 15 years of ongoing transformation from a Swiss wholesaler to a diversified, internationally active Group. With the international launch of Ferinject® that is currently underway, the preparations for the registration of Injectafer® in the US and PA21 worldwide, as well as with the creation of Vifor Fresenius Medical Care Renal Pharma, Galenica entered into an extremely important implementation phase. The success of these product launches will be decisive for the future of the Galenica Group. For these reasons, it is important that the new CEO brings extensive experience of the international pharma industry. Dr. David Ebsworth fits this profile perfectly.

David Ebsworth

_David Ebsworth (b. 1954) was educated in Germany, Singapore and England. In addition to serving in the Royal Engineers with the British Territorial Army, where he attained the rank of Lieutenant, he also completed a degree in chemistry and German at the University of Surrey in Guildford, England, as well as a PhD in International Relations.

_David Ebsworth began his career in 1980 at Pfizer in Germany. Three years later he moved to the Pharma Division of Bayer AG. Between 1987 and 1989 he worked as General Manager Pharmaceuticals for Bayer in Toronto (Canada), where he launched numerous products and was also responsible for the integration of the biologicals business. After returning to Germany in 1989, he set milestones for the lifecycle planning of, Adalat, a key Bayer product. He was then promoted to Executive Vice President responsible for Global Marketing & Business Operations, where his achievements included preparing to enter the Chinese market and developing a generics strategy. David Ebsworth then moved to the US where he became President of the Pharmaceutical Division North America. In 2000, he was appointed President and General Manager of the Global Pharmaceutical Division at the Bayer headquarters in Leverkusen (Germany), where he was responsible for sales of EUR 6 billion and managed all functions.

_In 2002, David Ebsworth was appointed CEO of Oxford Glycosciences, a biotechnology company that was listed on the London Stock Exchange and the Nasdaq, and was successfully sold to Celltech. He was also a member of or chaired a number of boards at start-up biotech companies and pharmaceutical service providers in the UK, Germany and Eastern Europe, such as Chairman of the Japanese company Atani Ltd. and the Romanian business A&D Pharma Holdings, a company that operates as a pharmaceutical wholesaler and has its own chain of pharmacies.

_In 2009, David Ebsworth was appointed a member of the Galenica Group's Corporate Executive Committee, Head of the Pharma Division and CEO of Vifor Pharma.

Risk-conscious and entrepreneurial compensation concept for the Executive Chairman of the Board of Directors – an act of faith in the company's strategy and employees

_The Board of Directors of the Galenica Group and Etienne Jornod have devised a new compensation system for the future Executive Chairman of the Board of Directors. The Board of Directors together with Etienne Jornod unanimously agreed on a new, risk-based system. This demonstrates that Etienne Jornod identifies very closely with shareholders and proves his confidence in the Group's strategy and management.

_In 2012, Etienne Jornod will receive a one-off remuneration for his duties until 2017 in the form of Galenica shares, which will be blocked for the entire term of contract. Etienne Jornod is thus demonstrating his willingness to share all corporate risks, and this at a time when the Galenica share had one of the best developments on the Swiss Exchange in 2010. It also proves his confidence in the long-term strategy that he played a major role in developing over the last 15 years, and in the new Corporate Executive Committee, which will manage the Galenica Group from 2012 onwards and whose members will provide the best possible conditions to ensure the Group's long-term success.

_The agreement covers a period from 1 January 2012 until 1 January 2017. To make up for the lack of periodic compensation over five years (salary, bonuses, options, etc.), the Executive Chairman of the Board of Directors will receive shares at February 2011 market price as well as an amount of CHF 150,000 per year, which is used for the settlement of the employees' contributions to social security. The value of the shares correspond to an annual taxable income of an average of about CHF 3.4 million. The shares will be blocked for the term of the agreement and consequently cannot be sold before the expiry of the contract.

_By making this commitment, Etienne Jornod is sharing all of the Group's strategic and operational risks, and his interests are fully aligned with the interests of shareholders. Thereby, the Executive Chairman of the Board of Directors also aims to send a clear signal to the Corporate Executive Committee and all employees, expressing his trust and solidarity.

_The Board of Directors is confident that this long-term orientation perfectly echoes the strategy of the Galenica Group, which is aimed at generating sustainable growth even during temporary periods of difficulty and price fluctuations.

The Corporate Executive Committee

_From left to right: Jean-Claude Clémenton, Felix Burkhard, Gianni Zampieri, David Ebsworth, Etienne Jornod, Fritz Hirsbrunner, Jörg Kneubühler, Philippe Weigerstorfer

Lead Director

_One of Paul Fasel's responsibilities as Lead Director is to ensure that correct procedure is followed when evaluating the performance of the Chairman and CEO. Dr. Fasel also chairs the Board of Directors whenever the Chairman abstains. In fact, it is normal procedure at Board of Directors' meetings for the members to hold discussions without the Chairman being present. The Chairman leaves the meeting for this purpose and the Lead Director takes the Chair in his absence. This happened twice in 2010. This enables the Board to discuss business freely and openly without being subject to the Chairman's direct influence. It also primarily ensures an even-handed management structure that is subject to a system of checks and balances.

Management contracts

_No management contracts exist as specified under point 4.3 of the SIX Directive on Information Relating to Corporate Governance.

Conduct of business

_The instructions and resolutions of the Board of Directors are implemented by the Corporate Executive Committee (CEC). The Board sets appropriate objectives for the CEC, gives targets for the budget and continually monitors compliance with them. Monitoring is based on monthly reports to the Board, which include relevant figures and reporting on important events and developments, and on the planning cycle. In the first quarter the results for the previous year are compared with the budget for that year. In the second quarter the current financial year is evaluated by means of a «latest estimation 1», and a medium-term plan for the next three years is drawn up. In the third quarter the results for the first half-year are prepared and reviewed, and in the fourth quarter the expected annual result «latest estimation 2» is determined and the budget for the following year drawn up.

_The Board of Directors maintains close contact with members of the CEC and invites them to attend its meetings when certain items are to be discussed. At each meeting, the members of the CEC are also invited to report on their respective business sectors and to discuss important business matters with the Board. Other members of senior or executive management of companies within the Group are also regularly invited to report on their activities or present their projects.

THE CORPORATE EXECUTIVE COMMITTEE

Rights and duties

_The Corporate Executive Committee manages the Group and its companies according to the instructions of the Board of Directors and on the basis of medium-term planning, annual objectives, the organisational structure and the budget.

COMPENSATION, PROFIT-SHARING AND LOANS

Basis for evaluation

Salary policy and long-term Group strategy (stakeholder value)

_Now that the Board of Directors has drawn up a sustainable, long-term development policy, compensation is in line with the strategic aims defined by the Board of Directors. It also takes into account the fact that under certain conditions economic success may only be achieved over the long term. Since other parameters of the Group's long-term development strategy are also taken into account, short-term profits do not have a corresponding effect on compensation. The company therefore does not pay any compensation in the form of traded options. Board members, members of the Corporate Executive Committee and members of the senior management all share in the Group's profit in the form of shares. Independently of their compensation, under the terms of the share acquisition plan for employees, employees are entitled annually to acquire a number of shares determined according to the regulations (more information on pages 105, 137 and 138).

Compensation system

_Compensation consists of a basic salary and, in the case of members of the Corporate Executive Committee and senior management, a bonus. The bonus system allows members of the Corporate Executive Committee (CEC) to participate in the profits of the Group and senior management (MDI) to participate in the profits of the Group and of the business sector. In addition, the attainment of personal targets is also rewarded. Moreover, a long-term remuneration is attributed to the members of the Corporate Executive Committee and certain members of senior management.

_The purpose of the bonus system is to ensure that members of senior management act and make decisions in such a way as to support the achievement of targets at all



Members of the Corporate Executive Committee

Etienne Jornod, CEO

_born in 1953, Swiss citizen
 _lic. oec., HEC University of Lausanne/Senior Executive Program, Stanford University (USA)
 _joined the Group in 1975 as a Junior Product Manager, left the Group in 1978, returned in 1981 (after obtaining a university degree) as an assistant to the Corporate Executive Committee, joined the Corporate Executive Committee in 1989, Chairman of the Board of Directors and CEO of Galenica Ltd. since 1996
 _member of the Board of Directors: Alliance Boots

Fritz Hirsbrunner, Deputy CEO and CFO, Head of the Finance and Corporate Services Division

_born in 1949, Swiss citizen
 _lic. oec., HEC University of Lausanne/Senior Executive Program, IMD, Lausanne
 _joined the Group in 1977 as an assistant to the Corporate Executive Committee, joined the Corporate Executive Committee in 1992
 _member of the Board of Directors: Berlac Ltd, Sissach, and IVF Hartmann Holding Ltd., Neuhausen (Switzerland)
 _member of the foundation board of «IST Investmentstiftung für Personalvorsorge», Zurich

Felix Burkhard, Head of Business Sector Retail

_born 1966, Swiss citizen
 _lic. oec., University of St. Gallen (HSG), and Swiss certified accountant
 _Financial Auditor at Revisuisse PriceWaterhouse, Bern and Head of Finance and Controlling at Amidro, Biel-Bienne before joining the Group
 _joined the Group in 1996 as Corporate Controller, Deputy Head of Retail from 2000; in addition, Head of the Amavita pharmacy chain from 2008; Head of Retail and member of the Corporate Executive Committee since 2010

Jean-Claude Cléménçon, Head of Business Sector Logistics and Responsible for HealthCare Information

_born 1962, Swiss citizen
 _degree in Logistics, sfb Technical College, Zurich
 _Program for Executive Development (PED), IMD, Lausanne
 _before joining the Group he was Head of Manufacturing at Rheintub Ltd., Rheinsulz and CEO of Raintec GmbH, Dogern (Germany)
 _joined the Group in 1995 as Operations Manager Galaxis Zurich; Head of Schönbühl Distribution Centre from 1999; Head of Galaxis from 2002; Head of Logistics since 2005; in addition, Head of HealthCare Information and member of the Corporate Executive Committee since 2010
 _member of administration of Helvecura cooperative society, Bern

Dr. David R. Ebsworth, Head of the Pharma Division, CEO of Vifor Pharma

_born in 1954, British citizen
 _BSc in Chemistry and German, PhD in Comparative Industrial Relations, University of Surrey (England)
 _worked from 1980 as a Product Manager at Pfizer, Germany, held various management positions at Bayer AG in Germany, Canada and the USA between 1983 and 2001, became CEO of Oxford Glycosciences UK Ltd. in 2002, then from 2003 held positions as a consultant while being a member of or chairing the Board of Directors of several companies in Germany, England and Eastern Europe
 _joined the Galenica Group in 2009 as a member of the Corporate Executive Committee, Head of the Pharma Division and CEO of Vifor Pharma
 _member of the Board of Directors: Intercell AG, Austria

Dr. Jörg Kneubühler, Head of Corporate Finance and Controlling

_born in 1960, Swiss citizen
 _Dr. rer. pol., University of Bern
 _held various positions in finance at the Swatch Group before joining the Group
 _joined the Group in 2002 as Head of Finance and Administration at Vifor Pharma; Head of Controlling for the Galenica Group from 2006; Head of Corporate Finance and Controlling for the Galenica Group and member of the Corporate Executive Committee since 2009

Philippe Weigerstorfer, Head of the Corporate Development Division

_born in 1959, Swiss citizen
 _lic. rer. pol., University of Basle
 _before joining the Group, held various positions in marketing at Sandoz Switzerland and worked from 1996 at the Sandoz/Novartis headquarters in Basle as Therapeutic Area Head in Corporate Marketing in various areas including Dermatology
 _joined the Group in 1999, member of the Corporate Executive Committee since 2000

Dr. Gianni Zampieri, Head of Industrial Operations at Vifor Pharma, Head of OM Pharma

_born in 1956, Swiss citizen
 _Dr. sc.nat., NDS BWI, Federal Institute of Technology, Zurich/Senior Executive Program, Stanford University (USA)
 _held positions at Roche and Novartis (Strategic Planning) before joining the Group
 _joined the Group in 1996, became CEO of Vifor (International) in 1997, Head of Industrial Operations at Vifor Pharma from 2008, member of the Corporate Executive Committee since 2002

_Philippe Milliet, who from 2004 was Head of the Health Division and a member of the Corporate Executive Committee, stepped down from these posts at the end of August 2010.

levels and thereby contribute to sustained good results for the Group as a whole, and the business sector and company to which they belong. This serves to harmonise the interests of shareholders with those of management and the Group. Through share participation, identification with the company is further enhanced.

_The compensation system does not include any particular malus provisions. Bonus as well as long-term remuneration (see below) depend on the achievement of the defined value growth (GEP) and on the changes in the share price. A poor performance inevitably has a negative impact on the total remuneration.

_The weighting of the individual components depends on the level of the position.

_The greater a member's direct influence on the result, the higher the weighting of the financial component of the target.

_The CEO and CFO have a decisive influence on the long-term development of the company and are responsible for setting the correct priorities and ensuring future value growth. In terms of the individual targets, focus is accordingly placed on key strategic decisions. The level of focus on the company's long-term development is taken into account when determining the CEO's and the CFO's remuneration, with not only annual objectives being considered but also the achievement of multi-annual goals.

_The annual bonus and variable long-term incentives represent two independent elements and are calculated and weighted separately.

Bonus calculation

_Determination of target bonus. At the beginning of the calculation period a figure will be determined to be paid out as a bonus in the event that the targets (100%) for all components are reached. This amount is called the target bonus.

_The target bonus is set annually as an absolute amount.

_Once the annual result is known the bonus for members of senior management is then calculated on the basis of the quantitative parameters. The extent to which individual personal targets have been achieved is determined by the direct line manager, who subsequently submits a corresponding recommendation to the relevant management. Final approval and determination of the bonus to be paid out will be made by the Corporate Executive Committee.

_For members of the Corporate Executive Committee the Compensation and Nomination Committee is responsible for determining the target bonus and for the evaluation of individual target achievement.

Shares held by the Board of Directors and the Corporate Executive Committee

	Shares held as of 31.12.2010	Individual share retention plan for the Corporate Executive Committee shares held by Galenica Ltd. until expiry date	Expiry date
Board of Directors			
Etienne Jornod, Chairman and CEO	11,169	8,750	2012
Paul Fasel	5,571	—	—
Daniela Bosshardt-Hengartner	799	—	—
Kurt W. Briner	1,868	—	—
Michel Burnier	—	—	—
Hans Peter Frick	—	—	—
Stefano Pessina	814	—	—
This E. Schneider	2,037	—	—
Corporate Executive Committee excluding the Chairman and CEO			
Felix Burkhard	970	375	2012
Jean-Claude Clémenton	669	—	—
David Ebsworth	166	—	—
Fritz Hirsbrunner	5,997	2,500	2011
Jörg Kneubühler	1,046	500	2012
Philippe Weigerstorfer	3,453	250	2012
Gianni Zampieri	2,568	1,250	2012

_Determination of targets. Targets are set at the beginning of the calculation period.

_Group financial components: An increase in the Galenica Economic Profit (GEP) for the Group is set as a target figure. This figure is determined by the Corporate Executive Committee and the Board of Directors.

_Business sector financial components: An increase in the Galenica Economic Profit (GEP) for the business sector is set as a target figure. This figure is determined by the Corporate Executive Committee and the Board of Directors.

_Individual components with personal targets: These are agreed on with the direct line manager. Individual targets can be of both a quantitative and qualitative nature.

_For the members of the Corporate Executive Committee the weighting of the individual components is determined by the Compensation and Nomination Committee. Targets include both quantitative and qualitative elements.

Maximum bonus

_The proportionate maximum bonus, based on the financial components for the achievement of Group and business sector targets for amounts to 220% of the target bonus, and the proportionate maximum bonus for the individual components can rise to a maximum of 150% of the target bonus. Based on the corresponding weighting of the components, the total bonus is subject to an upper limit of 200% of the target bonus.

_Galenica Economic Profit. The Galenica Economic Profit (GEP) is a measure designed to take account of the principles of value-oriented management and is based on the understanding that in the interests of shareholders and other important stakeholder groups the Galenica Group will strive to achieve a long-term investment return which exceeds the weighted average cost of capital.

_Additional information on the subject of the capital management can be found in the Notes to the Consolidated Financial Statements on page 137.

_Payment of bonus. The payment of the bonus is made in the year following the publication of the full-year results. Dependent on the managerial position held either 16% or 32% of the bonus must be drawn in registered shares of Galenica Ltd.; the rest is paid out in cash. The shares are blocked for five years, during which time they cannot be sold, hence a discount is granted on the issue price.

_The issue price for the registered shares is calculated:

_for members of senior management (MDI) at the average stock market price of the month previous to the media conference held to present the financial

statements, less 25% discount; the shares are issued in the month following the media conference.

_for members of the Corporate Executive Board (CEC) at the average stock market price for the month of January in the year of payment of the bonus, less 25% discount.

Variable long-term incentives

_The Long-Term Incentive programme (LTI), the third compensation component, is designed to motivate entitled managers to ensure that their actions and decisions support the achievement of the medium and long-term value-based targets across all levels. With this instrument Galenica also seeks to harmonise the interests of management and the Group with the interests of shareholders, and to achieve sustained good results. In addition, the LTI programme aims to further strengthen commitment to Galenica and identification with the company.

_The LTI programme means that the bonus based on the achievement of annual targets is complemented by a variable incentive scheme geared to the long term. This is based on performance units. Performance units comprise an undertaking that upon achieving defined, long-term performance targets, a certain number of Galenica shares will be allocated to those entitled to them. The number of shares allocated is therefore dependent on the attainment of long-term performance targets. Performance units are virtual; this means that no real units are issued. The number of performance units allocated is dependent on the defined percentage of the basic annual salary as well as the effective share price at the time of allocation. The factors exerting an influence on the value of the LTI are the operating performance of the Galenica Group and the price performance of Galenica shares on the stock market. The bonus curve (0% of the number of performance units allocated) starts with the Galenica Economic Profit (GEP) at the time of the allocation of the performance units as the benchmark and is measured in terms of the achievement of targets in relation to the growth in value over the defined three-year period. The plan is limited to a maximum target attainment of 200%.

_Members of the Corporate Executive Committee (CEC) and certain members of senior management (MDI) participate in the LTI programme. Eligibility to participate in the LTI programme is decided by the Compensation and Nomination Committee for members of the Corporate Executive Committee, and by the Corporate Executive Committee for members of senior management. An LTI plan always runs for a calculation period of three years. At the beginning of each financial year a new LTI plan with a new three-year target and calculation period is issued. The first three-year plan is due for payment at the end of 2010:

_The following parameters are used for the calculation:
_defined share of the basic salary per participant;
share price at issue: (CHF 355.20); average share price 4th quarter 2010: (CHF 507.00); target achievement (110.5%).

_Variable compensation arising from the bonus and from the LTI plan paid out to entitled members of senior management and the Corporate Executive Committee amounted to between 70% and 240% of the fixed salary component.

Additional information on compensation and employment contracts

_Compensation for members of the Board of Directors. Members of the Board of Directors are also subject to considerations regarding long-term orientation in the calculation of their compensation. Correspondingly, members of the Board of Directors receive a large part of their compensation in the form of shares which are blocked for five years.

_Compensation of the Chairman and CEO, and the CFO. When calculating the remuneration of the Chairman and CEO, as well as the Deputy CEO and CFO, strategic and qualitative criteria to ensure the long-term development of the Group are particularly heavily weighted, as is the setting of targets; this is intended to reinforce the readiness to strengthen the strategic position of the Group, even if this means that over the short to medium term profits will not see an immediate improvement.

Annual compensation for 2010

Board of Directors

_The compensation for the members of the Board of Directors for 2010 is shown in the Notes to the Financial Statements of Galenica Ltd. (page 149).

_On 31 December 2010 the members of the Board of Directors together held 22,258 shares (see tables on pages 62 and 149 for details). The Chairman of the Board of Directors is required to hold shares in the company equal in total value to at least one year's salary.

Members of the Corporate Executive Committee

_The compensation for the members of the Corporate Executive Committee is shown in the Notes to the Financial Statements of Galenica Ltd. (page 150). After a period of five years, each member of the Corporate Execu-

tive Committee is required to hold shares in the company equal in value to at least 75% of his or her annual salary. The shares held by the members of the Corporate Executive Committee on 31 December 2010 are shown in the tables on pages 62 and 150.

Options

_Neither the members of the Board of Directors nor the members of the Corporate Executive Committee hold marketable options, nor did the Group make any loans to Board members or to members of the Corporate Executive Committee during the year under review.

Severance packages

_No severance packages or additional compensation of any kind were paid out in 2010 to the current or former members of the Board of Directors or the Corporate Executive Committee.

SHAREHOLDERS' RIGHTS TO PARTICIPATE

_The Annual General Meeting is held each year within six months after the close of the financial year. Extraordinary General Meetings are called as often as necessary by a decision of the General Meeting or Board of Directors, at the request of the auditors or at the written request of shareholders representing in the aggregate not less than 7% of the share capital entered in the commercial register.

_Each share registered in the shareholders' register as carrying voting rights entitles the holder to one vote at the General Meeting. Shareholders are also entitled to dividends and have the other rights pursuant to the Swiss Code of Obligations.

Voting restrictions and proxy voting

_The Board of Directors may refuse to recognise a share purchaser as a shareholder or usufructuary with voting rights for any shares which, when added to shares already registered as voting shares in the purchaser's name, would give the purchaser more than 5% of all shares carrying voting rights. See page 52 for further details.

_A shareholder may be represented at the General Meeting on the basis of a written power of attorney but only by another shareholder, the official company representative, the independent proxy or a depositary.

Procedure and conditions for lifting restrictions on voting rights

_In order for voting restrictions to be lifted, shareholders representing in the aggregate not less than 0.5% of the share capital entered in the commercial register would have to request that such an item be included on the agenda no later than 40 days before the General Meeting by providing a written statement of their reasons. The General Meeting must voice its approval based on the quorum, as defined by the articles of incorporation, of at least two-thirds of the votes represented and an absolute majority of the share par values represented.

Quorums under the articles of incorporation

_In addition to the cases cited in Art. 704 of the Swiss Code of Obligations, approval by at least two-thirds of the votes represented and the absolute majority of the share par values represented is required in the following cases:

_Art. 15c) of the articles of incorporation: a change in the provisions relating to restrictions on the transfer of registered shares.

_Art. 15d) of the articles of incorporation: conversion of registered shares into bearer shares and vice versa.

Convening the General Meeting

_The articles of incorporation do not differ from legal regulations with regard to the convening of the General Meeting and the setting of the agenda. The General Meeting is convened by the Board of Directors at least 20 days before the date of the meeting. The shareholders are invited to attend by a notice placed in official publications. The meeting may also be convened by sending a letter to all the registered shareholders at the addresses entered in the shareholders' register. The notice of a meeting shall state the items on the agenda and the proposals of the Board of Directors and of any shareholders who have requested that a General Meeting be convened or that a particular item be included on the agenda.

Inclusion of items on the agenda

_Shareholders representing in the aggregate not less than 0.5% of the share capital entered in the commercial register may request that an item be included on the agenda. They must submit such requests no later than 40 days before the scheduled date of the meeting by providing a written statement of their reasons.

Shareholders' register

_The shareholders' register is closed ten days before the General Meeting. No new shareholders are registered until the conclusion of this General Meeting.

GENERAL MEETING

General Meeting of 6 May 2010

_The General Meeting re-elected Kurt W. Briner and This E. Schneider for a further three-year period of office. Having reached the age limit, Carl M. Meyer stood down from the Board of Directors at the General Meeting. The General Meeting acknowledged the competent services he had rendered to the Galenica Group. Furthermore, two new members were elected to the Board of Directors for a three-year period of office: Michel Burnier from St. Léger and Hans Peter Frick from Rolle.

_In addition, it was decided to once again renew the authorisation of the Board of Directors to increase the authorised capital by an unchanged maximum amount of CHF 65,000 and to extend the period of authorisation until 5 May 2012.

_In view of various changes in the law, the General Meeting also elected to change various articles of incorporation.

_Furthermore, an advisory vote on the remuneration report was held again. This was accepted without discussion and also by a large majority.

General Meeting of 5 May 2011

_The Board of Directors proposes the re-election of Etienne Jornod for a further three-year period of office to the General Meeting.

_Furthermore, an advisory vote on the remuneration report will be held again this year.

Appropriation of available earnings for the year ending 31 December

Proposal of the Board of Directors in CHF	2010	2009
Profit		
Profit brought forward from previous year	1,036,710	3,598,768
Profit for the year	52,649,545	46,187,942
Retained earnings	53,686,255	49,786,710

Dividend per registered share (nominal value 0.10)

CHF 8.00 (2009: CHF 7.50)	(52,000,000)	(48,750,000)
Balance to be carried forward	1,686,255	1,036,710

CHANGE OF CONTROL AND PROTECTIVE MEASURES

_The obligation to make a public offer pursuant to Art. 22 of the Stock Exchange Act (Federal Act on Stock Exchanges and Securities Trading) has not been changed in the articles of incorporation. The employment contracts of the members of the Corporate Executive Committee and the members of senior management also contain no provisions to this effect.

RISK MANAGEMENT

_Galenica has a risk management process in place that helps the relevant management of Group companies, the Corporate Executive Board and the Board of Directors to identify potential dangers in good time and, where necessary, to take preventive action. Aside from legal requirements, the aim is to identify and assess significant risks at all management levels and to manage these risks while also keeping in mind potential rewards and opportunities.

Definition of risk

_Galenica defines risk as the possibility that an event or an action will lead to immediate financial loss or other negative consequences.

Objectives

_Galenica risk management defines three basic objectives:

- _Creating a framework for effective risk management within the Galenica Group that will be embedded in existing management and planning processes and will therefore effectively strengthen risk awareness at all management levels.
- _Building up and guaranteeing a lean and non-bureaucratic risk management system that will effectively protect existing business sectors and their profit-earning capacity.
- _Convincing stakeholders that Galenica is managing its risks effectively.

Monitoring and management

_Risk management at the level of the Galenica Group is concerned with strategic risks that could have significant consequences at Group level or at least at business sector level. Operational risk management is specifically defined and managed by the individual Group operating companies, although it is recognised that events in individual companies can clearly have an influence on the determination of strategic risks. Risks are managed at the appropriate level by the management hierarchy that is best suited for this purpose. This ensures that appropriate action will be taken in an efficient manner and that experience will be broadly reinforced within the Galenica Group.

_The systematic overview of the key risks enables the Board of Galenica to coordinate with the chosen strategy, prioritise risk, allocate resources and specify any action required. The Board of Galenica receives an overview of risk assessment when circumstances demand it, but at least once a year.

_Each management team should be familiar with the risks of the Group or its respective business sector, assess these and provide the Board of Directors with the information essential for assessing strategic risks. The management teams successfully implement any measures decided upon and are responsible for the efficient operation of the risk management process.

_Additional information regarding the management of financial risks can be found in the Notes to the Consolidated Financial Statements on pages 100 to 101.

AUDITORS

_Ernst & Young Ltd., Bern, Switzerland, has been the Group's auditors since 1992. Thomas Nösberger, Dr. rer. pol., CPA, a partner at Ernst & Young, took charge of the audit in 2008.

_The fees paid to the Group's auditors Ernst & Young in 2010 for their audit of Galenica and companies within the Galenica Group total approximately CHF 1,122,000.

_The fees paid to Ernst & Young and their close collaborators for other services rendered to Galenica and its subsidiaries in the period under review amounted to about CHF 317,000. They break down as follows:

- _Additional advice in audit matters CHF 196,000
- _Tax and legal advice CHF 21,000
- _Transaction support incl. due diligence CHF 100,000.

_In 2010, Thomas Nösberger attended two meetings of the Audit Committee. Moreover, the auditors presented their report at the Meeting of the Board of Directors on 12 March 2010.

_The auditors are regularly informed by the Board of Directors with regard to new projects. The auditors' business activities are analysed at least once a year by the Audit Committee. The criteria being taken into account are in particular: competence in reporting matters, understanding of the complex structure of the Group, quality of reporting, compliance with deadlines, independence and costs. Involvement in the financial part of the due diligence tests prior to acquisitions and the associated legal advice increase efficiency.

INFORMATION POLICY

_Galenica and its companies operate an active and transparent information policy towards all its stakeholder groups. Consistency and credibility are two fundamental principles that are reflected in factual, comprehensive and objective communication.

_Ad hoc publicity. Important and price-relevant events are communicated in good time via electronic media and always in accordance with the Directive of the SIX Swiss Exchange. Those staff affected are informed first of all, as long as the particular situation makes this possible and permissible.

_Periodic publications. Once a year, Galenica publishes an annual report and a half-year report. The sales figures for the previous year are announced each year in a media release in January. In addition, the Group publishes a newsletter, Galenica NEWS, that appears periodically and provides interested stakeholders with information about strategic considerations, specific events and activities as well as news about products and services.

_Upon request, shareholders receive all periodic publications sent to them by post. The invitation to the General Meeting is also sent to shareholders by post, and is, in addition, published in the Schweizerisches Handelsamtsblatt.

_Internet. All Galenica's publications, all media releases and other supplementary information about the Group can be found at www.galenica.com.

Contact persons and important publication dates

_For shareholders

_For shareholders with regard to Corporate Governance: Etienne Jornod, Chairman of the Board of Directors and CEO, phone +41 58 852 81 11

_Paul Fasel, Vice Chairman of the Board of Directors and Lead Director, phone +41 58 852 81 11

_For investors

_Fritz Hirsbrunner, Deputy CEO and CFO, Head of the Finance and Corporate Services Division, phone +41 58 852 85 29

_For the media

_Christina Hertig, Head of Corporate Communications, phone +41 58 852 85 17

_Agenda 2011/2012

_General Meeting: 5 May 2011

_Half year report 2011: 17 August 2011

_Sales figures 2011: January 2012

BRAND MANAGEMENT

Philosophy and implementation

_Excellence in the healthcare market. The name Galenica stands for extensive expertise in the healthcare market. Galenica seeks to be recognised as a dynamic and efficient Group within the healthcare market.

_Corporate identity. The goal of the branding strategy is to ensure that the Galenica Group presents a homogeneous Group identity in the market and that the shared identity of the companies making up the Galenica Group is clearly expressed. Two central pillars upon which this is based are the uniformly defined corporate identity and a uniformly defined corporate design. Presenting a uniform corporate design across all Group companies supports the consistent positioning of the Group and its companies. Nonetheless, due to the diversified nature of business activity within the Galenica Group, individual companies market their products and services under their own names.

The Group's company brands

_The majority of companies in which Galenica has more than a 50% holding adhere to this strategy and use the common corporate design. New companies are integrated step-by-step in line with a clearly defined process. Important strategic marketing considerations are taken into account when dealing with well established and well known brands. Basic guidelines on corporate design are summarised in two handbooks for staff and external partners and include all areas of application, such as corporate stationery, printed products, company signs, Internet design and gifts for customers. The handbooks are available in printed and electronic form. In addition, internal training sessions in how to use the Galenica corporate design take place regularly for new employees; the sessions are also open to established employees interested in refreshing or deepening their knowledge.

_In 2009, a new concept was developed for the Galenica Group website. The aim was to better adapt the content structures, services and visual image to current requirements and customer needs, both for the Galenica Group and for all companies which use the Group's corporate design. Galenica's new website was launched in March 2010 and was very well received. The websites of the companies will also have been adapted to the new concept in the course of 2011.

_Protection of the Group's company brands. Galenica systematically fosters and protects its company brands in all countries where it is active.

Product and service brands

_The Group's company brands are supplemented by the companies' product and service brands, focusing directly on the customers of individual Group companies: for example, the products of the Pharma business sector, the services of the Logistics business sector, the offers from the Amavita and Sun Store pharmacy formats in the Retail business sector, and the database and software products under information management. The presentation of these products and services is tailored to markets and customers specific to individual companies and, therefore, differs from the Group corporate design. The corporate design and the accompanying communication and marketing measures are defined and implemented by the relevant company. Special events and activities organised in conjunction with the branding of products and services along with customer surveys during the year under review are shown in the section entitled Business sectors of the Galenica Group on page 17.

_Protection of product and service brands. Product and service brands are systematically fostered and protected by the individual companies in the countries where they are marketed.

MAIN BRANDS OF THE GALENICA GROUP

Umbrella brand



Brands of the Galenica Group's companies

PHARMA

- Vifor Pharma
- OM Pharma
- Vifor Fresenius Medical Care Renal Pharma

LOGISTICS

- Alloga
- Galexis
- Unione Farmaceutica Distribuzione

RETAIL

- Galenicare



Pharmacy formats



OTHER: HCI

- HCI Solutions
- Documed
- e-mediat
- Triamun HCI Solutions

Product and service brands

Iron replacement products



OM Pharma



OTC products



Services



Services



Content



Process

