## Pharmacy network

In 2016, Galenica Santé extended clearly its pharmacy network by eleven new own pharmacies. At the end of 2016, it comprised around 500 own and partner pharmacies.

## Medical technology range

Galexis’ medical technology range “Focus”, which is offered at euro-level prices, is expanded in 2016 with a comprehensive pharmacy range including vaccinations and the CardioTest®.

## Coop Vitality pharmacies

The Association of the Swiss Self-Medication Industry presents the inaugural OTC Specialist Retail Partner Award. First place goes to Coop Vitality pharmacies.

## New partnerships

Vifor Pharma and VFMCRP enter into new partnerships, for instance with OPKO Health, ChemoCentrxy and the Pfizer company Hospira.

## 15 years of Winconcept

Winconcept celebrates its 15th anniversary and thanks customers with various activities including a customer event in the Bern region at the beginning of October.

## Veltassa®

The FDA approves a supplemental new drug application for Veltassa® removing the boxed warning regarding drug-drug interactions of Veltassa® and other oral medications.

## Sales above CHF 1 billion

With sales up to CHF 1,167.0 million in 2016, Vifor Pharma exceeds for the first time the billion-franc threshold.
Better protection thanks to serialisation
Over a million people die every year as a result of counterfeit medications. Vifor Pharma is actively committed to protection against counterfeiting of medications and it successfully started serialising prescription medications in 2013.

36

Maximum safety when dispensing medication
Patient safety is the top priority for Galenica Santé pharmacies. The cornerstone is an outstanding quality management system, which supports employees in their day-to-day work.

58

Information regarding the Sustainability Report
Until 2014, the Galenica Group Sustainability Report formed part of the annual report, and for scheduling reasons was always based on provisional data that had been extrapolated as at 31 December.

Since 2015, the Sustainability Report has been published in the second quarter of the following year and includes the actual data as at 31 December. Accordingly, it no longer forms part of the annual report and will only be published on the website: www.galenica.com.

There are, however, two coverages on selected sustainability topics in this annual report 2016.
Key figures 2016

1) Key figures are reported for each Business unit not taking into account Corporate and eliminations

### Net sales 1)

- **by Business unit in million CHF**
  - Vifor Pharma CHF 1,167.0 million
  - Galenica Santé CHF 3,008.9 million

- **by region in million CHF**
  - Switzerland CHF 3,079.8 million
  - Americas CHF 574.4 million
  - Europe CHF 334.9 million
  - Other countries CHF 129.3 million

### EBITDA 1)

- **by Business unit in million CHF**
  - Vifor Pharma CHF 330.9 million
  - Galenica Santé CHF 177.8 million

### EBIT 1)

- **by Business unit in million CHF**
  - Vifor Pharma CHF 245.2 million
  - Galenica Santé CHF 136.0 million

### Net profit

- **Galenica Group in million CHF**
  - Attributable to shareholders of Galenica Ltd. CHF 243.6 million
  - Share of minority interests CHF 80.2 million

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>4,118.4</td>
<td>3,791.6</td>
<td>+8.6%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>489.1</td>
<td>537.4</td>
<td>-9.0%</td>
</tr>
<tr>
<td>in % of net sales</td>
<td>11.9%</td>
<td>14.2%</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>361.5</td>
<td>450.8</td>
<td>-19.8%</td>
</tr>
<tr>
<td>in % of net sales</td>
<td>8.8%</td>
<td>11.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>323.8</td>
<td>370.0</td>
<td>-12.5%</td>
</tr>
<tr>
<td>- Attributable to shareholders of Galenica Ltd.</td>
<td>243.6</td>
<td>301.1</td>
<td>-19.1%</td>
</tr>
<tr>
<td>- Share of minority interests</td>
<td>80.2</td>
<td>68.9</td>
<td>+16.2%</td>
</tr>
<tr>
<td><strong>Investment in property, plant and equipment and intangible assets 1)</strong></td>
<td>304.6</td>
<td>368.6</td>
<td>-17.4%</td>
</tr>
<tr>
<td><strong>Investment in R&amp;D</strong></td>
<td>127.1</td>
<td>88.8</td>
<td>+43.1%</td>
</tr>
<tr>
<td><strong>Employees at reporting date (FTE)</strong></td>
<td>7,107</td>
<td>6,421</td>
<td>+10.7%</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>257.9</td>
<td>522.2</td>
<td>-50.6%</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>5,431.5</td>
<td>3,640.0</td>
<td>+49.2%</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td>2,301.0</td>
<td>1,976.2</td>
<td>+16.4%</td>
</tr>
<tr>
<td><strong>Equity ratio</strong></td>
<td>42.4%</td>
<td>54.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>1,733.5</td>
<td>159.1</td>
<td></td>
</tr>
<tr>
<td><strong>Gearing</strong></td>
<td>75.3%</td>
<td>8.1%</td>
<td></td>
</tr>
</tbody>
</table>

1) Including upfront and milestone payments from licensing agreements of CHF 218.6 million (previous year: CHF 290.4 million)
Share price performance in percent

Total shareholder return p.a. from 1995 (start of transformation strategy) to 2016
Cumulative growth in the share price from 1995 (start of transformation strategy) to 2016

Share information

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price at reporting date</td>
<td>1,149.00</td>
<td>1,574.00</td>
</tr>
<tr>
<td>Highest share price for the year</td>
<td>1,585.00</td>
<td>1,617.00</td>
</tr>
<tr>
<td>Lowest share price for the year</td>
<td>956.50</td>
<td>696.00</td>
</tr>
<tr>
<td>Stock exchange capitalisation at reporting date in million CHF</td>
<td>7,442.1</td>
<td>10,194.6</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>37.62</td>
<td>46.47</td>
</tr>
<tr>
<td>Earnings per share (excluding effects due to IAS 19)</td>
<td>39.68</td>
<td>47.67</td>
</tr>
<tr>
<td>Shareholders’ equity per share</td>
<td>328.00</td>
<td>290.02</td>
</tr>
<tr>
<td>Gross dividend per share</td>
<td>20.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Pay-out ratio</td>
<td>53.2%</td>
<td>38.7%</td>
</tr>
<tr>
<td>Price-earnings ratio</td>
<td>30.54</td>
<td>33.87</td>
</tr>
</tbody>
</table>

1) Attributable to the shareholders of Galenica Ltd.
2) According to Board of Directors’ proposal to Annual General Meeting on 11 May 2017
3) Gross dividend in % of earnings per share
4) Share price exchange rate at reporting date in relation to earnings per share

20.00  53.2%  37.62

gross dividend per share in CHF  pay-out ratio  earnings per share in CHF
We are ready!

Dear Shareholders, Ladies and Gentlemen,

2016 marks a critical new phase in the development of the Galenica Group, with the 21st successive increase in profit in 21 years, excluding the significant impact of the Relypsa acquisition. All activities grew more rapidly than their respective markets.

Major challenges emerged during the course of the year:
- Needing to strengthen Vifor Pharma management,
- Finding the right replacement for the reference shareholder Sprint (25.5% of share capital),
- Acquiring American company Relypsa, giving Vifor Pharma a real global scale, with a presence and products in the USA,
- And finally, optimising the market coverage of Galenica Santé by acquiring physicians wholesaler Pharmapool.

These challenges were met to our great satisfaction, once again demonstrating the entrepreneurial spirit and effectiveness of which the entire Galenica Group is capable. The Group is now ready to transform itself into two independent listed companies, each with its own strategy, projects, competences and strengths, as illustrated in the following short profiles:

+13.5% profit growth before deduction of minority interests (on a comparable basis, without negative influence of Relypsa and IAS 19)

+2,900% cumulative growth in the share price from 1995 (start of the transformation strategy) to 2016
Galenica Santé

Health partner par excellence in the Swiss market, Galenica Santé is a leader in all its activities:
- Products & Brands: in the areas of OTC medications and healthcare products;
- Retail: by the number of points of sale in all regions of Switzerland, and
- Services: thanks to the highest performing technologies and investments.

A targeted market approach, consolidated year after year for more than two decades, has enabled Galenica Santé to work in harmony and to create synergies with different players and customers, for each of whom it is also number one, for example:
- pharmacists, doctors, druggists;
- pharmaceutical industry, hospitals, nursing homes;
- consumers and patients through access and supply in its own pharmacy networks, postal consignment or home nursing.

The two companies also set themselves apart by their capacity to generate added value through their specific business models and collaborations with leaders in their respective sectors, such as Vifor Pharma with Fresenius Medical Care and Galenica Santé with Coop.

With their distinct identities, Galenica Santé and Vifor Pharma address shareholders who expect differentiated, high-quality performances, namely continued development with an attractive dividend policy as well as strong growth and a high margin.

These companies have been created by first-rate managers and teams, whom I would like to thank for their exceptional commitment on behalf of both the Board of Directors and you, as a shareholder. I believe that you will allow me to take the liberty to do so.

Bern, 14 March 2017

Etienne Jornod
Executive Chairman

Vifor Pharma

The global leader in iron therapies has built itself a first-rate portfolio of products and projects:
- Products and areas each with growth potential of more than one billion Swiss francs over several years:
  - Ferinject®/Injectafer® has already exceeded CHF 500 million (+44%) in annual sales (IMS)
  - Veltassa®
  - Vifor Fresenius Medical Care Renal Pharma with its products Mircera®, Retacrit™, Velphoro®, etc.
- Highly attractive projects with patents due to expire in 2028/34 or later:
  - CCX168 and
  - CCX140, two licences from US company ChemoCentryx
  - RAYALDEE® from American company Opko Health
- A range of well-known products that are proven leaders in their respective areas: Venofer®, Maltofer®, Uro-Vaxom®, Broncho-Vaxom®, Doxium®, etc.

Galenica Santé

Health partner par excellence in the Swiss market, Galenica Santé is a leader in all its activities:
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Bern, 14 March 2017

Etienne Jornod
Executive Chairman
2016 in brief

Report on the operational and financial situation
Galenica Group

Highlights of 2016

Preparations for the planned division of the Group continued in 2016. Their performances in 2016 and newly concluded agreements further strengthened both the Vifor Pharma and Galenica Santé Business units. Both are ready to successfully grow as independent companies in the future.

Vifor Pharma exceeded the billion-franc sales mark for the first time in 2016. With the acquisition of the US pharma company Relypsa, a significant investment has been made in intensifying Vifor Pharma’s global business. As a result of the acquisition, Vifor Pharma can now build on a fully integrated commercial organisation in the key US cardio-renal market by leveraging its extensive and growing specialty portfolio.

Galenica Santé grew further thanks to innovations and new customers. All Business sectors contributed to the successful performance, for example with the expansion of the pharmacy network, innovative new offerings and by gaining new customers.

In 2016, the Galenica Group realised consolidated net sales of CHF 4,118.4 million (+8.6%).

The acquisition of US company Relypsa had a negative impact on the Group’s results, and consequently they declined. Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) fell by 9.0% to CHF 489.1 million, earnings before interest and taxes (EBIT) by 19.8% to CHF 361.5 million, and net profit by 12.5% to CHF 323.8 million before deduction of minority interests, and by 19.1% to CHF 243.6 million after deduction of minority interests. The acquisition of Relypsa mentioned reduced EBITDA by CHF 103.4 million, EBIT by CHF 129.4 million and net profit before and after deduction of minority interests by CHF 91.6 million.

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

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

Outlook for 2017

Within the framework of examining different variants as to how the division of the Galenica Group could take place, the focus of the current preparatory work is on the flotation of Galenica Santé by means of an initial public offering (IPO). Galenica continues to anticipate that the division of the Group will be completed by no later than the end of 2017, subject to the economic environment remaining stable.

One-time effects 2016

<table>
<thead>
<tr>
<th>in million CHF</th>
<th>Galenica Group</th>
<th>Impact Relypsa</th>
<th>Impact IAS 19</th>
<th>Galenica Group(^1) excl. Relypsa and IAS 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>489.1</td>
<td>-9.0%</td>
<td>-103.4</td>
<td>608.5 +11.4%</td>
</tr>
<tr>
<td>EBIT</td>
<td>361.5</td>
<td>-19.8%</td>
<td>-129.4</td>
<td>506.9 +10.2%</td>
</tr>
<tr>
<td>Net profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- before deduction of minority interests</td>
<td>323.8</td>
<td>-12.5%</td>
<td>-91.6</td>
<td>428.8 +13.5%</td>
</tr>
<tr>
<td>- after deduction of minority interests</td>
<td>243.6</td>
<td>-19.1%</td>
<td>-91.6</td>
<td>348.6 +12.9%</td>
</tr>
</tbody>
</table>

\(^1\) On comparable basis
Business unit

Vifor Pharma

**key figures 2016**
- Net sales: CHF 1,167.0 million
- EBITDA: CHF 330.9 million
- EBIT: CHF 245.2 million
- ROS: 21.0%
- Investments: CHF 269.6 million
- Employees: 2,487
  (2,410 full-time equivalents)

**Net sales**
in million CHF

1,167.0
Vifor Pharma

Galenica Group CHF 4,118.4 million

**EBIT**
in million CHF

245.2
Vifor Pharma

Galenica Group CHF 361.5 million

**becoming an independent, global specialty pharmaceutical company**

Vifor Pharma is an international specialty pharma company that researches, develops, produces and markets its own pharmaceutical products. The company has three main areas of focus: iron deficiency with and without anaemia, nephrology – in partnership with Vifor Fresenius Medical Care Renal Pharma – and following the licensing of patiromer (US brand name: Veltassa®) in 2015 and subsequently the acquisition of Relypsa in 2016, also cardio-renal therapies.

**Activity**

With its iron replacement products Ferinject®/Injectafer®, Venofer® and Maltofer®, Vifor Pharma is a global leader in the treatment of iron deficiency, a widespread ailment around the world. The product portfolio is completed by Velphoro®, a drug developed by Vifor Pharma, to effectively control phosphorus levels in the blood for patients with chronic kidney disease on dialysis. During 2016, Relypsa – a US-based biopharmaceutical company focused on the discovery, development and commercialisation of polymeric medicines for patients with often overlooked and undertreated conditions that can be addressed in the gastrointestinal tract – became a Vifor Pharma company. Relypsa’s first product is Veltassa® for the treatment of hyperkalaemia. It is the

39.3%
sales increase of Ferinject®/Injectafer®
first new medicine in more than 50 years for patients with elevated serum potassium. To gain rapid and direct access to international markets, Vifor Pharma works through its own sales affiliates as well as with partners. The immuno-stimulant products Broncho-Vaxom® and Uro-Vaxom® supplement the portfolio of Vifor Pharma and offer potential for expansion.

Outlook for 2017

– Establish Vifor Pharma as an independent, global specialty pharmaceutical company following the IPO of Galenica Santé.
– Enhance Vifor Pharma’s global footprint while remaining true to its Swiss roots.
– Continue to increase the confidence of private and institutional shareholders.
– Expand the iron market, especially in the USA, by further increasing awareness around iron deficiency.
– Reinforce VFMCRP’s position as a leading player in nephrology in close cooperation with our partner Fresenius Medical Care.
– Combine commercial assets and best-in-class cardio-renal products of Vifor Pharma, Relypsa and VFMCRP to become a major player.

Companies

– Vifor Pharma Ltd., www.viforpharma.com
– Vifor Fresenius Medical Care Renal Pharma Ltd.
– Relypsa Inc., www.relypsa.com


Highlights of 2016

– Vifor Pharma reinforced its global leadership in iron deficiency and simultaneously ensured market expansion.
– The US biopharmaceutical company Relypsa was acquired and integrated into Vifor Pharma, further strengthening Vifor Pharma’s product portfolio by obtaining global rights to Veltassa® (US brand name), a potassium binder for the treatment of hyperkalaemia.
– Vifor Fresenius Medical Care Renal Pharma (VFMCRP), our common company with Fresenius Medical Care, reinforced its position as a leading player in nephrology.

Activities of Vifor Pharma

Iron deficiency therapies

– Focus on iron deficiency with or without anaemia.
– Key products: Ferinject®/Injectafer®, Venofer® and Maltofer®.
– Therapeutic areas: haemodialysis, non-dialysis chronic kidney disease (ND-CKD), cardiology, gastroenterology, oncology, obstetrics, gynaecology, patient blood management, women’s health and paediatrics.
– Comprehensive clinical and scientific development programme in place.

Nephrology/VFMCRP

– Strategic partnership between Galenica/Vifor Pharma and Fresenius Medical Care.
– Key products: Velphoro®, a non-calcium, iron-based phosphate binder to improve control of serum phosphorus levels in adult patients with chronic kidney disease (CKD) on dialysis; Venofer® and Ferinject®/Injectafer® in the field of pre-dialysis and dialysis in CKD patients, as well as Mircera® for the treatment of symptomatic anaemia of CKD patients.

Cardio-renal therapies / Relypsa

– In 2016, the US company Relypsa was acquired and integrated into Vifor Pharma, further strengthening the product portfolio by obtaining global rights to Veltassa®. With the combination of the commercial assets and cardio-renal products of Vifor Pharma, Relypsa and VFMCRP, the company is positioned to become a major player in this area.
– Key product: Veltassa®, an oral potassium binder for the treatment of hyperkalaemia. Veltassa® has been approved by the FDA in 2015. The EU Marketing Authorisation is expected in 2017.

Infectious Diseases/OTX

– Includes products for ear care, abdominal distension, chronic obstructive pulmonary disease, respiratory tract infections, lower urinary tract infections, chronic venous insufficiency, diabetic retinopathy, haemorrhoids, menometrorrhagia or heavy menstrual bleeding.
– Key products: Broncho-Vaxom®, Uro-Vaxom®, Doxium®, Dicynone®, Otalgan® and Aero-OM®.
Galenica Santé has the largest pharmacy network in Switzerland, giving it an excellent distribution network both for strong own brands as well as the products of its business partners. In terms of strategy, it aims to strengthen its leading position in pain relief, coughs, colds and respiratory diseases, and expand the cosmetics and beauty market segments. Net sales in the Health & Beauty segment, comprising the Products & Brands and Retail Business sectors, rose by 3.1 % to CHF 1,437.0 million in 2016. EBIT improved by 7.2% to CHF 96.2 million. Compared to the previous year, return on sales (ROS) increased to 6.7%. Investments totalled CHF 14.9 million in 2016 (previous year: CHF 17.7 million).
Products & Brands

Strategy

With the largest pharmacy network in Switzerland, Galenica Santé offers unparalleled potential for selling strong brands. About 500 optimally located own pharmacies, Coop Vitality pharmacies as well as Amavita and Winconcept partner pharmacies serve over 100,000 customers daily, providing a unique and attractive distribution structure for third-party brands. The aim of the Products & Brands Business sector, with its current leading position in pain, coughs, colds and respiratory diseases, is to better exploit this potential by getting closer to consumers and developing compelling insights on which to build a differentiated experience.

Activity

The Products & Brands Business sector, through its company Vifor Consumer Health, has a portfolio of strong brands such as Perskindol®, Anti-Brumm®, Algifor® and Triofan®. The Business sector also launches and distributes pharmaceutical and para-pharmaceutical products as a service provider for own brands and commercial products.

Highlights of 2016

In Switzerland, Vifor Consumer Health clearly outperformed the overall growth of the stable market (IMS Health 2016).

In the period under review, Vifor Consumer Health was again successful in expanding its product range by signing agreements with established consumer brand companies, taking over the exclusive distribution of A-Derma products by the French dermo-cosmetics company Pierre Fabre. Their products have been very well received by the customers. Another contract was signed with the French Alès Group; the exclusive distribution in Switzerland by Galenica for their skincare brand Lierac and their haircare brand Phyto started in early 2017.

Algifor®, Swiss market leader in the pain relief category, outperformed the market in the period under review, and the new Algifor® Liquid capsules 400 mg ibuprofen launch was well received by the market. Sales of the market-leading insect repellent Anti-Brumm® grew significantly in both national and international markets, reinforcing its prime position in Germany.

Outlook for 2017

The Swiss consumer health and self-medication market is expected to develop positively.

Products & Brands intends to continue with the strategy that has already proven its success: strengthen the health franchise in the Swiss OTC healthcare market; launch products with new partnerships, particularly with cosmetics and beauty products; and stimulate export sales with selected products.

The introduction of new products will support growth of existing brands as well as strengthening the portfolio in new categories.

Companies

- Vifor Consumer Health Ltd.,
  www.viforconsumerhealth.ch
- G-Pharma AG

Key figures 2016

- Net sales: CHF 89.3 million
- Employees: 107 (93 full-time equivalents)


The companies of the Products & Brands Business sector

Vifor Consumer Health

- Markets non-prescription drugs (over-the-counter products) developed by Vifor Consumer Health, sold under licence or distributed for third parties.
- Plays a leading role in its home market Switzerland with key brands such as Algifor®, Triofan®, Perskindol® and Anti-Brumm®.

G-Pharma

- Launch and distribution of Consumer Healthcare products for Retail own brands.
Retail

Strategy: lean and flexible organisation

The Retail Business sector manages the largest Swiss pharmacy network. It aims to play an active role in shaping the future of the rapidly changing Swiss pharmaceutical market by focusing on developing, promoting and managing strong pharmacy networks. With its different pharmacy formats, Retail is one of the most important partners for the various players in the healthcare market. New offerings, such as flu vaccinations given in the pharmacy without a prescription, confirm the high degree of focus on customer service.

Activity

The pharmacy network of the Retail Business sector is the largest in Switzerland, with 329 Group-owned stores and 167 partner pharmacies at 31 December 2016. The network comprises the Amavita and Sun Store pharmacies, which are managed directly by Retail, the Amavita partner pharmacies, which are integrated under a franchise concept, as well as the Coop Vitality pharmacies, which are operated as a joint venture with Coop. The MediService specialty pharmacy focuses specifically on home healthcare for people with chronic illnesses. The brand name Feelgood’s includes independent pharmacies for which the company Winconcept offers services and marketing concepts.

Highlights of 2016

With all Sun Store pharmacies having switched to directly invoicing health insurers in the previous year, Amavita pharmacies followed in 2016. Thanks to the TriaFact® platform and direct exchange between pharmacies and health insurers, the costs of processing invoices were reduced and data quality improved.

The online platform Siroop was added to the electronic offering. Health and beauty products are available to customers at any time in the Sun Store, Amavita and Coop Vitality webshops.

Information on special offers and health tips can be accessed on the go using the Amavita app.

A further step towards eHealth was achieved in the form of the Prescription Upload pilot project at a Sun Store location in Lausanne. This allows customers to upload a scanned prescription to a platform and send it to the pharmacy of their choice electronically. The pharmacy receives the prescription by e-mail and can then prepare the medication, allowing waiting time to be kept to a minimum when it is collected. The service is currently offered at all Sun Store, Coop Vitality and Amavita pharmacies.
In October 2016, the Federal Council published a report that, for the first time, would make it possible for pharmacies, and not just general practitioners, to provide people with "simple and low-threshold access" to medical services. Pharmacies should also play a key role in preventative healthcare and the treatment of chronic diseases. While the recognition of pharmacies as the first point of contact for minor complaints is to be welcomed, further developments and decisions are still pending. Demand from independent pharmacies for Process-one remained high. This quality management system assists them in their planning without generating an excessive administrative burden.

**Outlook: Growth both organically and through increased efficiency**

The Retail Business sector continues to pursue its established strategy. Growth is to be achieved both organically, for example with new offerings and services, and through targeted acquisitions and new openings. Efficiency will also be improved by simplifying and harmonising processes, the systematic introduction of the pharmacy software TriaPharm® being one example of this. Standardised platforms make cooperation easier in the shared back office of the pharmacy formats, thereby creating added value for all. Appropriate measures also support efforts to maintain room for manoeuvre as regards future price reduction measures.

**Companies and pharmacy formats**

- GaleniCare Management Ltd., www.galenicare.com
- Amavita Apotheeken, www.amavita.com
- Sun Store SA, www.sunstore.ch
- MediService Ltd., www.mediservice.ch
- Winconcept Ltd., www.winconcept.ch
- Coop Vitality AG\(^1\), www.coopvitality.ch

\(^1\) Consolidated at equity level

**Key figures 2016**

- Net sales: CHF 1,348.6 million
- Employees: 4,530
  (3,330 full-time equivalents)

The full version of the Retail Business sector report is available at www.galenica.com.
**Galenica Santé**

**Segment Services**

**Key figures 2016**

- Net sales: CHF 2,328.9 million
- EBITDA: CHF 61.7 million
- EBIT: CHF 41.4 million
- ROS: 1.8%
- Investments: CHF 20.2 million
- Employees: 1,494 (1,234 full-time equivalents)

**Net sales**

in million CHF

- Galenica Santé CHF 3,008.9 million

**EBIT**

in million CHF

- Galenica Santé CHF 136.0 million

**Dynamic sales growth**

The Services segment made gains in both business volume and profitability in 2016. Net sales increased by 3.8% to CHF 2,328.9 million and earnings before interest and taxes (EBIT) rose disproportionately by 11.7% to CHF 41.4 million. Return on sales (ROS) could therefore be further increased to 1.8%. A milder flu season than last year was more than offset by gaining new customers and continuing range expansion, particularly in the cosmetics market. Increasing regulation, such as the now binding EU GDP Guidelines for Good Distribution Practice of Medicinal Products for Human Use, demands comprehensive solutions, which the Services segment is well-equipped to provide. Investments totalled CHF 20.2 million (previous year: CHF 26.9 million), and related, among others, to the final construction phase of the Niederbipp distribution centre expansion.

**CHF**

20.2 million

in investments, among others for the extension of the Niederbipp site
Services

Strategy: tailored solutions

The Services Business sector plays an important role in the Swiss pharmaceutical supply chain and provides countrywide integrated healthcare logistics services with proven modular solutions that support customers’ success. The strategy centres on strengthening market position and working in close cooperation with all market participants, with a focus on maintaining a high level of availability and systematically leveraging synergies. Storing, dispatching and providing products from across the entire health market, incorporating necessary master data and content using HCI Solutions instruments – these are the integrated solutions of the future.

Activity

Alloga offers a broad range of specialised logistics services (prewholesale) to pharmaceutical and healthcare companies.

As the leading pharmaceutical wholesalers in Switzerland, Galexis and Unione Farmaceutica Distribuzione ensure provision to all healthcare partners throughout the country. The companies supply pharmacies, physicians, drugstores and hospitals with over 80,000 referenced healthcare products.

Medifilm prepares medicines and food supplements individually on behalf of pharmacies according to the treatment plan for permanent and long-term patients (blister packaging).

HCI Solutions develops management solutions for pharmacies as well as tools to securely manage, communicate and distribute sensitive health data.

Highlights of 2016

Galexis has completed the expansion of the distribution centre in Niederbipp, initially creating storage space for an additional 6,100 items, which can be expanded to 11,000 items. In addition, the hourly throughput rate increased by more than 30% to 4,000 containers.

In May 2016, Galenica submitted a takeover bid to the shareholders of the physician wholesaler Pharmapool. By the acceptance deadline at the end of August 2016, 100% of the shareholders of Pharmapool AG had accepted the purchase offer from Galexis, with the Competition Commission (COMCO) approving the acquisition without conditions or requirements at the end of December 2016. The acquisition of Pharmapool was thus completed at the beginning of January 2017 and will strengthen the logistics business of Galenica Santé.

Unione Farmaceutica Distribuzione (UFD) performed well in its home market of Ticino in 2016, while its webshop specialisation for third-party customers, offered throughout Switzerland, also bore fruit.

Alloga developed a solution for postal deliveries in collaboration with a logistics partner. As a result, Alloga ensures GDP conformity across all its sales channels.

Medifilm expanded its capacity at the existing site and is now able to serve up to 30,000 patients across Switzerland. The existing Mediproc software platform has been equipped for direct connection to nursing homes.

By introducing direct invoicing to health insurers, HCI Solutions has, at minimal cost, enhanced the billing process quality of pharmacies working with TriaPharm®. In addition, digital vaccination records have been integrated into the TriaMed® and TriaPharm® systems. In December 2016, the rights to TriaMed® practice software were sold to Swisscom Health. HCI Solutions will thereby focus on information logistics, knowledge databases and developing software tools.
Outlook for 2017

As of 2017, a key priority will be replacement of the current Alloga and Galexis ERP (Enterprise Resource Planning) systems. The software provider has been selected and the next stage is the implementation at Alloga.

Galexis intends to use the expanded logistics platform to extend its offering, for example with the Switzerland-wide exclusive distribution of cosmetics, additional medical technology products for pharmacies and new ranges in the areas of homeopathy and chemicals.

Alloga intends to invest in the building infrastructure on the Burgdorf site. The cold room is due to be expanded and linked directly to incoming goods and dispatch via “direct docking”.

The companies of the Services Business sector report is available at www.galenica.com.

Galenica annual report 2016
Alloga is one of the leading logistics service providers in the Swiss healthcare market. This is based on a modular, process-managed full-service offering along the entire supply chain.
Vision, Mission, Values and Strategy
Our vision

Thanks to our excellence in the healthcare market, with our activities we are a leading healthcare partner.

As a Group, we represent a diversified healthcare company with two Business units: Vifor Pharma, with international pharma activities, and Galenica Santé, providing services mainly to the Swiss healthcare market.

Both Business units operate independently and are successful and solid with a profitable track record. They develop in a focused and successful way, sustainably and with the vision to become two independent listed companies.

Our mission

**Galenica Group:** In our day-to-day work, we are passionately committed to the welfare of patients and the needs of our customers. It is our way of creating added value and benefits for customers, patients, employees, shareholders and partners in the long-term.

**Vifor Pharma:** We strive for excellence in our fields of expertise: with our leading iron therapies and other pharma specialties, we are noticeably improving patients’ quality of life right across the world and enabling service providers in the healthcare industry to prevent and treat illnesses as effectively as possible.

**Galenica Santé:** We want to be the first choice for health, beauty and wellbeing. That is our ambition. We are a dynamic company that helps to shape the Swiss healthcare market of the future through innovation, is a reliable, attractive partner and employer, and aims at generating reliable, attractive returns with manageable risks.

Our key values

Our five key values are the reference point for our actions and shape our conduct and decision-making each day. They therefore play an essential part in the implementation of the strategy and objectives and are a crucial element to our success.

**The five key values of Galenica**

We participate with **passion** and act as **entrepreneurs**.

We build **trust** through credibility and competence.

We show **respect** and know that **together, we are stronger**.

One Group, two strategies

Following the Galenica Group’s consistent and successful implementation of its transformation strategy since 1995, the Board of Directors concluded that the Group was ready to prepare a new phase. In August 2014, a new management structure with two CEOs was introduced to enable the different business models of Vifor Pharma and Galenica Santé to evolve in an even more focused way, taking into account their individual growth dynamics. The management structure was adjusted accordingly and organisational changes implemented.

**Two independent listed companies**

In May 2016, the Board of Directors concluded that the preconditions for dividing the Group in 2017 had been met, provided the economic environment remains stable. Thereby, the Board of Directors initiated essential steps to create optimum conditions for the Vifor Pharma and Galenica Santé Business units to be able to continue to develop in a focused and sustainable way.

**Vifor Pharma**

Galenica has successfully expanded its pharma business in recent years and made significant investments to create a strong organisation. Thanks to an innovative proprietary product portfolio, an international commercial network comprising its own affiliates and partnerships, and first-class pharma expertise, Vifor Pharma is a global market leader in iron deficiency and has strong market positions in nephrology and products that stimulate the cardio-renal therapies.
Retrospect

From a pharmaceutical logistics provider to an international healthcare company

Galenica was founded in 1927 by 16 Swiss French-speaking pharmacists who came together to create a central purchasing group. In 1938, Galenica laid the foundation for its current information management business by developing a scientific documentation service. From 1957 onwards, Galenica diversified beyond its existing distribution activities.

In 1995, in response to the rapid and fundamental changes in market conditions, the Group’s management developed a new strategy based on the vision of turning Galenica into a healthcare player that is engaged in the entire value chain in Switzerland.

Thus in 1996, Galenica expanded its distribution activities to all players in the Swiss market (pharmacists, as well as self-dispensing physicians, drugstores and hospitals), set up eHealth companies and laid the foundation for its pharmacy chains with the creation of Galen Care in 2000.

At the same time, the Group focused on niches at the industrial level and began to expand internationally in the field of iron replacement products. These products were fundamentally redesigned and repositioned by the research & development team, becoming the trusted brands Venofér® and Maltöfer®. They were joined by Ferinject®/Injectafer® and Velphoro®, which was launched at the end of 2007, as well as other products including the novel phosphate binder Velphoro®. The acquisition of the Canadian pharmaceutical company Aspreva Pharmaceuticals in 2008 and of OM Pharma in 2009, together with the development of its own distribution network, led to the creation of what is today an international specialty pharma company, Vifor Pharma, with a broad range of products.

In 2010, Galenica and Fresenius Medical Care founded the common company Vifor Fresenius Medical Care Renal Pharma (VFMCRP), a rapidly-growing international business that focuses on nephrology. The company works in partnership with specialist clinics, healthcare professionals, payers and patients to offer them the most comprehensive portfolio of nephrology products.

In 2014, Galenica laid the foundation for the creation of two independent listed companies: Galenica Santé and Vifor Pharma. Since then, Vifor Pharma has focused on preparing the organisation for independence by expanding its leadership in iron deficiency. The company has also identified non-organic growth opportunities in related areas, signing exclusive licensing agreements with a range of highly regarded partners. In September 2016, Vifor Pharma acquired Relypsa, a biopharmaceutical company focused on the discovery, development and commercialisation of polymeric medicines. Through this acquisition, Vifor Pharma gained a fully-integrated commercial organisation in the USA. With the combination of the commercial assets and best-in-class cardio-renal products of Vifor Pharma, Relypsa and VFMCRP, Vifor Pharma is positioned to become a major player on the US market in its core therapy areas, leveraging its growing specialty portfolio – an important step towards becoming an independent, global specialty pharmaceutical company.

In recent years the focus has been on the development and international registration of the intravenous iron replacement product Ferinject® (Injectafer® in the USA) and the new phosphate binder Velphoro®. Ferinject® has been launched in more than 70 countries, including in the USA in mid-2013 under the name Injectafer®. Velphoro® was launched in the USA in March 2014 and received EU regulatory approval in August 2014. It is currently marketed in more than 20 countries. With the acquisition of Relypsa, Vifor Pharma gained full global rights to Veltassa®, an important new treatment for patients with hyperkalaemia. Vifor Pharma has continued to expand its product portfolio through licensing agreements with leading companies including Roche, Pfizer, Opko Health and Chemo-Centryx.

Objective: building an independent, global specialty pharmaceutical company

With its recent robust performance and progress, Vifor Pharma is poised to become a successful stand-alone specialty pharmaceutical company, characterised by an entrepreneurial culture and a clear strategy. Its unique business model combines pharmaceutical expertise with innovative partnerships and direct access to patients.

Vifor Pharma is working to deliver the full potential of the key growth drivers Ferinject®/Injectafer® and Velphoro® at the same time as building a competitive, focused and agile organisation. Organic growth has been reinforced by in-licensing new products and acquiring Relypsa. It is ideally placed to maximise its growth and future opportunities.
Galenica Santé

To date, Galenica Santé has held the role of a stable pillar, supporting the development of the pharma business. Galenica Santé has everything it takes to become an independent listed company and aims to play an even more active and dynamic role in the market in order to ensure its long-term development. With this in mind, the organisational and management structure was adapted as of 1 September 2015.

Galenica Santé strategy:
Galenica Santé has a unique network in the Swiss healthcare market. Based on this,
– we manage the largest network of pharmacies in Switzerland and systematically make use of these for the best offerings;
– we develop and launch new and innovative brands, products and services in the Swiss market;
– we consistently utilise the synergies from all of our activities;
– we enter into and maintain partnerships with various market players and thereby make a considerable contribution to a well-functioning healthcare system.

On the basis of the Galenica Santé strategy, the Retail, Products & Brands and Services Business sectors assume the following roles:

Retail: largest pharmacy network with the best offerings
Retail offers a unique range of products and services in Switzerland’s largest network of locally established pharmacies, as well as online.

In the local pharmacy, advice, trust and competence come first, supported by the ability to anticipate trends with innovations.

Retail systematically utilises potential synergies and orients both systems and processes consistently towards quality and efficiency. Doing so creates added value for the company, customers and partners.

Products & Brands: own and partner brands and products
Products & Brands is a significant growth driver for Galenica Santé.

Products & Brands develops and launches own and partner brands and products for the entire specialist retail trade in Switzerland.

This is supported with a unique sales organisation comprising specialists in purchasing, customer advice and sales promotion as well as highly qualified experts who carry out individual customer-specific training sessions.

Services: best possible use of synergies
As a leading partner of all participants in the Swiss healthcare market, Services provides support with integrated logistic and IT solutions from a single source.

Through its unique know-how, Services consolidates its leading market position and cost leadership thanks to high-quality services and innovative offerings.

Objective: building on current strengths in a targeted manner
By developing and exploiting the promising synergies between these three Business sectors, Galenica Santé will be able to respond to the challenges facing the healthcare sector and continue on its successful growth trajectory.
The history of pharmacy

Pharmacy is an interdisciplinary science that deals with the nature, effect, development, review, manufacture and dispensing of medications.

Source: wikipedia.org

460–375 BC
Hippocrates, ancient Greek physician who is traditionally regarded as the father of medicine
Source: britannica.com

1069–1046 BC
“Diagnostic Handbook” containing a list of medical symptoms
Source: wikipedia.org

40–90 CE
Pedanios Dioscorides, Greek physician and pharmacologist; “De materia medica”, descriptions of nearly 600 plants
Source: britannica.com

9th century
“Schola Medica Salernitana” was the most important medical school in Western Europe
Source: wikipedia.org

129–216 CE
Galen of Pergamum, Greek physician, writer and philosopher
Source: britannica.com

1493–1541
Paracelsus, Swiss-German physician and alchemist who established the role of chemistry in medicine
Source: britannica.com

11th century
“Tacuinum Sanitatis” is a medieval handbook mainly on health
Source: wikipedia.org

Dispensing medicines

2.3%
Swiss households spent 2.3% of their income on medicines in 2016.
Source: interpharma.ch

Research & development

Global spending on R&D by Interpharma companies (including Vifor Pharma) was over CHF 20 billion in 2015. Switzerland ranks second behind the USA with 34.6% of this.
Source: interpharma.ch

Healthcare costs

Medicines accounted for 10.5% of healthcare costs in 2013 (latest available data).
Source: interpharma.ch
The history of pharmacy

Galenica Group

2015
400 young people begin studying pharmacy in the autumn
Source: pharmasuisse.org

2016
The Nobel Prize in Physiology or Medicine is awarded to Yoshinori Ohsumi
Source: nobelprize.org

1804
Friedrich W. Sertürner discovers morphium
Source: britannica.com

1901
The first Nobel Prize in Physiology or Medicine is awarded to Emil von Behring
Source: nobelprize.org

1941
An injectable form of penicillin is made available for therapeutic use
Source: britannica.com

1983
Human immunodeficiency virus (HIV) found to be a pathogen
Source: wikipedia.org

1996
The Nobel Prize in Medicine

The Nobel Prizes in Physics, Chemistry and Medicine endowed by Swedish industrialist Alfred Nobel were awarded for the first time in 1901. The first winners were Wilhelm Conrad Röntgen in physics, Jacobus Henricus van’t Hoff in chemistry and Emil Adolf von Behring in medicine.

The Nobel Prize in Physiology or Medicine 1901 was awarded to Emil Adolf von Behring “for his work on serum therapy, especially its application against diphtheria, by which he has opened a new road in the domain of medical science and thereby placed in the hands of the physician a victorious weapon against illness and deaths”.

Since 1901, the following Swiss citizens (or Swiss dual nationals) have won the Nobel Prize in Medicine:
- 1909: Emil Theodor Kocher
- 1948: Paul H. Müller
- 1949: Walter Rudolf Hess
- 1950: Tadeus Reichstein
- 1951: Max Theiler
- 1957: Daniel Bovet
- 1978: Werner Arber
- 1992: Edmond H. Fischer
- 1996: Rolf M. Zinkernagel
Source: nobelprize.org

The Rod of Asclepius

The Rod of Asclepius is a staff entwined by a snake. Originally an attribute of Asclepius, the god of healing in Greek mythology, it today stands as a symbol for the medical and pharmaceutical professions.

Asclepius is said to have always had an asp with him when out walking or going to see the sick. In the ancient world, the snake became a symbol of healing. Its characteristic features of rejuvenation by shedding its skin, perception/watchfulness and healing power made it an emblem of medical virtues.
Source: wikipedia.org

Authorisation of therapeutic products

Swissmedic is the Swiss agency responsible for the authorisation and supervision of therapeutic products. 28 medicinal products for human use with new active ingredients were approved in 2015. This took medicinal products for human use authorised in Switzerland to 7,593 in 2015.
Source: interpharma.ch

The background to a medicine

Source: interpharma.ch
Business unit

Vifor Pharma
Ready and prepared for independence

Dear Shareholders,

Ladies and Gentlemen,

In 2016, we once again set ourselves ambitious goals as we strive to make Vifor Pharma an independent, global specialty pharmaceutical company. We are committed to reinforcing our leadership in iron deficiency and further increase the awareness of this very common but often overlooked conditions. Vifor Fresenius Medical Care Renal Pharma (VFMCRP) – our common company with Fresenius Medical Care – is building on its leading position in nephrology. And finally, we are working hard to create an internationally competitive organisation and standalone business.

We are pleased to report substantial progress in achieving all of these goals during 2016. In addition to expanding our leadership in iron deficiency and growing the overall market by optimising the performance of existing products, we have taken a number of steps to find new sources of growth for the future. Most importantly, through the Galenica Group’s acquisition of US company Relypsa Inc., in September 2016, Vifor Pharma has gained a dedicated US sales organisation and worldwide rights to Veltassa®, a potassium binder for the treatment of hyperkalaemia – a potentially life-threatening condition. This breakthrough therapy is the first new medicine in more than 50 years for patients with elevated serum potassium.

Overall, Vifor Pharma’s net sales rose by 24.8% to CHF 1,167.0 million. Sales of our iron product Ferinject® (US brand name: Injectafer®) generated by Vifor Pharma affiliates and partners, once again grew impressively all over the world, totalling CHF 349.5 million (+39.3%). This remarkable progress was driven by increased sales in the USA and Australia, as well as in major European countries. In addition to enhanced marketing and sales activities for Ferinject®, we also continued to invest in related R&D, including the important EFFECT-HF trial in Chronic Heart Failure patients, with positive results presented at the Congress of the American Heart Association (AHA) in November 2016.

Gianni Zampieri
CEO Vifor Pharma

<table>
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<tr>
<th>Net sales in million CHF</th>
<th>EBIT in million CHF</th>
<th>Number of employees</th>
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<tbody>
<tr>
<td>1,167.0 Vifor Pharma</td>
<td>245.2 Vifor Pharma</td>
<td>2,487 Vifor Pharma</td>
</tr>
<tr>
<td>Galenica Group CHF 4,118.4 million</td>
<td>Galenica Group CHF 361.5 million</td>
<td>Galenica Group 8,661</td>
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The global rollout of Velphoro® also continued in 2016. This phosphate binder is now approved in 37 countries and launched in 23 countries, including in the USA, Europe’s five largest markets and Japan. Study data from Fresenius Medical Care’s retrospective analysis of databases are helping to demonstrate the benefits of Velphoro® for patients, including a lower pill burden and an increase in the number of patients able to achieve and maintain their target serum phosphorus levels.

During 2016, we continued to form partnerships with leading pharmaceutical and biotechnology companies. In May 2016, we licensed rights to commercialise CCX168 (international nonproprietary name: Avacopan), a Complement 5a inhibitor ready for Phase III development for orphan and rare renal diseases, from ChemoCentryx. At the end of December 2016, due to the encouraging clinical development of CCX168, VFMCRP decided to exercise its option to acquire from Vifor Pharma the exclusive licensing agreement to develop and commercialise CCX168. At the same time, Vifor Pharma and ChemoCentryx broadened the unique kidney health alliance to include the development and commercialisation of CCX140 for renal diseases.

Also in May 2016, we expanded our Erythropoiesis Stimulating Agent (ESA) product portfolio by obtaining marketing rights to Pfizer’s proposed biosimilar epoetin Retacrit™ in the US dialysis market. In addition, VFMCRP obtained rights from OPKO Health to commercialise modified-release calcifediol capsules (US brand name: RAYALDEE®) for the treatment of secondary hyperparathyroidism in chronic kidney disease (CKD) and vitamin D deficiency in Europe, Canada and certain other international markets.

Our organisation is well prepared for life as an independent, global specialty pharmaceutical company and a partner of choice for the world’s leading pharma companies. As we move towards becoming a standalone business during 2017, we continue to improve our operational efficiency and focus resources on the most attractive growth opportunities.

The management team of Vifor Pharma was further strengthened by the appointment of Stefan Schulze as Chief Operating Officer and President of the Executive Committee. Stefan Schulze is currently CEO of VFMCRP and will assume his new responsibilities at the Annual General Meeting of Galenica Ltd. in May 2017.

Our people and products are the two most important pillars of our future success. With a differentiated and promising product portfolio, growing recognition of our unique capabilities and leadership, and the entrepreneurial spirit and dedication of our employees, I am confident that Vifor Pharma has a bright future. Increasingly our success will be generated globally. But our roots will always be in our home market, Switzerland, with its R&D and production facilities.

I would like to thank all of the employees for their contribution to making 2016 a very successful year. We are all looking forward to the future as an independent, global specialty pharmaceutical company.

Bern, 14 March 2017

Gianni Zampieri
CEO Vifor Pharma

CHF

+24.8 %

117.0 million

net sales increase

investments in research & development (with Relypsa)
Vifor Pharma
Broadening the product portfolio

“With Relypsa, we have made a significant investment in our global platform.”

Strategic priorities 2017

- Establish Vifor Pharma as an independent, global specialty pharmaceutical company following the IPO of Galenica Santé
- Enhance Vifor Pharma’s global footprint while remaining true to its Swiss roots
- Continue to increase the confidence of private and institutional shareholders
- Expand the iron market, especially in the USA, by further increasing awareness around iron deficiency
- Reinforce VFMCRP’s position as a leading player in nephrology in close cooperation with our partner Fresenius Medical Care
- Combine commercial assets and best-in-class cardio-renal products of Vifor Pharma, Relypsa and VFMCRP to become a major player

Strong operating results

Vifor Pharma achieved another set of strong results in 2016. The Vifor Pharma Business unit generated total net sales of CHF 1,167.0 million, an increase of 24.8% compared to the previous year, or 23.0% adjusted for currency effects. This significant growth was achieved organically. Excluding the impact of the Relypsa acquisition, earnings before interest, taxes, depreciation and amortisation (EBITDA) rose to CHF 434.3 million, an increase of 16.5% compared to the prior year. However, with the inclusion of Relypsa, reported EBITDA for 2016 was CHF 330.9 million or a decrease of 11.3% (CHF 42.0 million) compared to the previous year. Excluding Relypsa, earnings before interest and taxes (EBIT) increased by 14.3% to CHF 374.6 million. With the inclusion of Relypsa, reported EBIT was CHF 245.2 million or a decrease of 25.2% (CHF 82.5 million) compared to the prior year. Investment in R&D and production facilities predominantly in Switzerland, totalled CHF 100.8 million without the Relypsa acquisition and CHF 117.0 million with the acquisition of Relypsa.
Relypsa, a new Vifor Pharma company

Relypsa is a biopharmaceutical company leading the discovery, development and commercialisation of polymer-based medicines to treat conditions that are often overlooked and undertreated, but that can have a serious impact on patient lives or even be life-threatening. The company developed Veltassa®, a potassium binder approved in the USA for the treatment of hyperkalaemia.

Relypsa was founded in October 2007 and is headquartered in Redwood City, California. In September 2016, Relypsa became a Vifor Pharma company. Through the acquisition, Vifor Pharma gained a fully-integrated commercial organisation and an innovative R&D organisation in the USA. Relypsa has over 400 employees of which around 15% work in R&D and around 60% in commercial and medical affairs.

“Sales of Ferinject® grew impressively all over the world.”

Acquisition of Relypsa completed

The combination of Vifor Pharma with Relypsa creates a significant player in cardio-renal care in the USA and further strengthens Vifor Pharma’s growing international leadership in cardiology, nephrology and gastroenterology therapies. With Relypsa, Vifor Pharma can build on a fully-integrated commercial organisation in the key US cardio-renal market by leveraging its extensive and growing specialty portfolio. By combining the commercial assets and best-in-class cardio-renal products of Vifor Pharma, Relypsa and VFMCRP, Vifor Pharma is well positioned to become a major player in the USA in its core therapy areas.

Relypsa’s first product is Veltassa® (patiromer for oral suspension), an oral potassium binder approved in the USA for the treatment of hyperkalaemia, a potentially life-threatening condition defined as abnormally elevated serum potassium. The product reflects Relypsa’s rich legacy in polymer science. Relypsa’s potassium binder Veltassa® (brand name in the USA) recorded sales of CHF 12.3 million in the USA in 2016, thereof CHF 7.4 million since its acquisition in September 2016. In April 2016, VFMCRP submitted a Marketing Authorisation Application (MAA) for patiromer powder for oral suspension to the European Medicines Agency (EMA) for the treatment of hyperkalaemia. In November 2016, the potential of Veltassa® as a key growth driver for Vifor Pharma was reinforced by the US FDA’s approval of a supplemental New Drug Application (sNDA) with important updates to the product label. Namely, the updated US label recommends patients take Veltassa® at least three hours before or three hours after other oral medications, compared to six hours on the previous label. In addition, the US label for Veltassa® no longer includes a Boxed Warning regarding the separation of Veltassa® and other oral medications.

Vifor Pharma Rx continues to grow

Mainly driven by expansion in the EU and the USA the leading iron product Ferinject® (US brand name: Injectafer®) continued to increase global sales, which rose 39.3% to CHF 349.5 million in 2016. This included sales by Vifor Pharma affiliates and partners, with Vifor Pharma receiving a share of partner sales. The number of units sold (100 mg) grew by 55% in all regions. Growth in net sales was slightly lower, reflecting price pressure due to increased competition and cost containment measures by payors.

According to IMS data, global market sales totalled approximately CHF 530 million (2015: CHF 370 million), an increase of 44% in 2016 (2015: 40%).

In the USA sales were up by 70.8%, strongly outperforming the overall US iron market. One success factor behind the performance is the continued close collaboration between Vifor Pharma and its US partner Luitpold Pharmaceuticals, Inc. Effective 1 January 2017, the sales and marketing activities performed by Luitpold were transferred to Daiichi Sankyo, Inc., to maximise sales potential of Injectafer®. This will increase the Injectafer® footprint four-fold to more than 300 sales professionals to promote Injectafer®. In Switzerland, the number of 100 mg units of Ferinject® grew by 8%.

Sales grew particularly strongly in Australia (46%), Spain (33%), France (27%) and Germany (24%). The product has also been launched in a number of additional countries, including the United Arab Emirates, Uruguay, Morocco and Hong Kong, as well as in Saudi Arabia, which has the potential to become one of the top ten markets in the world for iron products.
All markets of the EU demonstrated solid double-digit growth in both volume and net sales, further boosted by Ferinject®’s recommendation as the product of choice for the treatment of iron deficiency in the Clinical Practice Guidelines of the European Society of Cardiology (ESC), a significant endorsement of the product’s potential.

Vifor Pharma is continuing to strengthen its position through disease awareness programmes, additional clinical studies, medical education support for physicians and participation at key congresses. The company presented the results of its EFFECT-HF study in Chronic Heart Failure patients with iron deficiency at a late-breaking session of the American Heart Association Congress in November 2016. In the third quarter of 2016, the company initiated activities for the AFFIRM-AHF study to demonstrate the effect of Ferinject® on hospitalisations and mortality in iron deficient patients admitted for acute heart failure.

Ferinject® was featured in presentations to more than 350 healthcare professionals at the European Iron Academy in Berlin. It was also presented at the 53rd Congress of the European Renal Association and European Dialysis and Transplant Association (ERA-EDTA) in Vienna, one of the world-leading nephrology congresses, where the benefits of Ferinject® in treatment of ND-CKD patients with iron deficiency and anaemia were shown.

Mircera® – a rapidly growing contribution

Mircera® generated sales of CHF 328.6 million (+59.0%) in 2016. Mircera®, a long acting Erythropoietin Stimulating Agent (ESA) for treatment of symptomatic anaemia associated with CKD, has been an ideal complement to Vifor Pharma’s product portfolio since May 2015, when Galenica and Roche entered into an exclusive licensing agreement for the commercialisation of Mircera® in the USA and Puerto Rico.

Velphoro® – key launches completed

In 2016, sales of the phosphate binder Velphoro® rose 25.8% to CHF 54.4 million, with the successful rollout confirming its unique profile. Velphoro® is now approved in 37 countries and launched in 23 countries. It is available in all key markets including Japan, the USA and the five major European pharmaceutical markets. In clinical practice, 12 months of Velphoro® treatment has helped patients to reduce their serum phosphorus levels to target, as demonstrated in a real-life study from Fresenius Medical Care presented at the 2016 American Society of Nephrology (ASN) Kidney Week. Vifor Pharma continues to work on the development of Velphoro®. Under the VERIFIE programme, phase IV studies were initiated in 2016 enabling the use of Velphoro® to be monitored in real-life conditions in patients in Europe.

“The combination with Relypsa creates a significant player in cardio-renal care in the USA.”

The 2016 heart failure guidelines from the European Society of Cardiology recommend Ferinject® for the treatment of iron deficiency in patients with systolic heart failure

The 2016 ESC Guidelines for the diagnosis and treatment of acute and chronic heart failure, published in May 2016, recommend Ferinject® for the treatment of iron deficiency in patients with systolic heart failure. Furthermore, the guidelines confirm that iron deficiency is an important co-morbidity and recommend screening and diagnosis of iron deficiency in all patients newly diagnosed with systolic heart failure. The guidelines reinforce the wealth of evidence showing Ferinject® can significantly improve heart failure symptoms, exercise capacity and quality of life for these patients, and that it has the potential to reduce hospitalisation.
“Vifor Pharma continued to invest in its R&D and manufacturing facilities.”

**Venofer® – continued investment in reliable iron delivery**

Venofer® showed an excellent sales development of 14.7% up to CHF 125.0 million. So far, more than 434 million 100 mg doses of Venofer® have been used in patients, equivalent to almost 22 million patient years.

VFMCRP is currently investing in an academia-led clinical trial assessing optimised anaemia treatment in haemodialysis patients. This largest prospective clinical trial, called PIVOTAL, is supported by a research grant from VFMCRP to Kidney Research UK and is expected to be completed by mid-2018.

**Maltofer® – solid ongoing business**

Sales of other iron products totalled CHF 64.2 million by year-end (+1.1%). The oral iron product Maltofer® reported sales of CHF 55.0 million (+3.4%). Sales of other prescription medicines, which are primarily marketed in Switzerland and Spain, amounted to CHF 82.6 million (+9.8%).

**ALOXI® – a new anti-nausea option for children with cancer**

In August 2016, Swissmedic approved ALOXI® for use in the prevention of Chemotherapy Induced Nausea and Vomiting (CINV) in children aged from one month to 17 years in Switzerland. This followed EMA approval in 2015 and FDA approval in 2014. This is the first Swiss approval of an anti-nausea therapy for children aged from one to six months undergoing chemotherapy. Vifor Pharma has a promotion and distribution agreement for ALOXI® in Switzerland and other countries with the Swiss pharmaceutical group Helsinn.

**Vifor Fresenius Medical Care Renal Pharma – key to continued success**

A crucial element of Vifor Pharma’s continued success is its strong global network and successful partnerships. VFMCRP, the common company with Fresenius Medical Care, plays a central role in the growth of Vifor Pharma’s products and its international expansion.

In May 2016, VFMCRP obtained the rights from OPKO Health to commercialise modified-release calcifediol capsules (US brand name: RAYALDEE®) for the treatment of secondary hyperparathyroidism (SHPT) in chronic kidney disease (CKD) and vitamin D deficiency in Europe, Canada and certain other international markets. The two companies will collaborate to develop and commercialise RAYALDEE® for the treatment of SHPT in dialysis patients. Furthermore, VFMCRP has an option to acquire rights to the US market for treatment of dialysis patients.
Also in May 2016, Vifor Pharma and ChemoCentryx entered a unique kidney health alliance, with Vifor Pharma licensing commercial rights in Europe, Canada, Mexico, Central and South America and South Korea to CCX168 (international non-proprietary name: Avacopan), a Complement 5a Receptor inhibitor ready for Phase III development for orphan and rare renal diseases. CCX168 is being developed by ChemoCentryx for the treatment of conditions including anti-neutrophil cytoplasmic antibody (ANCA)-associated vasculitis (AAV) and has obtained orphan drug status in the USA and Europe. At the end of December 2016, due to the encouraging clinical development of CCX168, VFMCRP decided to exercise its option to acquire from Vifor Pharma the exclusive licensing agreement to develop and commercialise CCX168. At the same time, Vifor Pharma and ChemoCentryx broadened the unique kidney health alliance to include the development and commercialisation of CCX140 for renal diseases.

“The number one priority for 2017 is to establish Vifor Pharma as an independent, global pharmaceutical company.”

Also in May 2016, Vifor Pharma further expanded its Erythropoiesis Stimulating Agent (ESA) portfolio with the licensing of commercialisation rights in the US dialysis market to Pfizer’s Retacrit™, a proposed biosimilar epoetin, in nephrology. Retacrit™ is under review for the treatment of anaemia associated with CKD, renal failure and chemotherapy-induced anaemia. Once Retacrit™ is approved, Vifor Pharma will be able to offer both short-acting and long-acting ESA therapies to the US dialysis market.

<table>
<thead>
<tr>
<th>Total net sales Rx products</th>
<th>2016</th>
<th>2015</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intravenous (i.v.) iron replacement products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ferinject® and Injectafér®</td>
<td>349.5</td>
<td>250.9</td>
<td>+39.3</td>
</tr>
<tr>
<td>of which Injectafér® USA</td>
<td>67.4</td>
<td>38.5</td>
<td>+74.9</td>
</tr>
<tr>
<td>Venofér®</td>
<td>125.0</td>
<td>108.9</td>
<td>+14.7</td>
</tr>
<tr>
<td>Other iron replacement products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which Maltofer®</td>
<td>64.2</td>
<td>63.5</td>
<td>-1.1</td>
</tr>
<tr>
<td></td>
<td>55.0</td>
<td>53.2</td>
<td>+3.4</td>
</tr>
<tr>
<td>Erythropoietin (ESA/EPO)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Mircera® | 328.6 | 206.8 | +59.0
| Phosphate binder | | | |
| Velphoro® | 54.4 | 43.2 | +25.8 |
| Potassium binder | | | |
| Veltassa® | 7.4 | — | — |
| Other Rx products | 82.6 | 75.3 | +9.8 |
| Revenues and licence fee income | 86.4 | 88.5 | -2.4 |

<table>
<thead>
<tr>
<th>Net sales Infectious Diseases/OTX products</th>
<th>2016</th>
<th>2015</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broncho-Vaxom®</td>
<td>41.4</td>
<td>50.5</td>
<td>-17.8</td>
</tr>
<tr>
<td>Doxium®</td>
<td>20.4</td>
<td>27.1</td>
<td>-24.7</td>
</tr>
<tr>
<td>Dicydone®</td>
<td>15.8</td>
<td>18.6</td>
<td>-15.4</td>
</tr>
<tr>
<td>Uro-Vaxom®</td>
<td>15.1</td>
<td>15.7</td>
<td>-3.5</td>
</tr>
</tbody>
</table>

12 months on the market compared to 7 months (as of June) in 2015
4 months since acquisition of Relypsa
Infectious Diseases/OTX – helping to overcome antibiotic resistance

In 2016, the Infectious Diseases/OTX franchise achieved global sales of CHF 103.1 million (−15.4%). This decrease was mainly due to changes in commercial partners and the generally challenging economic situation in South America. However, in the past two years the Infectious Diseases/OTX franchise recorded growth of more than 5% p.a. according to IMS data.

The continued rise of antimicrobial resistance around the world is a major focus of concern for international health agencies and governments. There is growing medical interest in the potential of both Broncho-Vaxom® and Uro-Vaxom®, and Vifor Pharma believes they will play an important role in helping patients to prevent recurrent infections, therefore reducing use of antibiotics.

Investment in production facilities

Vifor Pharma continued to invest in its state-of-the-art R&D and manufacturing facilities. In St. Gallen, Switzerland, a new packaging line for Ferinject® and Venofer® was installed in 2016. This new line packs and labels vials and ampoules automatically and is equipped with a modern track-and-trace system which helps to meet the increasing regulatory requirements around patient safety.

In Portugal, Vifor Pharma laid the foundation stone for a new production facility that will eventually manufacture Veltassa® for all markets outside the USA. Production is expected to start in 2018, initially providing Veltassa® to countries in the EU.

Outlook

The number one priority for 2017 is to establish Vifor Pharma as an independent, global specialty pharmaceutical company following the planned IPO of Galenica Santé.

The company intends to increase its global presence while at the same time keeping its strong roots in its home market, Switzerland.

Vifor Pharma also expects to expand the iron market, especially in the USA, by further increasing awareness around iron deficiency; and further establish VFMCRP as a leading player in nephrology in close cooperation with our business partner Fresenius Medical Care.

With the combination of the assets and best-in-class cardio-renal products of Vifor Pharma, Relypsa and VFMCRP, Vifor Pharma is positioned to become a major player in this core therapeutic area.
Vifor Pharma products for the treatment of iron deficiency have been previously researched and developed in St. Gallen, where they are still manufactured today.
Better protection thanks to serialisation

Improving patients’ health and the quality of medications are top priorities for Vifor Pharma. That is why the company is actively committed to protection against counterfeiting of medications, and why it successfully started serialising prescription medications in 2013.

Over a million people die every year as a result of counterfeit medications. The World Health Organization (WHO) estimates that up to 10% of medications globally are counterfeit, and as much as 30% in Asia, Africa and Latin America. In industrialised countries, by contrast, the strict approval and licensing procedures for therapeutic products are such that there is scarcely any danger of being given counterfeit medications in a pharmacy or medical practice. However, the number of counterfeit medications via Internet sales in countries like Switzerland is rising steadily (see text box page 38). So counterfeit medications are a serious danger to patient health all over the world.

It is not only lifestyle products like anti-impotence or slimming drugs that are being counterfeited: so too are products that save lives, such as cancer medicines, antibiotics and other prescription medications. It is dangerous when such medications do not contain the expected active ingredient at all, or even have toxins in them. Patients’ health is also in danger if medications contain the right active ingredient, but at too high or too low a dose.

Counterfeit medications are not just a problem for patient safety, they also harm pharma companies: their intellectual property is damaged, they miss out on sales, face liability suits and, ultimately, suffer reputational damage. As a global pharma company, Vifor Pharma too faces challenges in protecting against counterfeits. It therefore uses targeted measures to make medications more secure from being counterfeited, in order to ensure patient safety and build trust.
Security features increase protection against counterfeit medications
But how can pharma companies contribute to the struggle against counterfeit medications? “Pharmaceutical companies use both visible and hidden features to make counterfeiting more difficult”, explains Francesco Porfido, a packaging expert at Vifor Pharma. “These include holograms, inks that change colour and iridescent surfaces that look a different colour depending on the perspective.” Another possibility is tamper-evident features. “That might, for example, be a special label stuck over the end flaps of the cardboard box so you can see at once if the packaging has already been opened”, he says. Cooperation between pharma companies and the regulatory and customs authorities is also crucial in identifying counterfeits.

Serialisation on the increase
In many countries, laws are being drafted that require serialisation or track and trace solutions for prescription medications. With serialisation, a unique serial number is placed on the packaging, allowing the medication to be unambiguously identified at the point of sale. For Europe, this mainly affects manufacturers and dispensers at the beginning and end of the supply chain. Track and trace solutions (as in the USA and Brazil) will in future ensure that medications can be followed all along the supply chain (see text box page 38). This means that wholesalers will also be affected by verification. Serialisation is already a reality in some countries, such as South Korea and China, whereas the high degree of complexity and data protection mean that track and trace solutions are still at the development stage.
An example of serialisation: Velphoro®

The graphic shows the value chain for Velphoro®. Vifor Pharma manufactures the active pharmaceutical ingredient (API) at its facility in St. Gallen. In Villars-sur-Glâne, the Velphoro® tablets are made and bottled, and packed into cardboard boxes. The internal Vifor Pharma system contains a special entry if Velphoro® is distributed in the US market. The system therefore allocates an individual serial number to each pack, which is printed on the cardboard box with other information, such as a 2D DataMatrix code (see text box below). So each individual box has its own 2D DataMatrix code and can be subsequently identified. The machines at production sites are set up and programmed so they can print all types of codes. Once the code has been printed, the medication is then sent to partner company Fresenius Medical Care in the USA. Fresenius Medical Care ensures the medication is delivered to hospitals and pharmacies. If a pharmacist or physician scans the code when dispensing the medication, the system immediately identifies that the 2D DataMatrix code actually exists and that this pack has not been dispensed before.

In the USA, things will even go a step further in future: track and trace is expected to be introduced for prescription medications from 2023. That would make it possible to follow the transport of each individual pack of Velphoro® by means of the 2D DataMatrix code by scanning the code in and out at every link in the supply chain.

Imports of counterfeit medications over the Internet are increasing

The danger of counterfeit medications in industrialised countries is greatest when the medications are ordered over the Internet. According to the WHO, over 50% of these may be counterfeit. In recent years, Switzerland has seen an increase in counterfeit medications from illegal trading on the Internet. The Federal Customs Administration reported 1,225 suspicious and potentially illegal imports of medications in 2014. Based on their own controls, Swissmedic and the Customs Administration estimate that at least 50,000 illegal packages of medications are sent to Switzerland by post every year.

An overview of current serialisation codes

GS1, a globally operating, private sector, non-profit organisation that promotes standardisation in company supply chains, recommends the 2D DataMatrix code for serialisation. This is affixed to the sales packaging of the medication and contains the following information: serial number (SN), expiry date (EXP), manufacturing date (MFD), the global trade item number of the product (GTIN) and the lot number (LOT). The information may vary by country. At present, the following countries follow the GS1 standard: USA, South Korea, Saudi Arabia and the EU.

The linear barcode required in China contains the expiry date, lot number and manufacturing date, but not the GTIN. The serial numbers are issued by the Chinese health authorities and must be affixed to the packaging by the manufacturer.
From November 2017, Vifor Pharma will have to serialise all prescription medications for the US market with a 2D DataMatrix code (see text box page 38). By contrast, medications for the Chinese market have been marked with a linear barcode since the start of 2016 (see text box page 38). In China, where the state health authorities issue the serial numbers, Vifor Pharma obtains them through the local distribution partners. From February 2019, prescription medications in the European Union (EU) will have to comply with the requirements of Directive 2011/62/EU, which stipulates a 2D DataMatrix code and tamper protection. The code will only be checked at the point of sale, i.e. track and trace is not required. The plan is that manufacturers such as Vifor Pharma will in future supply product data to a central European hub, which will pass it on to the national hubs in the countries where the products are sold. At the moment, there are many indications that Switzerland will also adopt the EU Directive of its own volition. “It is probable that within the next ten years, serialisation will be required for 90% of all prescription medications”, estimates project head Kai Köpke.

Serialisation started back in 2013

For Vifor Pharma, which has a growing global presence with subsidiaries and distribution partners in around 100 countries, the differing country-specific rules and technical standards that are being put in place are a major challenge. That is why, back in September 2013, Vifor Pharma gave the go-ahead to serialisation with a pilot project for eight different packaging lines spread across all manufacturing sites.

Kai Köpke, who has a PhD in pharmacy, took over running the project in early 2014: “Implementation was very complex, and both technically and organisationally challenging. It affects all sorts of different units, from IT and quality assurance through to the manufacturing locations, as well as Vifor Pharma’s contract manufacturers and the partners for whom Vifor Pharma produces medications.” The serialisation system at Vifor Pharma works on several levels. The IT involved has been outsourced to specialist external systems providers.

At the start of 2016, the first four packaging lines with serialisation were successfully approved for routine production, two more followed in summer 2016 and the last two were implemented at the end of the year. In September 2016, Vifor Pharma also started serialisation of products for the US market. One of these is Velphoro®, a non-calcium, iron-based phosphate binder in the form of a chewable tablet intended for people with chronic kidney disease (see text box page 38). So if a customer buys a box of Velphoro® tablets in a drugstore somewhere in the USA at the end of 2017, thanks to serialisation, the pharmacist behind the counter will be able to check that the medication is definitely a Vifor Pharma product and not a counterfeit.

Although the system has been implemented successfully, there will be new requirements and system and software updates in future. “That’s why continuous learning is very important for us”, emphasises packaging expert Francesco Porfido, who is also in charge of the company’s internal competence centre for serialisation which was set up during the pilot project. In future, Francesco Porfido and his team will oversee all technical measures involving serialisation, from packaging design and specification through to the infrastructure on the production line.

Well equipped for the future

Despite the many challenges linked with serialisation, project managers Kai Köpke and Francesco Porfido feel that so far the results have been positive. “We are already in a position to ensure serialisation of the products manufactured today. The next step will now be to implement the EU Directive requiring the 2D DataMatrix code and tamper protection”, says Kai Köpke. And Francesco Porfido adds: “Vifor Pharma has already introduced tamper protection for nearly all packaging. Unlike serialisation, this is not a major technical challenge.” So Vifor Pharma is well equipped for the future and will continue to ensure that patient health is protected.
Galenica Santé
Building trust through credibility and competence

Dear Shareholders, Ladies and Gentlemen,

Galenica Santé and 2016: a year full of action! All Business sectors performed well during the course of the year. The increase in sales of Galenica Santé of 3.2% to CHF 3,008.9 million indicates that we have correctly pursued our core activities on our path to being our customers’ first choice in Switzerland for health, beauty and wellbeing. We have concentrated our strengths in the face of continuing pressure on drug prices and consumer tourism outside Switzerland, which has developed from a one-time effect to a permanent state of affairs. In addition, the 2016 flu season was comparatively mild, leading to considerably lower sales of flu medicines.

Galenica Santé was nonetheless able to increase its sales in 2016, by acquiring new customers and expanding its pharmacy network. We are confident of being able to tap further potential and are well-positioned to do so, as evidenced by the earnings before interest and taxes (EBIT), which again exceeded sales growth in the year under review, increasing by 6.2% to CHF 136.0 million. We made investments totalling CHF 34.7 million in 2016 (previous year: CHF 43.8 million), which were, among others, used to finalise the expansion works of Galexis in Niederbipp.

We want to broaden our sales and profit base. To do so, we must stay flexible and agile. Our customers expect offers tailored to their needs. Our challenge is to anticipate trends and help shape the Swiss healthcare market with innovations.

In the second half of 2016, the Federal Council decided that the function of pharmacies as the first point of contact for sales of prescription drugs is limited to just four categories. We are working hard to make improvements here, for the benefit of all patients.

Jörg Kneubühler
CEO Galenica Santé
medical services should be expanded. Pharmacies should also play a key role in health prevention and the treatment of chronic diseases. This assumes a separate room in the pharmacy in which consultations can be held. Under a pilot project, Galenica Santé plans to operate two pharmacies with this expanded range of medical services in 2017, with the aim of obtaining new insights into customers’ primary care needs.

While these types of services are becoming more important, the comprehensive product range with strong brands remains the core of our offering. Our own brands Algifor®, Anti-Brumm®, Perskindol® and Triofan® are among the market-leading products in their segments. Galenica Santé’s product range is increasingly complemented by exclusive beauty and grooming products from well-known partners. For example, an agreement was signed in 2016 for the exclusive distribution of A-Derma products from the world’s second-largest dermo-cosmetics laboratory, Pierre Fabre. The launch was extremely successful in all three pharmacy formats: Amavita, Sun Store and Coop Vitality. Since the beginning of 2017 we have been distributing exclusively in Switzerland the Lierac skincare brand and the Phyto haircare brand from the French Alès Groupe. Further exclusive partnerships are set to follow.

Galenica Santé operates the largest pharmacy network in Switzerland and ensures efficient, safe distribution to some 500 own locations, Coop Vitality pharmacies as well as Amavita and Winconcept partner pharmacies. The expansion in 2016 of the Niederbipp logistics centre enables high volumes to be processed on schedule. The acquisition of the physicians wholesaler Pharmapool at the beginning of 2017 will contribute to providing market participants throughout Switzerland with integrated solutions from a single source.

Increasing efficiency is one of the main objectives of Galenica Santé. To this end, we increased cooperation both within and between the three Business sectors in 2016, coordinating common processes more closely. The two headquarters of the Retail Business sector in St-Sulpice and Bern are being merged gradually at a single location in Bern. The project will be completed by mid-2017.

Our journey to date shows that we have the necessary experience and skills for a successful future: entrepreneurial thinking, willingness to change and passion. We place high demands on ourselves – and on all employees. Our thanks go to them. Their performance deserves respect. Because they strive every day to live up to our aspiration to build trust through credibility and competence. As an experienced team, they contribute to Galenica Santé continuing successfully on its path in the future.

Bern, 14 March 2017

Jörg Kneubühler
CEO Galenica Santé

+6.2%  
CHF 34.7 million

EBIT increase  
investments
HCI Solutions maintains databases and develops management solutions that focus specifically on needs for the networked healthcare market.
Health, beauty and wellbeing

Galenica Santé has the largest pharmacy network in Switzerland, giving it an excellent distribution network both for strong own brands as well as the products of its business partners. In terms of strategy, it aims to strengthen its leading position in pain relief, coughs, colds and respiratory diseases, and expand the cosmetics and beauty market segments.

Net sales in the Health & Beauty segment, comprising the Products & Brands and Retail Business sectors, rose by 3.1% to CHF 1,437.0 million in 2016. EBIT improved by 7.2% to CHF 96.2 million. Compared to the previous year, return on sales (ROS) increased to 6.7%. Investments totalled CHF 14.9 million in 2016 (previous year: CHF 17.7 million).
Products & Brands
Health, beauty and exclusivity from one source

“We offer business partners a unique network, comprehensive know-how and speed to market.”

Strong health portfolio
The Products & Brands Business sector increased sales by 0.5% to CHF 89.3 million in 2016. The growth was influenced by the discontinuation of the Equazen™ brand portfolio, which was sold along with Potters to Soho Flordis International at the end of 2015. Without this effect, Products & Brands grew by 6.2%.

Vifor Consumer Health generated total sales of CHF 81.4 million, which is on a par with the previous year. In Switzerland, the company clearly outperformed the overall growth of the stable market (IMS Health 2016) thanks to its renowned OTC brands, with year-on-year sales increasing by 3.5% to CHF 65.6 million. One of the contributing factors to this was the exclusive distribution of A-Derma products from the French dermo-cosmetics company Pierre Fabre, which have been very well received by customers in Switzerland since the launch in summer 2016.

At CHF 15.8 million, export sales declined by 12.6% due to the impact of the previously mentioned discontinuation of the Equazen™ brand portfolio.

More than 60 product brands are managed by Vifor Consumer Health, including famous brands such as Algifor®, Triofan®, Perskindol® and Anti-Brumm®, Algifor®, Swiss market leader in the pain relief category, outperformed the market in the period under review, and the new Algifor®

Strategic priorities 2017
- Sustain leadership of the top OTC categories, with focus on pain, coughs, colds and respiratory diseases
- Consolidate and further grow share of the consumer health market in pharmacies and drugstores throughout the country
- Expand branded business into new areas and develop related skills
- Build sourcing competencies to meet the entire spectrum of opportunities

Net sales in million CHF
89.3
Products & Brands

Number of employees
107
Products & Brands

Galenic Santé CHF 3,008.9 million
Galenic Santé 6,131

Torvald de Coverly Veale
Head Products & Brands Business sector

Galenica Santé, Health & Beauty, Products & Brands

Galenica annual report 2016
“Since January 2017, the Lierac brand of high-quality skincare products and Phyto haircare products have been distributed exclusively in Switzerland.”

Liquid capsules 400 mg Ibuprofen launch was very well received by the market. Sales of the market-leading insect repellent Anti-Brumm® grew significantly in both national and international markets, reinforcing its prime position in Germany. The comprehensive range of Vifor Consumer Health over-the-counter products (OTC) is available in all pharmacies and drugstores in Switzerland. The Vifor Consumer Health team is able to respond quickly to client demand, plan new campaigns accordingly, and implement offers. An integral and very successful part of Vifor Consumer Health support for pharmacists is the regular training programme provided by the Vifor Consumer Health team of experienced consultants, which has become increasingly recognised as a key element in first-class client service.

Exporting selected brands

The intention of Vifor Consumer Health, with its strong position in the Swiss healthcare market, is to better exploit this potential across all Swiss pharmacies.

Vifor Consumer Health also plans to reinforce its international presence with selected products.

Anti-Brumm® and Perskindol® already enjoy good demand and brand recognition in countries such as Germany and Thailand.

Powerful partner services

Vifor Consumer Health also distributes pharmaceutical and para-pharmaceutical products on behalf of third parties. Sales increased in this business segment, stimulated by the introduction of new brands. A good example is the agreement signed with Procter & Gamble in 2015 to market and distribute Clearblue® and OralB® in all Swiss pharmacies.

Healthy Beauty – exclusive brands

Products & Brands signed an exclusive distribution contract with the French dermo-cosmetics company Pierre Fabre, the worldwide number two in this market. Their A-Derma range of products, exclusively offered by Galenica Santé in Switzerland, has been very well received. Based on a unique active ingredient called Rhealba® Oat, A-Derma is the first dermo-cosmetics brand with a natural, plant-based active ingredient that soothes and protects irritated and delicate skin. The agreement with Pierre Fabre was a first step in building a stronger franchise in the Swiss skin care market. The distribution agreement is being reinforced by various marketing activities as well as staff training in Amavita, Sun Store and Coop Vitality pharmacies.

A contract with the French Alès Group was signed mid-2016; the exclusive distribution in Switzerland by Galenica Santé of their Lierac skincare brand and their Phyto haircare brand started in early 2017.

New year, new launches

Going forward, the Products & Brands Business sector intends to continue with the strategy that has already proven its success: strengthen the health franchise in the Swiss OTC healthcare market; launch products with new partnerships, particularly with cosmetics and beauty products; and stimulate export sales with selected products.

To this end, Vifor Consumer Health signed a contract with the Austrian company Adler in 2016. The plan is to launch their proprietary “Schüssler Salze” products exclusively in Switzerland. These mineral salts are gluten free food supplements to promote general wellbeing, or compensate for deficiency or imbalance of specific minerals causing organ dysfunction. Also planned is the exclusive distribution in Switzerland of Excilor®, an anti-fungus medication. The introduction of new products will support growth of existing brands as well as strengthening the portfolio in new categories.

The companies of the Products & Brands Business sector

Vifor Consumer Health

- Markets non-prescription drugs (over-the-counter products) developed by Vifor Consumer Health, sold under licence or distributed for third parties.
- Plays a leading role in its home market Switzerland with key brands such as Algifor®, Triofan®, Perskindol® and Anti-Brumm®.

G-Pharma

- Launch and distribution of Consumer Healthcare products for Retail own brands.
Retail
“Staying flexible thanks to efficiency.”

“Our customer service is characterised by competence, credibility and passion.”

Strategic priorities 2017
- Focus on customer service: tailored offerings, new services, innovative own brands and a compelling presence for all pharmacy formats
- Create a lean, flexible organisation: take advantage of synergies in procurement, product range management and all services
- Leeway for future price reduction measures: improve efficient business processes
- Promote growth: organically and inorganically with network expansion through own and independent partner pharmacies

Sales growth in a challenging market environment
The Retail Business sector continued to perform successfully in a challenging market environment in 2016, posting net sales of CHF 1,348.6 million (+3.1%, without Coop Vitality). The expansion of the pharmacy network was the key driver of this growth. The number of own pharmacies was increased by eleven locations to reach a total of 329, while like-for-like sales grew by 1.6%. Together with the Coop Vitality pharmacies, which are not consolidated, and the Amavita and Winconcept partner pharmacies, the pharmacy network of Galenica Santé comprised around 500 locations at the end of 2016.

Various strategic measures for the coming months were launched to provide broader support for sales development.

The environment was again challenging in 2016 as price reductions on prescription medicines continued to have a negative impact. Ongoing consumer tourism, price pressure from retailers and a milder flu season than last year also left their mark on the pharmacy market.

Net sales
in million CHF

1,348.6
Retail

Galenica Santé CHF 3,008.9 million

Number of employees

4,530
Retail

Galenica Santé 6,131
“Customers can now upload a scanned prescription to a platform and send it to the pharmacy of their choice electronically. The pharmacy receives the prescription by e-mail and can then prepare the medication, allowing waiting time to be kept to a minimum when it is collected.”

**Cost reduction thanks to direct invoicing**

With all Sun Store pharmacies having switched to directly invoicing health insurers in the previous year, Amavita pharmacies followed in 2016. Thanks to the TriaFact® platform developed by HCI Solutions and direct exchange between pharmacies and health insurers, invoice processing costs were reduced and data quality improved. The project was implemented on time and health insurers’ rejection rates further diminished.

**Expanded pharmacy network**

Galenica Santé expanded the pharmacy network considerably over the year. The closure of three Sun Store pharmacies was compensated by new entrants of five Amavita pharmacies, five Coop Vitality pharmacies and four majority holdings. With three Amavita and three Winconcept partnerships discontinued, the pharmacy network comprised a total of 496 locations at 31 December 2016.

The proportion of own brands in the product range grew steadily at Amavita and Coop Vitality. These help to increase the recognition and market presence of both pharmacy formats.

Customer satisfaction is affected by the quality of advice they receive. The Team Performance programme ensures that administrative processes can be completed simply and quickly, allowing staff more time to dedicate to giving advice and selling. The programme was introduced at all Coop Vitality points of sale in 2015 and implemented at additional Amavita and Sun Store locations in 2016. The comprehensive range of health and beauty products is now available to customers outside opening times as well, thanks to the Sun Store, Amavita and Coop Vitality webshops. New insights into customer needs and behaviour are also expected from the presence of Coop Vitality on the online marketplace Siroop. Siroop is a start-up launched by Coop and Swisscom that allows providers from various sectors to sell their products online.

Team spirit is also taken very seriously when it comes to developing the next generation of talent. Based on the conviction that people who know each other are more committed to their work and colleagues, a three-day training camp for apprentices has been held for the past 15 years. The success of “Kuuhli” shows that this commitment is very much appreciated by young employees.
New health checks on offer

Coop Vitality pharmacies expanded the health check service offering with the GlucaCheck, while Sun Store pharmacies offered rapid allergy tests for the first time. There was also a high level of participation in the bowel cancer screening campaign launched by pharmaSuisse, with over 3,800 tests conducted in Amavita and Coop Vitality pharmacies. A further step towards eHealth was achieved in the form of the “Prescription Upload” pilot project at a Sun Store location in Lausanne. This allows customers to upload the scanned prescription to a platform and send it to the pharmacy of their choice electronically. The pharmacy receives the prescription by e-mail and can then prepare the medication, allowing waiting time to be kept to a minimum when it is collected. The service is currently offered at all Sun Store, Coop Vitality and Amavita pharmacies.

Vaccination service remains popular

The service for in-pharmacy vaccination without a medical prescription, introduced in 2015, was extended to additional cantons. Vaccination licences for pharmacists are issued by the cantons. The requirement remains that the pharmacist carrying out the immunisations has completed a five-day training course to attain the FPH certificate of competence in vaccination and blood collection. At present, vaccinations are possible in the cantons of Fribourg, Neuchâtel, Solothurn, Zurich, Grisons, St. Gallen, Schwyz, Thurgau, Schaffhausen, Basel-Land, Jura and Geneva. A pilot project for seasonal flu vaccinations in pharmacies was also launched in Bern, Vaud and Valais. A platform run by pharmaSuisse (www.impfapotheke.ch) shows the vaccination offering and location for all authorised pharmacies, including many Amavita and Coop Vitality locations.

CardioSnip – listening to the body

Working life has become more hectic. People work long hours, eat on the go and travel between time zones. Although there is an increasing trend towards a healthy lifestyle, such as eating little or no meat, avoiding tobacco and alcohol, or only consuming the latter in moderation, an increasing number of people are coming up against their limits. If the warning signals are not recognised in time, this can sometimes have serious consequences, such as heart attacks, stomach ulcers or burnout.

A small device can be helpful: CardioSnip is a new system that identifies signs of mental and physical overload, whereby an individual takes a series of ECGs (electrocardiograms) over a normal 24-hour day. CardioSnip is attached directly to the chest in the form of a patch, with no wires or other recording devices. Immediately after measurement, users can perform a simple evaluation using an app that identifies potential physical and mental overloads. The evaluation is based on a patented algorithm. The pilot phase was completed successfully in the fourth quarter of 2016, with the product scheduled for market launch in 2017. The device was developed by MediService and external partners and will be sold in Switzerland exclusively in Sun Store, Coop Vitality and Amavita pharmacies.

Own pharmacies and shareholdings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amavita pharmacies1)</td>
<td>150</td>
<td>145</td>
<td>+5</td>
</tr>
<tr>
<td>Sun Store pharmacies1)</td>
<td>99</td>
<td>102</td>
<td>–3</td>
</tr>
<tr>
<td>Coop Vitality pharmacies (Joint venture with Coop)1)</td>
<td>69</td>
<td>64</td>
<td>+5</td>
</tr>
<tr>
<td>MediService specialty pharmacy1)</td>
<td>1</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Majority holdings in other pharmacies1)</td>
<td>8</td>
<td>4</td>
<td>+4</td>
</tr>
<tr>
<td>Minority holdings in other pharmacies2)</td>
<td>2</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>Total own points of sale</td>
<td>329</td>
<td>318</td>
<td>+11</td>
</tr>
</tbody>
</table>

1) Fully consolidated
2) Consolidated at equity level

Independent partners

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amavita partnerships</td>
<td>9</td>
<td>12</td>
<td>–3</td>
</tr>
<tr>
<td>Winconcept partner pharmacies</td>
<td>158</td>
<td>161</td>
<td>–3</td>
</tr>
<tr>
<td>Total independent partners</td>
<td>167</td>
<td>173</td>
<td>–6</td>
</tr>
</tbody>
</table>
Team spirit is also taken very seriously when it comes to developing the next generation of talent. The success of ‘Kuuhli’, a three-day training camp for apprentices, shows that this commitment is very much appreciated by young employees.

Federal Council looking to give more powers to pharmacies

The decision by the Federal Council to give more powers to pharmacies in Switzerland has received widespread public attention. In October 2016, the Federal Council published a report that, for the first time, would make it possible for pharmacies, and not just general practitioners, to provide people with "simple and low-threshold access" to medical services. Pharmacies should also play a key role in preventative healthcare and the treatment of chronic diseases. However, this assumes a separate room in the pharmacy in which consultations can be held. While the recognition of pharmacies as the first point of contact for minor complaints is to be welcomed, further developments and decisions are still pending. The next step is for the Federation to scientifically supervise two pilot projects for children and chronically ill patients that will test new models for cooperation. The evaluation of the results is scheduled to be made available in 2018. Galenica Santé will also conduct a pilot project involving two pharmacies with extended medical services in 2017, one in German-speaking Switzerland and one in the French-speaking part of the country. The aim is to gather new information about customer needs in terms of basic medical care.

Promoting professionalism and quality

Demand for professional support from Winconcept remained strong in 2016. The greatest interest was in Process One, a lean quality management system for independent pharmacies that assists them in their planning without generating an excessive administrative burden.

The continuing education course CAS Management for Pharmacists, which was developed in collaboration with the University of Basel, is similarly dedicated to upholding quality standards. The two-year, part-time vocational course focuses on the topics of management, personnel management and business administration in pharmacies. An average of ten pharmacists attend the course, with 13 enrolled in the current, sixth, intake.

Centrally accessible knowledge and information

MediService made gains in expanding its various cooperative activities and niche programmes. After a successful pilot test at Sun Store in 2015, the switch was made in full in 2016, with centralised delivery of high-priced medicines now being carried out by MediService. This minimises risks such as incorrect orders or over-run expiry dates.

The introduction of SharePoint at the three pharmacy formats Amavita, Sun Store and Coop Vitality has resulted in a single communication platform. The web application simplifies cooperation, allows information to be exchanged quickly and easily, and also serves as a central file archive.
2016 saw the completion of the preparatory work for the introduction of TriaPharm® software at Coop Vitality. The application supports pharmacists in the areas of sales and order management, receipt of goods and inventory management, pricing and administrative support. The switch to TriaPharm® at Coop Vitality is scheduled for completion by the end of 2017.

**Outlook: Growth both organically and through increased efficiency**

The Retail Business sector continues to pursue its established strategy. Growth is to be achieved both organically, for example with new offerings and services, and through targeted acquisitions and new openings. Efficiency will also be improved by simplifying and harmonising processes, the systematic introduction of the pharmacy software TriaPharm® being one example of this. Standardised platforms make cooperation easier in the shared back office of the pharmacy formats, thereby creating added value for all. Appropriate measures also support efforts to maintain room for manoeuvre as regards future price reduction measures.

**The pharmacy formats of the Retail Business sector**

<table>
<thead>
<tr>
<th>Amavita</th>
<th>Sun Store</th>
<th>Coop Vitality</th>
<th>MediService</th>
<th>Winconcept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Largest pharmacy network in Switzerland.</td>
<td>First pharmacy chain in Switzerland, has belonged to Galenica since 2009 and is managed by GaleniCare.</td>
<td>Joint venture between Coop and Galenica.</td>
<td>Specialty pharmacy for care of patients with chronic illnesses.</td>
<td>Service provider for autonomous and independent pharmacies.</td>
</tr>
<tr>
<td>Founded and managed by GaleniCare.</td>
<td>Product focus: prescription and non-prescription medicines and beauty products.</td>
<td>Located in larger Coop centres.</td>
<td>Home and Pharma Care therapy support service for in-home care of long-term patients, including specialist care and direct delivery of medications.</td>
<td>Marketed under the Feelgood’s brand.</td>
</tr>
<tr>
<td>Points of sale in attractive public locations.</td>
<td>Larger-than-average retail space in places with high customer traffic such as shopping centres.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong customer focus (employee training, services, own-label brands).</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Dynamic sales growth

The Services segment made gains in both business volume and profitability in 2016. Net sales increased by 3.8% to CHF 2,328.9 million and earnings before interest and taxes (EBIT) rose disproportionately by 11.7% to CHF 41.4 million. Return on sales (ROS) could therefore be further increased to 1.8%. A milder flu season than last year was more than offset by gaining new customers and continuing range expansion, particularly in the cosmetics market. Increasing regulation, such as the now binding EU GDP Guidelines for Good Distribution Practice of Medicinal Products for Human Use, demands comprehensive solutions, which the Services segment is well-equipped to provide. Investments totalled CHF 20.2 million (previous year: CHF 26.9 million), related, among others, to the final construction phase of the Niederbipp distribution centre expansion.
Services
Investment boost proving effective

“The Services Business sector operates successfully by applying the various components of pharmaceutical logistics in flexible and efficient modules for the benefit of its customers.”

Strategic priorities 2017
- Reinforce customer competitiveness with high-quality services and innovative offerings
- Bundle the competences as a wholesaler and in prewholesale for customers and suppliers
- Develop trend-setting eHealth offerings for the Swiss healthcare market
- Improve efficiency by further optimising processes

Greater capacity and efficiency at Galexis

The Services Business sector comprises the logistics companies Galexis, Unione Farmaceutica Distribuzione, Alloga and Medifilm, as well as database and management solution provider HCI Solutions.

Galexis completed the expansion of the Niederbipp distribution centre in the year under review, thus increasing its capacity and efficiency. In the first instance, it now has space for an additional 6,100 items, expandable to 11,000 if required, allowing it to align its product range to the future needs of customers, particularly in the area of cosmetics. The additional capacity also means that on-trend assortments such as vegan products, smoothies and tattoo-related products (Tattoo-Med®) can be catered for.

Furthermore, the expansion ensures that the structural conditions for further efficiency gains are now in place, as a greater number of transport containers can be processed per hour and per day; the hourly throughput rate increased by more than 30% to 4,000 containers. At the same time, Galexis implemented a range of other projects to improve efficiency. New scheduling software, for example, automatically orders around 80% of products and medications from manufacturers and business partners, thereby optimising the warehouse inventory and significantly reducing the more than 50 deliveries made each day.

Galenica Santé, Services

<table>
<thead>
<tr>
<th>Net sales in million CHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,328.9 Services</td>
</tr>
</tbody>
</table>

Galenica Santé CHF 3,008.9 million

<table>
<thead>
<tr>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,494 Services</td>
</tr>
</tbody>
</table>

Galenica Santé 6,131
A new IT platform simplifies the ordering procedure for pharmacies. Finally, the new logistics centre enables all products to be transported automatically from arrival to the "pick zone" (the hub for picking), which cuts out multiple stages in the process. An increasing number of options are open to pharmacists when it comes to medical treatment. Thanks to its expertise in medical technology, Galexis can also supply customers with the required infrastructure. In 2016, its specialised medical technology range “Focus”, which is offered at euro prices, was expanded with a comprehensive pharmacy range including vaccinations and CardioTests® in pharmacies.

In May 2016, Galenica submitted a takeover bid to the shareholders of the physician wholesaler Pharmapool. By the acceptance deadline at the end of August 2016, 100% of the shareholders of Pharmapool AG had accepted the purchase offer from Galexis, with the Competition Commission (COMCO) approving the acquisition without conditions or requirements at the end of December 2016. The acquisition of Pharmapool was thus completed at the beginning of January 2017 and will strengthen the logistics business of Galenica Santé.

Unione Farmaceutica Distribuzione expands webshop offering

Unione Farmaceutica Distribuzione (UFD) performed well in its home market of Ticino in 2016, while its webshop specialisation for third party customers, offered throughout Switzerland, also bore fruit. Logistics and IT are seamlessly linked, from ordering through the webshop to mailing. UFD is also expediting the growth of the pharmacy management system pharma4.net, which HCI Solutions distributes to smaller pharmacies and drugstores in German-speaking and French-speaking Switzerland. This allows faster and more efficient processing of sales, as well as simplified stock management and invoicing.

Alloga ensures GDP compliance across all sales channels

The new European guidelines for Good Distribution Practice of Medicinal Products for Human Use (GDP) stipulate that medicines must be stored and shipped at temperatures of 15–25°C. To this end, all 110 delivery vans operated by Galexis have been refitted and certified according to GDP, while the prewholesale company Alloga has developed a solution for postal deliveries in collaboration with a logistics partner. This involves shipping packages to doctors and smaller hospitals using temperature-controlled mini vans. As a result, Alloga has ensured GDP conformity across all of its sales channels.
A further challenge to logistics is posed by a new class of cancer drug, for which a temperature of –80 °C must be maintained throughout the entire supply chain. These drugs have been on the market since December 2016. In response, Alloga has established an ultra-deep freeze logistics system.

Medifilm simplifies ordering procedure

Medifilm continues to develop. In 2016, the pioneer in blister packaging of drugs for individual patients expanded its capacity at the existing site and is now able to serve up to 30,000 patients across Switzerland. The existing Mediproc software platform has been equipped for direct connection to nursing homes, thus simplifying the ordering procedure.

HCI Solutions assists hospitals with medication data

By introducing direct invoicing to health insurers, HCI Solutions has, at minimal cost, enhanced billing process quality for pharmacies working with Triapharm®. In addition, digital vaccination records have been integrated into the Triamed® and Triapharm® systems.

The pilot project with the Cantonal Hospital of St. Gallen to simplify administration of the hospital’s own medication data was a success and has since been expanded to several cantons and additional cantonal hospitals. Others are scheduled to follow. St. Gallen has also been selected for a further pilot project: every time a medication is dispensed at its cantonal hospital, the newly-installed software application checks whether this is actually suitable for the patient in question or whether there are contraindications.

In December 2016, the rights to Triamed® practice software were sold to Swisscom Health. HCI Solutions will thereby focus on information logistics, knowledge databases and developing software tools to improve the medication process and provide the basis for clinical decisions. It will also continue to run Triapharm®, a software for pharmacy chains, individual pharmacies and drugstores.

Investments to increase capacity, efficiency and ecology

Population growth and longer life expectancy are likely to remain two of the defining trends in the Swiss healthcare market in future, as is cost pressure. The price assessment, which is expected for the end of 2017, will certainly lead to the next round of government-mandated price reductions for medications.

Key figures Wholesale/Prewholesale 2016

<table>
<thead>
<tr>
<th></th>
<th>Wholesale: Galexis, Unione Farmaceutica Distribuzione</th>
<th>Prewholesale: Alloga</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Storage</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of prepared boxes</td>
<td>&gt; 8,010,000</td>
<td>–</td>
</tr>
<tr>
<td>Number of delivered order lines</td>
<td>&gt; 37,654,000</td>
<td>&gt; 1,939,000</td>
</tr>
<tr>
<td>Number of prepared packages</td>
<td>&gt; 118,192,000</td>
<td>&gt; 90,066,000</td>
</tr>
<tr>
<td><strong>Distribution</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual tonnage</td>
<td>&gt; 15,138</td>
<td>&gt; 7,775</td>
</tr>
<tr>
<td>Number of postal packages</td>
<td>&gt; 98,295</td>
<td>&gt; 524,000</td>
</tr>
<tr>
<td>Number of pallets</td>
<td>–</td>
<td>&gt; 64,674</td>
</tr>
<tr>
<td><strong>Structure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of items in stock</td>
<td>&gt; 45,000</td>
<td>&gt; 9,560</td>
</tr>
<tr>
<td>Number of suppliers/partners</td>
<td>&gt; 1,200</td>
<td>&gt; 75</td>
</tr>
<tr>
<td>Number of points of sale supplied</td>
<td>&gt; 9,000</td>
<td>&gt; 13,150</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Degree of automation in Niederbipp</td>
<td>70%</td>
<td>–</td>
</tr>
<tr>
<td>Degree of automation in Lausanne-Ecublens</td>
<td>29%</td>
<td>–</td>
</tr>
<tr>
<td>Degree of automation in Barbengo-Lugano</td>
<td>47%</td>
<td>–</td>
</tr>
<tr>
<td>Degree of automation in Burgdorf</td>
<td>–</td>
<td>36.5%</td>
</tr>
</tbody>
</table>
“Alloga intends to invest in the building infrastructure on the Burgdorf site. The cold room is due to be expanded and linked directly to incoming goods and dispatch via ‘direct docking’.”

The Services Business sector is prepared to operate successfully in this environment with its services and offerings and to apply the various components of pharmaceutical logistics in flexible and efficient modules for the benefit of its customers.

As of 2017, a key priority will be replacement of the current Alloga and Galexis ERP (Enterprise Resource Planning) systems. The software provider has been selected and the next stage is the implementation at Alloga.

Galexis intends to use the expanded logistics platform to extend its offering, for example with the Switzerland-wide exclusive distribution of cosmetics, additional medical technology products for pharmacies and new ranges in the areas of homeopathy and chemicals. In addition, Galexis is planning to introduce an end-to-end supply chain including room temperature returns logistics based on the solution offered by Alloga.

Alloga intends to invest in the building infrastructure of the Burgdorf site. The cold room is due to be expanded and linked directly to incoming goods and dispatch via “direct docking”. The roof is also set to be renovated. As part of the initial expansion, one of the largest photovoltaic systems in Switzerland is due to be installed over an area of 10,000 m².

The companies of the Services Business sector

<table>
<thead>
<tr>
<th>Galexis</th>
<th>Unione Farmaceutica Distribuzione</th>
<th>Alloga</th>
<th>Medifilm</th>
<th>HCI Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Market leader in Swiss healthcare logistics.</td>
<td>- Leading pharmaceutical wholesaler and the only full-range supplier in Ticino.</td>
<td>- Largest Swiss pre-wholesaler.</td>
<td>- Swiss pioneer in the area of blister packaging of drugs for individual patients with wholesaling and manufacturing licence.</td>
<td>- TriaMed® 1) and TriaPharm® comprehensive database.</td>
</tr>
<tr>
<td>- Distribution centres in Niederbipp and Lausanne-Ecublens.</td>
<td>- Distribution centre in Barbengo-Lugano with strong regional roots.</td>
<td>- Logistics centre in Burgdorf.</td>
<td>- Customers include pharmacies and nursing homes supplied with pharmaceuticals.</td>
<td>- Develops management solutions for pharmacies as well as tools to securely manage, communicate and distribute sensitive health data.</td>
</tr>
<tr>
<td>- Comprehensive product and service offerings.</td>
<td>- Supplies pharmacies, drugstores, nursing homes and hospitals.</td>
<td>- Modular, process-managed full-service offering along the entire supply chain.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Supplies pharmacies, medical practices, drugstores, nursing homes and hospitals.</td>
<td></td>
<td>- Logistics services in partnership with the pharmaceutical and healthcare industry.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) Rights sold to Swisscom Health at the end of 2016
With its distribution centres in Niederbipp and Lausanne-Ecublens and a wide range of products and services, Galexis is the ideal partner for pharmacies, medical practices, drugstores, nursing homes and hospitals.
Maximum safety when dispensing medication

Patient safety is the top priority for Galenica Santé pharmacies. To ensure this, GaleniCare takes appropriate measures concerning processes, infrastructure, and training and development. The cornerstone is an outstanding quality management system, which supports employees in their day-to-day work.

The Amavita pharmacy on Bahnhofstrasse in Zurich is extremely busy at lunchtime. Two pharmacy assistants behind the counter are there to advise customers. The range in winter features cold and flu medications. A new customer comes into the pharmacy, is welcomed by a pharmacy assistant and asked what he needs. He would like a headache tablet. The pharmacy assistant asks whether the medication is for him. He nods. She also wants to know whether he is taking any other medications. He answers no. She then asks how long he has had the headache and whether he has any questions about the product. He replies he’s had it for a few hours and does not have any other questions. She takes the medication off the shelf, scans it and asks whether the customer would like the dosage instructions in writing. He says yes, and the pharmacy assistant creates a personalised dosage label with the help of his Amavita customer card. The label includes the patient’s name, the intended use of the medication and information on how it should be taken. It also shows the pharmacy name and phone number. The pharmacy assistant explains the dosage instructions verbally to the patient and asks him if he would like anything else. The customer makes additional purchases. Before dispensing the medication to the customer, the pharmacy assistant again checks the medication name, strength, dosage form, pack size and dosage instructions. She then tells the customer that the pharmacy team would be happy to answer any questions he might have during or after treatment. She says goodbye and tells the customer she hopes he feels better soon.
Uniform processes ensure safety

This sales situation for a non-prescription medicine – known as an OTC sale, requested by a customer – is described in detail in the quality management system (QMS) of GaleniCare, the management company for the pharmacy formats of Galenica. The document details exactly what steps must be taken by pharmacy assistants and pharmacists to ensure that the medication helps the patient as quickly as possible without posing a risk to his or her health. GaleniCare’s quality management includes more than 100 standard operating procedures (SOPs) of this nature for most activities in the area of pharmaceutical production and dispensing, as well as on data protection and duty of confidentiality, hygiene (for example when taking blood) and medicine disposal. “The SOPs are available for all of our roughly 330 pharmacies in French, German and Italian, and comply with legal requirements”, explains specialist pharmacist Daniel Hugentobler, who is responsible for quality management at GaleniCare.

Safe purchase, storage and production of pharmaceuticals

Patient health and medication safety are the top priority for staff in the pharmacies. The SOPs help them to ensure this safety. GaleniCare regularly checks compliance with the SOPs in individual pharmacies. In addition to an announced audit every three years, anonymous mystery shopper purchases and calls are made three times per year to check that the SOPs are being observed.

Further drug safety and patient protection measures concern drug purchasing, storage and production, and therefore also the infrastructure. “All pharmacies purchase medicines exclusively from government-certified and -approved suppliers, including the logistics companies of Galenica Santé: Galexis and Unione Farmaceutica Distribuzione”, stresses Hugentobler. Producing pharmaceuticals in-house requires a cantonal licence, with strict legal requirements. “The SOPs contain clear rules on producing pharmaceuticals and what should be included on the label. We not only check compliance with the regulations, but also the equipment required for production”, he adds. When storing medicines, the pharmacist has to follow the statutory requirements regarding room or refrigerator temperature precisely. In addition, most pharmacies have a consultation room where the pharmacist can talk to the customer discreetly about health problems and medication. This room is essential for consultations when dispensing the morning-after pill, for example. In the area of infrastructure, additional key safety aspects include a modern IT system and appropriate building services with regards heating, ventilation and air conditioning.

eHealth – digitisation of healthcare

Swiss citizens have become more mobile in recent years. It is increasingly commonplace to change canton of residence, health insurer or doctor, and to travel abroad. As a result, key information regarding a patient’s medical history is often missing when needed. New technologies offer new solutions to ensure patient safety. In 2007, the Federal Council approved the eHealth strategy, which is designed to guarantee efficient, safe and cost-effective healthcare throughout Switzerland. As part of this strategy, the Federal Act on the Electronic Patient Record (EPRA) was drawn up. The Act, which regulates the introduction, dissemination and development of patient records, enters into force in 2017 giving everyone in Switzerland the option of making their medical data accessible to medical professionals via an electronic patient record, so that the data are available at all times, anywhere. This means that patients can receive better quality, safer and more efficient treatment. Initially, the Act requires the introduction of electronic patient records only for in-patient facilities such as hospitals and care homes.
Promoting employees’ specialist competence

GaleniCare offers pharmacy employees various training and further education courses to expand their knowledge and keep it up to date. “We hold courses in German and French eight times a year on the GaleniCare QMS and the legal bases for protecting patient safety. These one-day courses include practical exercises and discussions about patient-oriented solutions”, says Hugentobler. “We check the qualifications of all new recruits and decide whether they need to attend the courses. For additional pharmacy services such as CardioTest® or AllergyCheck, employees complete certified courses offered by the training and further education department of GaleniCare”, says Hugentobler, adding: “In 2016, more than 1,000 pharmacy assistants and pharmacists attended our courses. The subject of quality management and patient safety is also central in the basic training of pharmacy assistants. Every year, some 200 apprentices in our pharmacies complete the training to become a pharmacy assistant.”

GaleniCare QMS held in high regard

Winconcept, the service provider for autonomous and independent pharmacies, has also been offering the QMS for independent pharmacies under the name “Process One” since 2015. More than 50 partner pharmacies currently use the system. The largest Swiss health insurer is also convinced by GaleniCare’s QMS. “We developed a quality label together with CSS Versicherung that identifies pharmacies with particularly good performance in the areas of patient service and professional advice. The aim is to noticeably improve quality for customers. Some 200 GaleniCare pharmacies have performed better than average and were able to display the quality sticker in their pharmacy”, says Hugentobler proudly, adding that the GaleniCare QMS is also officially recognised by a cantonal authority.

Electronic patient record further improves safety

For HCI Solutions in particular, which has longstanding experience in the area of databases and management solutions, the development in the eHealth field represents a considerable opportunity: “Through our networked software and database products, we support smooth collaboration with the various service providers and thereby contribute to improve safety when dispensing medicines”, explains Ulrich Schaefer, Head HCI Solutions. “The electronic patient record in particular makes an important contribution to protecting patients’ health”, he adds. HCI Solutions develops software for electronic medication dispensing, based on the needs of service providers and patients. All relevant information on medicines, dosage instructions and other important patient information can be recorded in it digitally.

Patrick Mathieu from the Sun Store pharmacy in Versoix (Geneva) says: “Thanks to this information, we can see straightaway whether the patient is taking any other medication that could cause a negative interaction. This gives us the opportunity to consider alternatives or determine a more appropriate dosage.” All Amavita and Sun Store pharmacies can access a customer’s patient record. In Schaefer’s words: “If, for example, a customer leaves a prescription at their Sun Store pharmacy in St. Gallen and forgets to take it with them when they go on a skiing holiday in Valais, they can still collect their medication from the Sun Store pharmacy in Zermatt.” A patient record can only be created with the agreement of the customer. In addition, all employees have a duty of confidentiality under the Swiss Criminal Code.
Galenica is committed to the principles of Corporate Governance. Galenica meets the requirements of Swiss law and those stated in the Directive of the SIX Swiss Exchange on Information Relating to Corporate Governance. It also follows the recommendations of the Swiss Code of Best Practice for Corporate Governance of economiesuisse. The remuneration and profit-sharing for top management are disclosed in a separate Remuneration Report.

**Group structure and shareholders**

**Structure of the Group**
Galenica Ltd., headquartered at Untermattweg 8, CH-3027 Bern, Switzerland, is a corporation under Swiss law. As a holding company, Galenica Ltd. owns all the companies in the Galenica Group directly or indirectly. The Group’s structure and the consolidated subsidiaries and associates are shown in the financial statements 2016 on pages 165 and 166 respectively. The addresses of the main Group companies are listed beginning on page 188. The Articles of Association of Galenica, the Organisational Regulations as well as the Charters of the Committees of the Board of Directors can be accessed at www.galenica.com.

The shares of Galenica Ltd. are listed on the SIX Swiss Exchange; shares of individual Group companies are not publicly traded.

**Shareholders**
On 31 December 2016, Galenica had 10,838 shareholders, five of which, according to documents submitted to Galenica Ltd. and the SIX Swiss Exchange, were major shareholders holding more than 3% of the voting rights in Galenica Ltd.:

- **Sprint Investments 2 GmbH, Ostermundigen, Switzerland**, (beneficial owners: Stefano Pessina, Monaco, and Kohlberg Kravis Roberts & Co. L.P., New York, USA) with 626,172 registered shares.
- **Patinex AG, Freienbach, Switzerland, and BZ Bank Aktiengesellschaft, Freienbach, Switzerland**, (beneficial owners: Martin and Rosmarie Ebner, Wilen) with 1,122,351 registered shares. Of these shares, 325,000 are registered in accordance with the Articles of Association with voting rights.
- **Alecta pensionsförsäkring, ömsesidigt, Stockholm, Sweden**, with 210,000 registered shares.
- **BNP PARIBAS SA, Paris, France**, 215,249 shares – this is a temporary bond to be repaid on 7 February 2017.
- **Priora Projekt AG, Chur, Switzerland, Immoport AG, Chur, VV Value Vals AG, Vals, Switzerland, and Kodiak Invest AG, Chur**, (beneficial owners: Remo and Manuela Stoffel, Chur), with 534,500 registered shares.
No other shareholder has announced a crossing of the 3% threshold of registered shares.

The transactions disclosed to the stock exchange Disclosure Office pursuant to Art. 20 of the Stock Exchange Act can be viewed on the Disclosure Office website of the SIX Swiss Exchange: www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

Cross shareholdings
Galenica Ltd. has no cross shareholdings in companies outside the Galenica Group.

Events after the balance sheet date
Since the reporting date Sprint Investments 2 GmbH has notified the company and SIX Swiss Exchange that it holds less than 3% of the voting rights in Galenica Ltd. There are no other changes to report.
transfer is granted if the buyer discloses its identity and confirms that the shares are being acquired in its own name and for its own account.

**Registration and voting rights**

Each registered share entitles the holder to one vote at the Annual General Meeting. Pursuant to Art. 6 of the Articles of Association, voting rights at Galenica are restricted to 5% of the share capital.

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 Board of Directors may approve exceptions to the voting rights restrictions in order to permit the participation of strategic partners in Galenica Ltd., in an amount not exceeding 20% of the share capital. The Board has already exercised this right in connection with Sprint Investments 2 GmbH (previously Alliance Boots Investments 2 GmbH).

In order to guarantee vested rights, the Articles of Association allow the pension funds of the companies in the Galenica Group to be registered as shareholders with voting rights in an amount not exceeding 10% of all shares with voting rights. As of 31 December 2016, the pension funds were registered with 0.09%.

Within the scope of a change in the Articles of Association, the Annual General Meeting may pass, by a relative majority, a resolution to approve exceptions to the percentage limits. At least half of all shares entered in the commercial register must be represented in order for such a resolution to be legally binding. The applicant has a right of submission at the Annual General Meeting. No applications for exceptions were submitted during the financial year 2016.

**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. During the financial year 2016, agreements of this nature were signed with two nominees.

**Convertible bonds and options**

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

**The Board of Directors**

The Board of Directors of Galenica Ltd. determines the strategic goals, the general ways and means to achieve them while harmonising strategy, risks and financial resources, and appoints and oversees the managers responsible for conducting the company’s businesses. It also designs the company’s corporate governance profile and puts it into practice.

The duties of the Board of Directors of Galenica Ltd. are based on the Swiss Code of Obligations, the company’s Articles of Association and its Organisational Regulations. Pursuant to the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of twelve members. It consisted of nine members as of the end of 2016.

In selecting the members of the Board of Directors, care is taken to ensure that competency for 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 reviews its functional effectiveness once a year.

The Articles of Association of Galenica Ltd. restrict the ability of its directors to act in the board or senior management of other profit-oriented companies, limiting such outside board activity to five mandates in listed and seven mandates in non-listed companies. None of the members has reached the limit.

With the exception of the Executive Chairman, none of the members of the Galenica Board of Directors performed an operational management function at Galenica or any of the companies in the Group in the year under review or at any time during the previous three years.

Disclosure of potential conflicts of interest: No member of the Galenica Board of Directors has any significant relations with Galenica or any of its subsidiaries. Stefano Pessina represents Sprint Investments 2 GmbH, which is a shareholder of Galenica.

**Election and term of office**

Each member of the Board of Directors, its Chairman, each member of the Remuneration Committee as well as the independent proxy are elected individually by the Annual General Meeting for a term of office of one year, i.e. from one Annual General Meeting to the end of the next. Members may be re-elected. The Articles of Association do not stipulate a limit regarding terms of office. Elections are held separately for each Board member being elected.

**The Board of Directors and its committees in 2016**

The Board of Directors is made up of the Executive Chairman, one or more Vice-Chairmen and the other members. The Board of Directors forms the following committees from its members:

– Governance and Nomination Committee
– Remuneration Committee
– Audit and Risk Committee
– Scientific and Pharma Committee
– Swiss Healthcare Committee

Each committee has its own charter setting out its duties and responsibilities. The committee charters are published on the Galenica website (www.galenica.com).
Internal organisation
The Board of Directors may pass binding resolutions for the company with respect to all matters that are not expressly reserved for the authority of the Annual General Meeting either by law or the Articles of Association.

The Executive Chairman calls a meeting of the Board of Directors at least once a quarter, prepares and leads the meetings. The individual agenda items are set by the Executive Chairman. He decides on a case-by-case basis whether to involve additional persons in the consultations of the Board of Directors. The Corporate Executive Committee usually participates at least in part of every meeting to report on ongoing business and to explain in more detail the documentation in light of the decisions to be taken. Any member of the Board may propose, in writing, items to be included in the agenda, or may request that a meeting of the Board of Directors be convened, briefly giving reasons for doing so. The members of the Board receive the documentation they need to prepare for the agenda items in a timely manner, normally at least ten days before the meeting in question. Decisions are made by the entire Board of Directors. Minutes of the meeting are kept, recording all discussions and resolutions.

The Executive Chairman, in consultation with the CEOs, represents the interests of the Group towards third parties in important matters.

In 2016, the Board of Directors held thirteen 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 about 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 by the Corporate Executive Committee in its role as advisory body.

As part of its risk management, the Board of Directors receives from the Corporate Executive Committee an overview of the most important risks, along with preventive measures to be implemented Group-wide as part of the risk management process. It evaluates and takes decisions on this overview of risks and measures, which is provided when circumstances require it, but at least once a year. Further information on this topic can be found on page 74.

Committees
The committees prepare the business of the Board of Directors in the areas of activity assigned to them and submit recommendations to the entire Board of Directors. Except for the Remuneration Committee, the committees have no decision-making authority of their own. They meet as often as business requires and report to the Board of Directors on activities and results. They draw up their own agendas and keep minutes of meetings.

Each committee has its own charter governing its duties and responsibilities.

Governance and Nomination Committee
The Governance and Nomination Committee ensures the management and monitoring of the Group’s business activities by the Board of Directors (overall management and ultimate supervision pursuant to Art. 716a of the Swiss Code of Obligations). In addition, the Governance and Nomination Committee has the following duties in particular:
- Develops the values, short- and long-term objectives and strategy of the Group in close cooperation with the CEOs for submission to the Board of Directors;
- Takes provisional decisions and intervenes in urgent cases where a decision of the Board of Directors cannot be obtained in a timely manner;
- Draws up selection criteria for the nomination of members of the Board of Directors, Committees and Corporate Executive Committee, and reviews the relevant succession plans;
- Evaluates and makes proposals for the appointment and dismissal of members of the Board of Directors, committees and Corporate Executive Committee (including the CEOs).
Remuneration Committee
The Remuneration Committee is made up of three members, who must be independent. The Remuneration Committee carries out the following duties in particular:
- Proposes a remuneration strategy for the Group and the members of the Corporate Executive Committee to the Board of Directors;
- Proposes to the Board of Directors the salaries and remuneration for the members of the Board of Directors and the committees as well as the CEOs;
- Decides on the remuneration for the members of the Corporate Executive Committee within the scope of the guidelines adopted by the Annual General Meeting.

Audit and Risk Committee
The Audit and Risk Committee carries out the following duties in particular:
- Verifies compliance with internal and external regulations by carrying out random checks;
- Checks the performance and independence of the external auditor and approves its fees;
- Evaluates and submits its nomination for external auditor to the Board of Directors for the Annual General Meeting;
- Reviews together with the external auditors the scope and method of the audit;
- Defines the internal audit programmes, including compliance and IT security, and checks the audit reports and the status reports on the implementation of measures;
- Analyses at least once a year the scope of internal control systems, the auditing projects and processes affected, the results of internal audits and the implementation of recommendations by the Corporate Executive Committee;
- Reviews with the external auditors the Group’s compliance with accounting policies and standards;
- Assesses the organisation of risk management processes;
- Reviews, if necessary together with the external auditors, the risks that could affect the Group’s result and the measures planned for reducing those risks;
- Issues new guidelines, instructions or clarifications in connection with the Code of Conduct;
- Assesses the financial structure, the development of investments and acquisitions, and the influence of currency fluctuations and measures to be taken;
- Monitors the Group’s financial situation and financial controls;
- Receives regular information from the Corporate Executive Committee concerning major changes that could affect the Group’s financial situation.

Scientific and Pharma Committee
The Scientific and Pharma Committee acts as an advisory body to the Executive Chairman and the Board of Directors in matters of R&D strategy for the Group, innovation process, innovation pipeline, protection of intellectual property and in the assessment, selection and prioritisation of target markets and therapeutic fields.

It also gives its view on acquisitions and proposals aimed at strengthening the technology base of the Group or accelerating market penetration.

Swiss Healthcare Committee
The Swiss Healthcare Committee acts as an advisory body to the Executive Chairman and the Board of Directors in matters concerning the market for healthcare services in Switzerland, in particular the provision of medical products, services and information to pharmacists and other healthcare professionals, the assessment, selection and prioritisation of target markets, and the optimisation of logistics processes.

It also gives its view on mergers and acquisitions and divestiture projects of its points of sale aimed at strengthening market penetration and efficiency.

Frequency of meetings of the Board of Directors and its committees in 2016
In 2016, the Board of Directors held thirteen meetings, together with members of the Corporate Executive Committee. The Governance and Nomination Committee met three times, the Remuneration Committee ten times. The Scientific and Pharma Committee met four, and the Swiss Healthcare Committee met four times. In principle all the members participate in all the meetings of the Board of Directors. Excluding absences to avoid conflicts of interest, the members participated in more than 97% of all meetings. Outside the official meetings the members of the Board of Directors also exchanged their views with other members and the Executive Chairman in numerous telephone conferences. The allocation of tasks among the committees is described starting from page 65 of this report.

Management and areas of responsibility
The Board of Directors is legally responsible for the overall management and ultimate supervision of the Group. It has the duties provided for under Art.716a para.1 of the Swiss Code of Obligations; it cannot be deprived of these duties, nor can it delegate them. In addition, it may pass resolutions with respect to all matters that are not reserved for the authority of the Annual General Meeting either by law or the Articles of Association. In particular, the Board of Directors is responsible for approving or passing resolutions on:
- The values, objectives and strategy of the Group;
- The essential framework of the company’s activities;
- The Group’s planning, budget and projections;
- Selection and deselection of the members of the Committees, the CEOs and the members of the Corporate Executive Committee;
- The organisation of the remuneration system.

The Board of Directors has delegated the management of the company in accordance with the Organisational Regulations. Etienne Jornod serves as Executive Chairman and has certain clearly defined oper-
Members of the Board of Directors

**Etienne Jornod**, Executive Chairman, elected since 1996
- Born 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 Assistant to the Corporate Executive Committee; joined the Corporate Executive Committee in 1989; Chairman of the Board of Directors and CEO of Galenica from 1996 to 2011; Executive Chairman since 2012
- Chairman of the Board of Directors of the Aktiengesellschaft für die Neue Zürcher Zeitung (Zurich) and member of the Board of Directors of Vaudoise Assurances Holding SA (Lausanne)

**Daniela Bosshardt-Hengartner**, elected since 2008
- Born 1972, Swiss citizen
- Pharmacist, Federal Diploma in Pharmacy, Federal Institute of Technology, Zurich
- Management consultant in the pharmaceutical, medical technology and biotechnology sectors since 2004
- Member of the Board of Directors of RepRisk AG (Zurich)

**Prof. Dr. Michel Burnier**, elected since 2010
- Born 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 organisations: Swiss Society of Nephrology (former President), Scientific Council of the European Society of Hypertension (Treasurer) and Swiss Society of Hypertension (former President)

**Dr. Romeo Cerutti**, elected since 2015
- Born 1962, Swiss and Italian citizen
- Doctor of Law, Law studies at the University of Fribourg, Switzerland; Master of Laws from the University of California, School of Law, Los Angeles
- General Counsel of the Private Banking division of Credit Suisse (2006–2009)
- General Counsel and a member of the Executive Board of Credit Suisse Group Ltd. and Credit Suisse Ltd. since April 2009
- Member of the Board of Trustees of the Swiss Finance Institute (SFI) since 2016
- Member of the Board of the Zürcher Handelskammer since 2016
- Vice-President of the Board of Directors of the Savoy Hotel Baur en Ville AG since 2016

**Marc de Gardel**, elected since 2015
- Born 1958, French citizen
- Master in Engineering, Ecole Supérieure des Travaux Publics, Paris; Master in International Management, Thunderbird School of Management, Phoenix (USA); Executive Master in Business Administration, Harvard University, Boston (USA)
- Various positions at Lilly, most recently as Finance Director Germany (1983–1995)
- Various positions at Amgen, including Vice-President Finance and Administration Europe, Vice-President and Chief Administration Officer, and General Manager for France and Vice-President of the South International Region (1995–2010)
- Since 2010 Chairman of the Board of Directors and CEO of Ipsen
Dr. Sylvie Grégoire, elected since 2013  
- Born 1961, Canadian and US citizen  
- Dr. pharm., State University of New York in Buffalo (NY/USA), pharmacy degree from Université Laval, Quebec City (Canada)  
- Advisor to venture capital and biotech companies  
- Former member of the Boards of Directors of various companies in the USA and Canada, and the boards of various charitable organisations  
- Member of the Board of Directors of Novo Nordisk and PerkinElmer Inc. since 2015  
- Chair of the Board of Directors of Corvidia Therapeutics, Inc. since 2016  
- President of the Board of Directors of MetrioPharm AG since 2016

Fritz Hirshbrunner, elected since 2012  
- Born 1949, Swiss citizen  
- Lic. oeconom., HEC University of Lausanne/Senior Executive Program, IMD, Lausanne  
- 1972–1977 Controller at Ciba-Geigy  
- Joined the Galenica Group in 1977 as Assistant to the Corporate Executive Committee; member of the Corporate Executive Committee from 1992 to 2011; Deputy CEO and CFO; Head Investor Relations until February 2014  
- Member of the Board of Directors of Berlac AG, Sissach, and IVF Hartmann Holding AG, Neuhausen  
- Member of the Board of Trustees of IST Investmentstiftung, Zurich  
- Member of the Board of Directors of VenCap 6 Ltd., Jersey

Stefano Pessina, elected since 2000  
- Born 1941, citizen of Monaco  
- Nuclear engineering degree, Milan Polytechnic  
- Former management consultant, active as an entrepreneur in various pharmaceutical distribution companies since 1976; became Deputy Chairman in 1997, and CEO between 2001 and 2006 of Alliance UniChem Plc, Weybridge (UK); since 2007 Executive Chairman of Alliance Boots, London (UK) and Executive Vice Chairman of the Board and Chief Executive Officer of Walgreens Boots Alliance, Inc., having been appointed to the Board of Walgreens in 2012

This E. Schneider, Vice-Chairman, elected since 2004  
- Born 1952, Swiss citizen  
- Lic. oeconom., HSG University of St. Gallen/Graduate School of Business, Stanford University (USA)  
- Rieter Holding AG, Winterthur (Vice-Chairman of the Board of Directors), Antoneum Holding AG, Winterthur (member of the Board of Directors)

Dr. Hans Peter Frick, member of the Board of Directors since 2010, no longer stood for election as a member of the Board of Directors at the Annual General Meeting on 28 April 2016.
Members of the Corporate Executive Committee

Dr. Jörg Kneubühler, CEO Galenica Santé
- Born 1960, Swiss citizen
- Dr. rer. pol., University of Bern
- Held various positions in finance at the Swatch Group before joining Galenica
- Joined the Group in 2002 as Head of Finance and Administration at Vifor Pharma; Head of Controlling for the Galenica Group as of 2006; Head Corporate Finance and Controlling for the Galenica Group and member of the Corporate Executive Committee since 2009; CFO since 2012 and Head Human Resources from 2012 until August 2014; from 2014 until end of 2016 CFO Galenica Group and CEO Galenica Santé; CEO Galenica Santé from 2017

Felix Burkhard, CFO of the Galenica Group and Galenica Santé
- Born 1966, Swiss citizen
- Lic. oec., HSG 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 Retail Business sector from 2000; in addition, Head of the Amavita pharmacy chain from 2008; Head Retail Business sector from 2010 to 2015; member of the Corporate Executive Committee since 2010; since 2015 Head Strategic Projects; from 2017 CFO Galenica Group and Galenica Santé

Jean-Claude Clémencçon, Head Retail Business sector
- 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 AG, Rheinsulz, and CEO of Raintec GmbH, Dogern (Germany)
- Joined the Group in 1995 as Operations Manager Galexis Zurich; Head of Schönbühl Distribution Centre from 1999; Head of Galexis from 2002; Head Logistics Business sector from 2005 to 2015 and in addition in charge of HealthCare Information and member of the Corporate Executive Committee since 2010; since 2015 Head Retail Business sector
- Member of the Board of Helvecura cooperative society, Bern

Dr. Gianni Zampieri, CEO Vifor Pharma
- Born 1956, Swiss citizen
- Dr. sc. nat., NDS BWI, Federal Institute of Technology, Zurich/Senior Executive Program, Stanford University (USA)
- Held positions at Roche, Sandoz and Novartis before joining the Group
- Joined the Group in 1996; became CEO of Vifor (International) in 1997; member of the Corporate Executive Committee since 2002; Head of the Pharma Division of the Galenica Group from 2004 to 2008; Head of Industrial Operations at Vifor Pharma since 2008; CEO OM Pharma from 2009 to 2010; Vice-CEO Vifor Pharma since 2011; since 2016 CEO Vifor Pharma

Søren Tulstrup left his position as CEO Vifor Pharma and member of the Corporate Executive Committee as of 24 May 2016.
Organisation of Group Management

Executive Chairman
Etienne Jornod

CFO
Felix Burkhard*

General Secretary
Andreas Walde

Corporate Communications
Christina Hertig

CEO Vifor Pharma
Gianni Zampieri*

CFO
Colin Bond

Corporate Legal
Oliver Kronenberg

Human Resources
Michael Puri

Corporate Communications
Christina Hertig

CEO Galenica Santé
Jörg Kneubühler*

CFO
Felix Burkhard*

Corporate Legal
Oliver Kronenberg

Services
Christoph Amstutz

Retail
Jean-Claude Clémençon*

Products & Brands
Torvald de Coverly Veale

* Members of the Corporate Executive Committee   Status: January 2017

Duties of the Executive Chairman
- Leading the Board of Directors
- Ongoing strategic development of the Group
- Supporting alliances and acquisitions
- Positioning of the Group re. communications
- Maintaining relationships with partners
- Overall responsibility for the corporate culture (HR policy, communications)
- Involvement in implementing key strategic projects
- Member of the Group’s strategic Boards of Directors

Duties of the two CEOs
- Operational management of the Group’s Business units Vifor Pharma and Galenica Santé respectively
- Budget realisation and control
- Ensuring compliance, internal control systems and risk management
- Developing relationships with customers, suppliers and authorities
- Supporting the Executive Chairman in preparing strategic, HR-related and financial business for consultation and decision-making
Duties of the CEOs
Each of the two Business units Vifor Pharma and Galenica Santé has its own CEO in charge of operational management. Each of the two CEOs is responsible for implementing the strategic and operational objectives approved by the Board of Directors, for preparing budgets and ensuring that they are met, and for developing relationships with customers, suppliers and authorities. They implement the Group values (including safety, quality and the Code of Conduct) and issue binding guidelines for their respective Business unit. In doing so, they work closely with each other and with the Executive Chairman on the most important decisions. The two CEOs lead the Corporate Executive Committee. Each of the CEOs reports directly to the Executive Chairman, with whom he prepares the information for the meetings of the Board of Directors. At these meetings, the CEOs, and on some occasions other members of the Corporate Executive Committee, inform the Board of Directors and submit strategic, HR-related and financial business to the Board for consultation and decision-making.

Corporate Executive Committee
The instructions and resolutions of the Board of Directors are implemented for each of the Group’s Business units by the Corporate Executive Committee under the leadership of the respective CEO. The Board sets appropriate objectives for each CEO and those members of the Corporate Executive Committee allocated to his Business unit, approves the budget and continually monitors compliance with these targets. Monitoring is based on monthly reports to the Board, which include key 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 “Last Estimate 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 “Last Estimate 2” is determined and the budget for the following year agreed.

The Articles of Association of Galenica restrict the ability of the members of the Corporate Executive Committee to act in the board or senior management of other profit-oriented companies, limiting such outside board activity to one mandate subject to prior approval by its Board of Directors.

Further information on the other duties of the Board of Directors, Executive Chairman and Corporate Executive Committee can be found in the Organisational Regulations published on the Galenica website (www.galenica.com).

Information and monitoring tools
The Board of Directors monitors the Corporate Executive Committee and supervises its working practices. The Galenica Group has a comprehensive electronic information management system. The Board of Directors receives a written report on a quarterly basis and is informed on a monthly basis about the Group’s financial and operating performance. In addition, operating performance, opportunities and risks are discussed in depth at meetings attended by members of the Corporate Executive Committee.

Management contracts
No management contracts exist as specified under point 4.3 of the SIX Swiss Exchange Directive on Information Relating to Corporate Governance.
Shareholders’ rights to participate

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

Each share recorded as a share with voting rights in the shareholders’ register entitles the holder to one vote at the Annual General Meeting. Shareholders are also entitled to dividends and have other rights pursuant to the Swiss Code of Obligations.

Results of the ballots taken at the Annual General Meetings are made available on the Galenica website within one week after each meeting.

Voting restrictions and proxy voting
A registered shareholder may be represented at the Annual General Meeting on the basis of a written power of attorney by another shareholder or the independent proxy to whom instructions may be given in writing or electronically. There are no rules that deviate from legal provisions relating to attendance of the Annual General Meeting.

A shareholder or a beneficiary with voting rights may register for shares which, when added to shares already registered as voting shares in the purchaser’s name, do not exceed 5% of all voting shares. See page 65 for further details.

Procedure and conditions for lifting restrictions on voting rights
For restrictions on the registration of voting rights to be lifted, shareholders who together represent not less than 0.5% of the share capital entered in the commercial register must request in writing that such an item be included on the agenda no later than 40 days before the Annual General Meeting. The Annual General Meeting must indicate its approval based on an absolute majority, of the votes represented and of the share par values represented.

Quorums under the Articles of Association
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 nominal capital represented is required in the following cases:

- A change in the provisions relating to restrictions on the transfer of registered shares, Art.15c) of the Articles of Association;
- Conversion of registered shares into bearer shares and vice versa, Art. 15d) of the Articles of Association.

Convening of the Annual General Meeting
The Articles of Association do not differ from legal regulations with regard to the convening of the Annual General Meeting and the setting of the agenda. The Annual 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, the proposals of the Board of Directors and the requests of any shareholders who have called for a General Meeting to be convened or for a particular item to be included on the agenda.

Inclusion of items on the agenda
Shareholders who together represent 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 in writing no later than 40 days before the scheduled date of the meeting. Agenda items relating to financial year 2016 that are to be dealt with at the Annual General Meeting on 11 May 2017 must be submitted no later than 31 March 2017. The items to be included on the agenda must be specified along with the motion on which the shareholder requests a vote.

Shareholders’ register
There are no regulations in the Articles of Association regarding a deadline for entry in the shareholders’ register. However, for practical reasons the shareholders’ register remains closed to entries for several days prior to an Annual General Meeting. This will be the case from Tuesday 2 May 2017 for financial year 2016 and from Monday 30 April 2018 for financial year 2017. Shareholders entered in the shareholders’ register by Monday 1 May 2017 and Friday 27 April 2018 respectively may exercise their voting rights at the corresponding Annual General Meeting.

Instructions to the independent proxy holder may be given in writing and – since 2014 – also electronically through a platform named Nimbus ShApp® which is used by Galenica. The invitation to the Annual General Meeting, which will be sent to all shareholders on or around 13 April 2017, includes the required login information to create a personal user profile. The instructions must be received by the independent proxy holder by the evening of the penultimate day before the Annual General Meeting, i.e. by Tuesday 9 May 2017 for the 2017 Annual General Meeting and by Sunday 6 May 2018 for the 2018 Annual General Meeting.

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 Association. The employment contracts of the members of the Corporate Executive Committee and the members of senior management also contain no provisions to this effect.
Combating corruption

Galenica attaches considerable value to doing business in a manner that is ethically correct and in accordance with the legal requirements in place. It is committed to complying with legal and ethical standards. This must be reflected in every aspect of staff conduct. Galenica enforces a zero-tolerance approach to corruption and bribery on the part of employees, partners, suppliers or representatives of third parties. Many countries have legislation which stipulates that bribing public officials is an offence. Violations of these provisions or other laws prohibiting unfair competition may result in criminal or civil proceedings against Galenica as well as the responsible employees.

In order to ensure full compliance with rules and regulations Galenica has developed an anti-bribery and corruption check. This check is used each time a new business relationship is established with third parties and is being introduced gradually and on the basis of specific priority criteria.

Information and monitoring tools of the Board of Directors with respect to management

Risk management process

Galenica has a risk management process in place which enables the Board of Directors, the Corporate Executive Committee as well as the relevant management of Group companies to identify potential risks in a timely manner and take the preventive measures necessary. The goal of this process is to identify and assess significant risks at all management levels and to manage them while making conscious use of the opportunities the process provides.

As part of Group-wide Galenica Risk Management (GRM), the companies in the Group conduct a risk assessment at least once a year. This standardised process is based on a risk grid in which the most important strategic and operational risks and their possible financial effects are identified in line with pre-defined criteria and then evaluated in accordance with the probability of their occurrence and their effect. These risks are entered into a risk matrix for each Business sector and, depending on the extent, also incorporated into the Group risk matrix.

The Board of Directors of Galenica receives an overview of the most important risks from the Corporate Executive Committee when circumstances require it but at least once a year. The Board evaluates the overview, adding information as needed, and where required takes decisions on any preventive measures necessary, which will then be implemented Group-wide as part of the risk management process.

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

GRM 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.
- Creating and guaranteeing a lean and pragmatic risk management system that will effectively protect the Business sectors and their profit-earning ability.
- A credible presentation to stakeholders that Galenica is managing its risks effectively.

Risk management at the level of the Galenica Group records 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 strategic risks of the Group. Risks are managed at the appropriate level by the management hierarchy that is best suited for this purpose. This ensures that 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 Corporate Executive Committee as well as other management figures holding responsibility in the companies of the Group are familiar with the risks of the Group, their Business sector or their Group company. They successfully implement any measures decided upon and are responsible for the efficient operation of the risk management process. They also draw attention, however, to new risks which have become apparent or to any other change in the risk situation and, in addition to implementing measures to prevent or minimise such elements, ensure that these are incorporated into the risk management process.

Additional information about the management of financial risks can be found in the notes to the consolidated financial statements on pages 121 and 122.

Internal control system

As part of its risk management system Galenica operates an internal control system (ICS) to provide reliable internal and external financial reporting and to prevent false information and errors about business transactions. The ICS provides the necessary processes and controls to ensure that risks relating to the quality of the company’s financial reporting can be detected and managed in a timely manner. A thorough review of the existence of the processes and controls of the Galenica ICS is carried out annually by the external auditors at the time of the interim audit. The results of these reviews are reported to the Audit and Risk Committee and appropriate measures are taken by management to continually improve the company’s processes with regard to bookkeeping, accounting and financial reporting.
Internal Audit
Internal Audit carries out audits of operational and strategic risk management and the ICS in accordance with the audit plan determined by the Audit Committee. It carries out reviews, analyses and interviews across the Group and helps the Business sectors to meet their targets by ensuring an independent assessment of the effectiveness of the internal control processes. Internal Audit regularly produces reports on its audits and reports directly to the Audit and Risk Committee in writing. The activities of Internal Audit are conducted through contracts issued to external service providers.

Auditors
Ernst & Young Ltd., Bern, Switzerland, have been the Group’s auditors since 1992. Roland Ruprecht, certified accountant, a partner at Ernst & Young, has been in charge of the audit since 2015.

The fees paid to the Group’s auditors Ernst & Young in 2016 for their audit of Galenica and companies within the Galenica Group totalled approximately CHF 1,525,000.

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 CHF 651,000. They break down as follows:
- Additional advice in audit matters CHF 237,000;
- Tax and legal advice CHF 203,000;
- Transaction support incl. due diligence CHF 211,000.

In 2016, Roland Ruprecht attended two meetings of the Audit and Risk Committee. Moreover, the auditors presented their report at the meeting of the Board of Directors on 10 March 2017.

The auditors are regularly informed of new projects by the Board of Directors. The auditors’ activities are reviewed at least once a year by the Audit and Risk Committee. The criteria that are of particular importance in these reviews are: competence in reporting, understanding of the complex structure of the Group, the quality of reporting, compliance with deadlines, independence and costs. The involvement of the auditors in the financial elements of due diligence reviews for acquisitions and in the related legal advice improves the efficiency of the process.

Information policy
Galenica and its companies operate an active and transparent information policy towards all their 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 a timely manner via electronic media and in accordance with the Directive of the SIX Swiss Exchange. Any employees affected are informed first, as long as this is possible in the specific situation and allowed by law.

Periodic publications
Once a year, Galenica publishes an annual report and a half-year report. The full versions of these reports are available on the Galenica website. In addition, Galenica publishes a printed short version of the annual report which is sent to the shareholders by mail upon request.

The invitation to the Annual General Meeting is sent to shareholders electronically or by mail, and is additionally published in the “Schweizerisches Handelsamtsblatt”.

Internet
All Galenica 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 in relation to corporate governance:
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investors@galenica.com

For the media
Christina Hertig,
Head Corporate Communications
Phone +41 58 852 85 17
media@galenica.com

Agenda 2017/2018
- Annual General Meeting 2017:
  11 May 2017
- Half-year report 2017:
  8 August 2017
- Annual General Meeting 2018:
  8 May 2018

Further important dates can be found on the website www.galenica.com.
Brand management

**Philosophy and implementation**

**Excellence in the healthcare market**

Galenica seeks to be recognised as a reliable, dynamic and efficient Group within the healthcare market which creates value for all stakeholder groups with high-quality products and services. Thus, Galenica also invests its energies in looking after its brands. Galenica stands for quality and professionalism, for credibility and transparency, for reliability and continuity. There is a clear focus on excellence in our support line “Galenica – excellence in the healthcare market”. Group Corporate Communications, in particular, is responsible for implementing Galenica brand communication.

**Corporate identity**

Galenica is a broad-based Group which manages well-established company, product and service brands in the healthcare market. Products and services under the Galenica brand guarantee a high level of quality. The communication philosophy “as centralised as necessary and as decentralised as possible” is also reflected in brand management. This means giving the individual companies under the Galenica umbrella room to address target groups in the best way possible for the market segment and product involved. That is why Galenica companies operate under their own names in the market. At the same time, over and above this diversity, the Galenica Group seeks in particular to express clearly the shared identity of the companies comprising the Group. A consistent identity is vital; therefore, it is reflected in the uniformly defined corporate identity and corporate design. Presenting a uniform corporate design across all Group companies supports the consistent positioning of the Group and its companies.

**The Group’s brands**

**Organisational basis**

The Galenica Group is structured into two Business units, Vifor Pharma and Galenica Santé, the latter being structured into the two segments Health & Beauty, comprising the Products & Brands and Retail Business sectors, and Services. The Group companies are assigned to the Business units on the basis of their core activities. The Galenica brand is supported at all levels by the descriptor (the support line) used with the logo. At Group level, it is the broad basis of excellence that is communicated; at company level, it is the fact that the company is part of the Galenica Group that is signalled.

The majority of companies in which Galenica has more than a 50% holding follow this strategy and use the common corporate design. New companies are integrated progressively 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 and website design. The handbook for employees is available in printed and electronic form, while the handbook for external partners is available in electronic form. In addition, internal training sessions on 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.

**Protection of the Group’s brands**

Galenica systematically fosters and protects its company brands in all countries where it is active and guarantees a high standard of quality.

**Product and service brands**

The Galenica company brands are supplemented by the product and service brands of the companies within the Group, focused on the customers of the individual Business units: for example, the products of Vifor Pharma, the offering of the pharmacy formats Amavita and Sun Store, and the Services offering including logistics and the databases and software products in the area of 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 can be found in the sections for the Business units of the Galenica Group starting on page 26.
## Main brands of the Galenica Group

### Umbrella brand

![Galenica Logo](image)

### Brands of the Galenica Group companies

<table>
<thead>
<tr>
<th>Vifor Pharma</th>
<th>Galenica Santé Products &amp; Brands</th>
<th>Retail</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
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<td><img src="image" alt="GaleniCare" /></td>
<td><img src="image" alt="Alloga" /></td>
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<tr>
<td><img src="image" alt="Vifor Fresenius Medical Care" /></td>
<td><img src="image" alt="G-Pharma" /></td>
<td><img src="image" alt="Winconcept" /></td>
<td><img src="image" alt="Galexis" /></td>
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<td><img src="image" alt="AMAVITA+" /></td>
<td><img src="image" alt="ufd" /></td>
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<tr>
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<td></td>
<td><img src="image" alt="medifilm" /></td>
<td><img src="image" alt="HCI Solutions" /></td>
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</tbody>
</table>

### Product and service brands

<table>
<thead>
<tr>
<th>Iron and Rx products</th>
<th>Consumer Health Products</th>
<th>Services</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
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<td><img src="image" alt="Presendol" /></td>
<td><img src="image" alt="TOP MEDICAL" /></td>
<td><img src="image" alt="TOP HOMECARE" /></td>
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<tr>
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<td><img src="image" alt="Anti BRUMM" /></td>
<td><img src="image" alt="GALneoline®" /></td>
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<tr>
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<td><img src="image" alt="Algifor®" /></td>
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<tr>
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<td><img src="image" alt="Medi-Comp.'" /></td>
<td><img src="image" alt="BeautyNail" /></td>
</tr>
<tr>
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<td><img src="image" alt="Triomer®" /></td>
<td><img src="image" alt="compendium.ch" /></td>
<td><img src="image" alt="Information Solutions" /></td>
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<tr>
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<td><img src="image" alt="pharmaVISTA®" /></td>
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</tr>
<tr>
<td><img src="image" alt="OTX products" /></td>
<td><img src="image" alt="Itinerol B6®" /></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** The Vifor Pharma and Galenica Santé brands are associated with Vifor Fresenius Medical Care and OM Pharma, respectively. The Pharmacy formats are currently only available in the US.
Remuneration Report
Remuneration benefits and philosophy

The salary policy of Galenica aims to attract, motivate and retain best-in-class employees who are entrepreneurially oriented, successful and have high personal standards. The remuneration system is designed to provide appropriate reward in a highly competitive employment market and in a complex industry. It is aligned with the long-term Group strategy and its pay-for-performance philosophy. The remuneration system of Galenica aims at strengthening its overall industry position to the benefit of its customers and patients while delivering the expected returns to its shareholders.

The remuneration system of Galenica is part of a sustainable, long-term development policy to support the strategic goals defined by the Board of Directors, recognising that under certain conditions, economic success is achieved over a longer period. Accordingly, the company does not pay any remuneration in the form of traded options. Members of the Corporate Executive Committee and members of Senior Management participate in the Group’s value creation in the form of blocked shares, so being aligned with the interests of shareholders.

Key remuneration principles

Remuneration of members of the Board of Directors

The remuneration of non-executive members of the Board of Directors is independent from the performance of the company and comprises a fixed salary depending on their function assumed in the Board of Directors and its committees, either as a member or chairperson of a committee. Such remuneration may be drawn fully or half in registered shares of Galenica (blocked for five years). In addition, after a period of two years, each member of the Board is required to hold shares equal in value to at least one annual salary which remain blocked during his/her mandate. The members of the Board of Directors except the Executive Chairman do not participate in the employee benefit plans, therefore the remuneration of the Board of Directors is not pensionable.

The remuneration of the members of the Board of Directors is reviewed regularly against prevalent market practice of other multinational industrial companies listed in Switzerland as well as based on data published by Ethos (a Swiss Foundation for Socially Responsible Investment and Active Share Ownership). The last review took place in 2014 by Hostettler Kramarsch Partner, Zurich.
Remuneration of members of the Corporate Executive Committee
The remuneration of members of the Corporate Executive Committee as well as Senior Management is strongly linked to the financial performance of the Group and to a lesser part to their individual performance and the performance of the share price. Exceptional results are recognised and rewarded.

The remuneration system rewards short-term success as well as long-term performance and sustainable value creation for customers and shareholders in a balanced way. In order to align the interests of members of the Corporate Executive Committee and Senior Management with the interests of shareholders, a part of the bonus (up to 32%) and the long-term incentive of the remuneration is awarded in shares of the company. In addition, after a period of five years, each member of the Corporate Executive Committee is required to hold shares equal in value to at least 75% of his fixed base salary and target bonus.

In order to ensure attraction of best-in-class talents, Galenica performs regular benchmarks of its remuneration levels against relevant peer markets. Generally, the Group targets median levels representing competitive offers.

Remuneration of the Executive Chairman of the Board of Directors
Since 2012, Etienne Jornod has exclusively received registered shares in Galenica for his duties as Executive Chairman. Such a remuneration system demonstrates how closely Etienne Jornod identifies himself with the shareholders and proves his confidence in the strategy and management of the Group.

In addition, Etienne Jornod has received CHF 150,000 per year in cash, which is used to pay the employee part of social security contributions. In 2015, the Board of Directors and Etienne Jornod agreed to extend the contract until the Annual General Meeting 2020 and to continue to pay out compensation exclusively in registered shares. The annual payment to be approved will be made at the end of each year. The registered shares to be paid out in future are blocked over the entire term of the contract until the Annual General Meeting 2020. It was also agreed that the block on sale for 20,000 of the already acquired shares would be extended until the Annual General Meeting 2020. Thereafter, the contract was amended in 2016 to the effect that Etienne Jornod would continue to act as Executive Chairman for Vifor Pharma after the planned division of the Group in 2017. Should the contract be terminated prematurely or should the executive function be converted into a non-executive function, the employment contract contains detailed provisions which stipulate how many shares Etienne Jornod is entitled to, pro rata temporis, at such a date and at what price, depending mainly on whether the employee or the employer has called for a premature termination. Upon termination of the contract or surrender of the executive function, the blockage for the shares previously earned will be lifted, enabling Etienne Jornod to dispose of them at his sole discretion. No severance package has been agreed.

Remuneration Report
With this report, Galenica provides an overview of the compensation principles and programmes applied within its Group as well as information on the process of determining the compensation for the Executive Chairman, the Board of Directors as well as for the members of the Corporate Executive Committee. The remuneration system as well as its reporting is in accordance with the Swiss Code of Obligations, the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares, the standards related to Corporate Governance issued by SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse. The statutory auditor verifies compliance of the report with the law and Articles 14–16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares and issues a written report to the Annual General Meeting.

Determination of remuneration
In accordance with the Articles of Association and the Organisational Regulations of Galenica, the Remuneration Committee consists of three members, all of whom are independent from Galenica and are elected annually by the shareholder meeting. The Remuneration Committee evaluates and approves principles and programmes for remuneration of the Galenica Group and assesses criteria and the level achievements reached by the CEOs and the members of the Corporate Executive Committee based on the targets set by the Board. It also proposes the maximum remuneration of members of the Board (including the Executive Chairman) as well as for the members of the Corporate Executive Committee (including the CEOs) for approval by the Annual General Meeting. Such approval is prospective for the next business year following the Annual General Meeting. Further details on the composition and the responsibilities of the Remuneration Committee are provided in the Corporate Governance section of the annual report as well as in the Remuneration Committee Regulations, which can be found on the Galenica website.

Method of determination
In order to attract and retain talented employees, it is critical to offer competitive remuneration. The Remuneration Committee reviews remuneration of the CEOs and the members of the Corporate Executive Committee annually and compares it to the remuneration levels of similar positions at companies which are comparable in scope, geography and business complexity, i.e. companies with which Galenica competes for talents. In support of such a review, external consultants are hired as needed to assist in reviewing the mix of short-term and long-term remuneration, the mix of cash versus equity-based remuneration as well as the remuneration levels. They also assist in developing the strategy that forms the foundation of the remuneration system. A benchmark study on the remuneration of
members of the Corporate Executive Committee and certain other functions was carried out by Kienbaum Consultants International in 2012, and updated for the management functions of Vifor Pharma in 2016. Besides this, no other external suppliers were mandated in the reporting period.

Employee remuneration generally consists of a fixed base salary, which depends on the employee’s position level, and a bonus for the CEOs, the members of the Corporate Executive Committee, Senior Management and Management. The bonus system allows members of the Corporate Executive Committee, Senior Management and Management to benefit from the profits of the relevant Business units and the Group. The achievement of personal targets set at the beginning of a business year and assessed after year-end is also rewarded. The CEOs, members of the Corporate Executive Committee and certain members of Senior Management also receive additional long-term remuneration, which is in part dependent on the achievement of specific objectives (such as the successful integration of major acquisitions). The purpose of the bonus system is to ensure that all members of Senior Management and Management act and make decisions in such a way as to support the achievement of targets at all levels and thereby contribute to sustained positive results for the Group as a whole, as well as the Business unit and company to which they belong. This serves to harmonise the interests of shareholders with those of the Group and its management. Through share participation, identification with the company is further enhanced. Finally, members of the Corporate Executive Committee, Senior Management and Management receive contributions to pension funds.

The bonus and long-term remuneration depend primarily on the achievement of the specified financial targets of the Galenica Group and to some extent the Vifor Pharma or Galenica Santé Business units. In recent years, against a background of stable and predictable growth, this has been defined as a relative increase in Galenica Economic Profit (GEP). However, in view of a division of the Group, a relative increase in economic profit at Group level can no longer be determined and reviewed over a three-year period, while major transactions such as the acquisition of the US firm Relypsa Inc., distort results and impede comprehensibility. At the recommendation of the Remuneration Committee, the Board of Directors has therefore decided to replace the Group-wide GEP target for long-term remuneration with separate targets relating to return on invested capital (ROIC) for the two Business units from financial year 2016 onwards. These targets will again be defined annually for the bonus and for a three-year period on a rolling basis for long-term remuneration. For current long-term remuneration periods, the two metrics will be split pro rata temporis. The GEP is a measure designed to reflect the principles of value-based management derived from an economic-value-added (EVA) approach. It 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. It is calculated as the net operating profit (before interest and after depreciation, amortisation and tax) less the weighted average cost of capital (WACC) over the average invested capital. The extent to which the ROIC target (or the relative GEP increase) is achieved has a 75% impact on the bonus and a 100% impact on the number of shares allocated under the long-term incentive plan; the personal targets may account for a maximum of 12.5% of the remuneration of the CEOs or the members of the Corporate Executive Committee (in 2016: 9.0% on average for the members of the Corporate Executive Committee – excluding the CEOs). Poor performance inevitably

### Responsibility for the remuneration process

<table>
<thead>
<tr>
<th>Level of authority</th>
<th>CEOs</th>
<th>Executive Chairman</th>
<th>Remuneration Committee</th>
<th>Board of Directors</th>
<th>Annual General Meeting</th>
</tr>
</thead>
<tbody>
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<td>Remuneration of the Executive Chairman</td>
<td>proposes</td>
<td>approves</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Remuneration of the Board</td>
<td>proposes</td>
<td>approves</td>
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</tr>
<tr>
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</tr>
<tr>
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<td>recommends</td>
<td>approves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remuneration of members of the Corporate Executive Committee</td>
<td>propose</td>
<td>approves</td>
<td>is informed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Executive Chairman is invited to all meetings of the Remuneration Committee except those dealing with his own remuneration. The CEOs are invited to attend discussions on a case-by-case basis.
has a negative impact on the total remuneration (fewer shares, with each of them having eventually a lower value). However, the remuneration system does not include any particular malus provisions.

The weighting of the individual remuneration components depends on an employee’s position level. Criteria such as budget responsibility are important factors. The greater the employee’s direct influence on such factors, the higher the weighting of the variable component of remuneration. When defining the weighting, setting targets and measuring their achievement, the responsible body is always permitted a degree of discretion in the application of the criteria mentioned in this report, even if this is not specifically mentioned in individual cases.

Variable remuneration arising from the bonus and from the long-term incentive plan paid out to eligible members of the Corporate Executive Committee and Senior Management amounts to between 0% and 200% of the fixed salary component. However, the annual bonus and variable long-term incentives represent two independent elements and are calculated and weighted separately.

To a lesser degree, but in accordance with the principles described above, members of Management are also paid a performance-related bonus.

Independent of their remuneration and under the terms of the share acquisition plan for employees, every year employees are entitled to acquire a certain number of blocked shares, which is specified in company regulations, at a reduced price (more information on pages 119, 161 and 162 in the financial statements 2016).

Responsibilities

The overall responsibility for the remuneration system of Galenica and in particular the guiding principles for the remuneration of its Board of Directors, the CEOs and the members of the Corporate Executive Committee are defined in the Articles of Association of Galenica. On such basis, the remuneration strategy and the related remuneration system for the members of the Board of Directors, the Corporate Executive Committee and Senior Management (including the principles of equity remuneration plans) are decided by the Board of Directors based on a proposal from the Remuneration Committee.

On an annual basis the Board of Directors decides on the individual remuneration of the Executive Chairman and the CEOs as well as the aggregate for the other members of the Corporate Executive Committee as proposed by the Remuneration Committee. The Remuneration Committee is responsible for deciding on the individual remuneration and participation in equity remuneration plans by members of the Corporate Executive Committee other than the CEOs and informs the Board of Directors at least once a year of its decisions and the development of the remuneration process.

Remuneration and participation in equity remuneration plans by the CEOs and members of the Corporate Executive Committee as well as Senior Management are determined and objectives set at the beginning of the reporting year within the frame set by the Annual General Meeting. For members of the Corporate Executive Committee, the Remuneration Committee is responsible for determining the target bonus, the weighting of the individual components and for the evaluation of individual target achievement. For the CEOs, the Board of Directors decides on the basis of a recommendation made by the Executive Chairman and the Remuneration Committee. Measurement of targets consists of both financial and qualitative elements (for example, sales growth of a particular product or a group of products, the launch of a particular product or implementation of a particular process). The bonuses of members of Senior Management are determined by the Corporate Executive Committee based on the performance appraisal by the respective direct line manager.

Members of the Corporate Executive Committee and certain members of Senior Management participate in the LTI Programme. Eligibility for the LTI Programme is determined by the Remuneration Committee for members of the Corporate Executive Committee, and by the Corporate Executive Committee for members of Senior Management. Targets set for the LTI are exclusively financial and are defined as a three-year GEP increase for the Group or an average ROIC to be achieved for this period, whereby the relevant targets for the LTI are set by the Board of Directors upon recommendation of the Remuneration Committee.

The remuneration of members of the Board of Directors, which may be paid in the form of blocked shares, is decided by the Board of Directors based upon a proposal of the Remuneration Committee within the range set by the Annual General Meeting.

Elements of remuneration for the CEOs and the members of the Corporate Executive Committee

In order to reward performance and promote loyalty of key talents and their long-term engagement towards Galenica, the remuneration system consistently applied comprises an annual base salary, short-term bonus, long-term incentive and customary benefits. The ratio between annual base salary and variable elements is defined in the Articles of Association of Galenica. The aggregate of the maximum possible variable elements irrespective of the effective pay-out is limited to 300% of the base salary of each of the CEOs and to 250% of the base salary of each of the members of the Corporate Executive Committee. Thereof, the short-term bonus must not exceed 200% of the base salary for each of the CEOs and 150% of the salary of each member of the Corporate Executive Committee.
Annual base salary

The annual base salary is the fixed compensation reflecting the scope and key areas of responsibilities of the function, the skills required to fulfill the function and the individual experience and competencies of the respective manager. The base salary is determined according to the typical market practice (external benchmark) and the Group internal salary structure. A base salary at median of the benchmark is considered competitive to satisfy the expected level of skills and competencies. The base salary is typically reviewed annually based on market salary trends, the company’s ability to pay based on its financial performance and the evolving experience of the manager in the function. The annual base salary is paid out in cash on a monthly basis.

Short-term bonus

The short-term bonus aims at rewarding the achievement of the company’s financial results and recognises individual contributions to the company’s overall performance over a business year. The target bonus is expressed as a percentage of the annual base salary and varies depending on the level of the function in the organisation and on the impact of the function on the overall business result. Typically, the target incentive amounts to 60–80% of the annual base salary for the CEOs and between 30% and 60% for the members of the Corporate Executive Committee.

At the beginning of the calculation period, the target bonus is defined, i.e. the amount paid out if the targets for all bonus components are reached 100% (target bonus), whereby the achievement of financial objectives of the Group and the Business units is weighted 75% and individual objectives 25%. This is normally set individually on an annual basis as an absolute amount together with the relevant fixed salary for the next year.

For both financial and individual objectives, a target, a threshold and a payment curve are defined against which the results are assessed and which translate to a total bonus with an upper limit of 200% of the target bonus.

Upon approval of the annual results by the Board of Directors, the GEP attainment level for the financial components “Group” and “Business units” is calculated as a percentage. The achievement of financial and individual objectives which were laid down in both quantitative and qualitative form at the beginning of the business year is assessed by the Executive Chairman and the Remuneration Committee for the CEOs and submitted to the Board of Directors for approval. The attainment of these objectives of the members of the Executive Committee is assessed by the responsible CEO and the Executive Chairman and submitted to the Remuneration Committee for approval.

Within the range set by the Annual General Meeting, the Board of Directors may award an individual supplement to the calculated bonus for exceptional performance of either of the CEOs over the previous year and the Remuneration Committee may award such an individual supplement for exceptional performance of any member of the Corporate Executive Committee.

The payment of the bonus is made in the subsequent year after the publication of the full-year results. The CEOs, the members of the Corporate Executive Committee and Senior Management are required to draw 32% of the bonus in shares of Galenica; the rest is paid out in cash. A discount of currently 25% on the average stock market price for the month of January in the year in which the bonus is paid is granted as the shares remain blocked for five years. The CEOs and members of the Corporate Executive Committee are requested to build up a shareholding of shares of Galenica over a period of five years equivalent to 75% of their annual base salary and target bonus.

Influence of variable remuneration by the GEP/ROIC

<table>
<thead>
<tr>
<th>Bonus</th>
<th>LTI</th>
</tr>
</thead>
<tbody>
<tr>
<td>25% personal objectives</td>
<td></td>
</tr>
<tr>
<td>75% GEP</td>
<td>100% GEP/ROIC</td>
</tr>
</tbody>
</table>

Per year | Duration 3 years
Long-term Incentive Programme

The Long-term Incentive Programme (LTI) is designed to motivate eligible 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 its shareholders, and to sustainably create value for patients, customers and its shareholders over the long term. In addition, the LTI Programme aims to further strengthen the loyalty of its managers to Galenica, identification with the company and to motivate its key talents to stay with the company.

The CEOs, members of the Corporate Executive Committee and selected members of Senior Management participate in the LTI Programme. Eligibility and extent of participation in the LTI Programme is decided by the Board of Directors for the CEOs and by the Remuneration Committee for the members of the Corporate Executive Committee.

The LTI Programme is based on performance units which are granted to participants after the release of the results of the preceding year and which convert into shares of Galenica subject to the attainment of a performance target defined by the Remuneration Committee over a three-year period. Performance units are virtual; no real units are issued. The number of performance units allocated at the beginning of the plan period depends on a defined percentage of the annual base salary as well as the average share price during the final month prior to the allocation. The performance target for each three-year LTI Programme is defined by the Remuneration Committee by setting a target GEP increase (or average ROIC from 2016) reflecting the risk-appropriate return requirements of its shareholders over the programme period. The number of performance units initially allocated increases or decreases depending on the proportion of the achievement of the GEP or ROIC target set. Upon completion of the three-year programme period, such performance units are transformed into a corresponding number of shares of Galenica, so aligning the interests of participants with those of Galenica shareholders. Accordingly, the main factor influencing the transformation of performance units into Galenica shares is the operating performance of the Galenica Group over the respective three-year period, applying a linear interpolation between the threshold of the GEP at the time of the allocation of the performance units and a maximum target attainment of 200%, or between the upper and lower limit of the ROIC target range. At the beginning of each financial year, a new LTI Programme with a new three-year target and assessment period is issued.

Pensions and other employee benefits

Employee benefit plans consist mainly of retirement, insurance and healthcare plans that are designed to protect the employees against the hazards of life. Employee benefits are country-specific and are structured in accordance with local legal requirements and local competitive market practice. The CEOs and the members of the Corporate Executive Committee are covered by the pension scheme applicable to all employees in Switzerland. The Swiss pension plan of Galenica exceeds the legal requirements of the Swiss Federal Law on Occupational Pension Schemes (BVG) and is in line with what is being offered in Switzerland by other listed companies of comparable size.

Except for the expense allowance and the right to use a company car in line with the car policy applicable to all managers in Switzerland (and apart from some minor reimbursement of costs for relocation, tax and legal advice in the event of moving to Switzerland from abroad), the CEOs and the members of the Corporate Executive Committee do not receive any particular additional benefits. The monetary value of the allowance is disclosed at fair value in the remuneration table.
Employment contracts
The CEOs and the members of the Corporate Executive Committee are employed under employment contracts of unlimited duration and are subject to a notice period of a maximum of 12 months. They are not entitled to any severance packages or termination payments or change-of-control payments.

Annual remuneration 2016
Since 2015, in accordance with the Articles of Association, the shareholders of Galenica make a prospective annual decision on the maximum remuneration for members of the Board of Directors and members of the Corporate Executive Committee for the next business year. In order to allow for a comparable basis with the prospective vote, remuneration paid or attributed in 2016, as well as that of the previous year, is presented on the same basis perspective of cost to the company. Consequently, Galenica discloses for the year 2016 the remuneration of the Executive Chairman at the IFRS costs as booked in the consolidated financial statements, and shares distributed as part of the compensation are shown at market value at the date of allocation, not taking into account the 25% discount granted for tax purposes in relation with the blocking period of five years.

Board of Directors
The members of the Board of Directors, excluding the Executive Chairman, whose remuneration is described separately, are remunerated independent of the performance of the company in the form of a fixed salary depending on their function assumed in the Board of Directors and its committees, either as member or chairperson of a committee. A minimum of 50% of such remuneration is paid out in shares of Galenica (blocked for five years). Remuneration settled in the form of registered shares of Galenica was paid at the average price for the month of December 2016, i.e. CHF 1,116.38 per share.

Executive Chairman
For his service in the period from 1 January 2012 to 31 December 2016, Etienne Jornod received a non-recurring share-based payment on 1 January 2012 in the form of 40,000 registered shares in Galenica. To compensate for the lack of periodic remuneration over the five-year period (salary, bonuses, shares, etc.), the Executive Chairman received these shares at the market price on the date of conclusion of the contract (CHF 528.00). In accordance with IFRS the expense for this share package was recognised over the lifetime of the contract (69 months) and accordingly at CHF 3,670,000 in the consolidated financial statements of the Galenica Group for 2016.

Remuneration of the members of the Board of Directors in 2016

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Fee in cash</th>
<th>Fee equivalent in shares</th>
<th>Other remuneration(1)</th>
<th>Total</th>
<th>Held as at 31.12.2016</th>
<th>Allocated for 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Etienne Jornod, Executive Chairman</td>
<td>150</td>
<td>3,670</td>
<td>341</td>
<td>4,161</td>
<td>20,050</td>
<td>8,000</td>
</tr>
<tr>
<td>Executive member of the Board of Directors</td>
<td>150</td>
<td>3,670</td>
<td>341</td>
<td>4,161</td>
<td>20,050</td>
<td>8,000</td>
</tr>
<tr>
<td>Daniela Bosshardt-Hengartner</td>
<td>50</td>
<td>213</td>
<td>14</td>
<td>277</td>
<td>1,008</td>
<td>191</td>
</tr>
<tr>
<td>Michel Burnier</td>
<td>75(2)</td>
<td>100</td>
<td>10</td>
<td>185</td>
<td>542</td>
<td>90</td>
</tr>
<tr>
<td>Romeo Cerutti</td>
<td>—</td>
<td>173</td>
<td>9</td>
<td>182</td>
<td>38</td>
<td>155</td>
</tr>
<tr>
<td>Marc de Garidel(3)</td>
<td>12</td>
<td>200</td>
<td>10</td>
<td>222</td>
<td>71</td>
<td>179</td>
</tr>
<tr>
<td>Hans Peter Frick (until Annual General Meeting 2016)</td>
<td>20</td>
<td>27</td>
<td>1</td>
<td>48</td>
<td>—</td>
<td>24</td>
</tr>
<tr>
<td>Sylvie Grégoire</td>
<td>60</td>
<td>80</td>
<td>8</td>
<td>148</td>
<td>293</td>
<td>72</td>
</tr>
<tr>
<td>Fritz Hirsbrunner(2)</td>
<td>35</td>
<td>173</td>
<td>7</td>
<td>215</td>
<td>6,448</td>
<td>155</td>
</tr>
<tr>
<td>Stefano Pessina</td>
<td>—</td>
<td>146</td>
<td>5</td>
<td>151</td>
<td>1,975</td>
<td>131</td>
</tr>
<tr>
<td>This E. Schneider</td>
<td>—</td>
<td>227</td>
<td>10</td>
<td>237</td>
<td>3,670</td>
<td>203</td>
</tr>
<tr>
<td>Non-executive members of the Board of Directors</td>
<td>252</td>
<td>1,339</td>
<td>74</td>
<td>1,665</td>
<td>14,045</td>
<td>1,200</td>
</tr>
<tr>
<td>Remuneration of the members of the Board of Directors</td>
<td>402</td>
<td>5,009</td>
<td>415</td>
<td>5,826</td>
<td>34,095</td>
<td>9,200</td>
</tr>
</tbody>
</table>

(1) Other remuneration corresponds to the social security costs due from the member of the Board of Directors but paid by Galenica as well as the employer’s contribution to the pension funds.
(2) The employer’s contributions to social security costs amounted to CHF 332,000
(3) The amount will be paid to the Centre Hospitalier Universitaire Vaudois (CHUV) in Lausanne
(4) The remuneration also includes the remuneration for services rendered to Group companies and the Galenicapension funds

Registered shares held by related parties of members of the Board of Directors are included in the declaration of the number of shares they hold.
In addition, Etienne Jornod receives CHF 150,000 per year, which is used to pay the employee share of social security contributions. The contract has been amended in accordance with legislation relating to the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (VegüV) for the year 2016, adjusting the payment mechanism from a pre-payment to a payment at the end of the year without changing the economics of the contract. In 2015, the Board of Directors and Etienne Jornod agreed to extend the contract until the Annual General Meeting 2020 and to continue to pay out compensation exclusively in registered shares. The annual payment to be approved will also change from a pre-payment to a payment at the end of the year from 2016 onwards. The registered shares to be paid out in future are blocked over the entire term of the contract until the Annual General Meeting 2020. It was also agreed that the block on sale for 20,000 of the already acquired shares would be extended until the Annual General Meeting 2020. The remaining shares, however, may be sold from the current financial year onwards. Should the contract be terminated prematurely, the employment contract contains detailed provisions which stipulate how many shares Etienne Jornod is entitled to, pro rata temporis, at such a date and at what price, depending on whether the employee or the employer has called for a premature termination.

Corporate Executive Committee
The Members of the Corporate Executive Committee are remunerated in the form of a fixed base salary, with variable elements and certain employee benefits. They also participate in certain share-based compensation plans.

The bonus payment for the business year 2016 has been calculated based on a target achievement of 214.0% of the objectives of the respective CEO and the members of the Corporate Executive Committee for the Vifor Pharma Business unit and 137.5% for the Galenica Santé Business unit, i.e. 68.75% of the maximum possible bonus for such year. For the LTI Programme 2016–2018, the allocation of performance units will be defined on the basis of the average share price from January 2017 and ROIC targets defined separately by the Remuneration Committee of Vifor Pharma and Galenica Santé. The target achievement of the LTI Programme 2014–2016 due at the end of 2016 was 167.1%.

In 2016, Gianni Zampieri, CEO Vifor Pharma, was the member of the Corporate Executive Committee with the highest remuneration. In 2015, Søren Tulstrup was the member of the Corporate Executive Committee with the highest remuneration; he stepped down from his function as CEO and member of the Corporate Executive Committee in May 2016.

Options
Neither the members of the Board of Directors nor the members of the Corporate Executive Committee hold tradable options.

Loans and credits
Galenica did not grant any loans or credits to members of the Board of Directors, members of the Corporate Executive Committee or related persons in the reporting period.

Former members of the Board of Directors and the Corporate Executive Committee
Galenica did not pay any remuneration to former members of the Board of Directors or the Corporate Executive Committee in the reporting period except for payments to Søren Tulstrup, who resigned on 24 May 2016.
Remuneration of the members of the Corporate Executive Committee in 2016

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>of which Gianni Zampieri</th>
<th>of which Jörg Kneubühler</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>2,621</td>
<td>554</td>
<td>504</td>
</tr>
<tr>
<td>Bonus in cash</td>
<td>1,543</td>
<td>504</td>
<td>539</td>
</tr>
<tr>
<td>Bonus in shares</td>
<td>734</td>
<td>316</td>
<td>213</td>
</tr>
<tr>
<td>Long-term Incentive Programme (LTI)</td>
<td>874</td>
<td>201</td>
<td>209</td>
</tr>
<tr>
<td>Contributions to pension funds</td>
<td>406</td>
<td>89</td>
<td>87</td>
</tr>
<tr>
<td>Other remuneration</td>
<td>16</td>
<td>---</td>
<td>2</td>
</tr>
<tr>
<td><strong>Remuneration received</strong></td>
<td><strong>6,194</strong></td>
<td><strong>1,664</strong></td>
<td><strong>1,554</strong></td>
</tr>
<tr>
<td>Social security costs</td>
<td>432</td>
<td>114</td>
<td>107</td>
</tr>
<tr>
<td><strong>Remuneration of the members of the Corporate Executive Committee</strong></td>
<td><strong>6,626</strong></td>
<td><strong>1,778</strong></td>
<td><strong>1,661</strong></td>
</tr>
</tbody>
</table>

1) The performance units falling due after three years are included with the fair value at grant based on the estimated target achievement (IFRS 2)
2) Including private utilisation of company car, reimbursement for relocation as well as tax/legal advice
3) Remuneration to Søren Tulstrup, former CEO Galenica Group, for services provided to companies in the Galenica Group amounted to CHF 1,387,000

Shareholdings and rights to performance share units of members of the Corporate Executive Committee

<table>
<thead>
<tr>
<th></th>
<th>Number of registered shares held as at 31.12.2016(^1)</th>
<th>PSU granted in 2016 (potential vesting at 31.12.2018)(^2)</th>
<th>PSU granted in 2015 (potential vesting at 31.12.2017)(^3)</th>
<th>PSU granted in 2014 (potential vesting at 31.12.2016)(^3)</th>
<th>PSU pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Felix Burkhard</td>
<td>911</td>
<td>66</td>
<td>118</td>
<td>165</td>
<td>349</td>
</tr>
<tr>
<td>Jean-Claude Clémençon</td>
<td>488</td>
<td>85</td>
<td>144</td>
<td>165</td>
<td>394</td>
</tr>
<tr>
<td>Jörg Kneubühler</td>
<td>672</td>
<td>142</td>
<td>250</td>
<td>273</td>
<td>665</td>
</tr>
<tr>
<td>Gianni Zampieri</td>
<td>3,598</td>
<td>137</td>
<td>167</td>
<td>251</td>
<td>555</td>
</tr>
</tbody>
</table>

\(^1\) Registered shares held by related parties of members of the Corporate Executive Committee are also included in the totals disclosed above
\(^2\) Each performance share unit transforms at vesting into one registered share
\(^3\) The shares corresponding to the PSU are transferred to the beneficiaries in the subsequent year

For better comparability, the number of performance share units are shown already when granted and not only at vesting after the three-year plan period expires. Included in the table above is the expected number of performance share units that will – based on the current assessment of target achievement – ultimately vest.
Annual remuneration 2015

Remuneration of the members of the Board of Directors in 2015

<table>
<thead>
<tr>
<th>Name</th>
<th>Fee in cash</th>
<th>Fee equivalent in shares</th>
<th>Other remuneration</th>
<th>Total</th>
<th>Held as at 31.12.2015</th>
<th>Allocated for 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Etienne Jornod, Executive Chairman</td>
<td>150</td>
<td>3,670</td>
<td>341</td>
<td>4,161</td>
<td>20,518</td>
<td>—</td>
</tr>
<tr>
<td>Executive member of the Board of Directors</td>
<td>150</td>
<td>3,670</td>
<td>341</td>
<td>4,161</td>
<td>20,518</td>
<td>—</td>
</tr>
<tr>
<td>Daniela Bosshardt-Hengartner</td>
<td>80</td>
<td>107</td>
<td>11</td>
<td>198</td>
<td>937</td>
<td>71</td>
</tr>
<tr>
<td>Michel Burnier</td>
<td>72^2</td>
<td>95</td>
<td>10</td>
<td>177</td>
<td>616</td>
<td>63</td>
</tr>
<tr>
<td>Romeo Cerutti (as of Annual General Meeting 2015)</td>
<td>43</td>
<td>57</td>
<td>6</td>
<td>106</td>
<td>—</td>
<td>38</td>
</tr>
<tr>
<td>Marc de Garidel (as of Annual General Meeting 2015)</td>
<td>—</td>
<td>107</td>
<td>5</td>
<td>112</td>
<td>—</td>
<td>71</td>
</tr>
<tr>
<td>Hans Peter Frick</td>
<td>70</td>
<td>93</td>
<td>7</td>
<td>170</td>
<td>963</td>
<td>62</td>
</tr>
<tr>
<td>Sylvie Grégoire</td>
<td>70</td>
<td>93</td>
<td>9</td>
<td>172</td>
<td>231</td>
<td>62</td>
</tr>
<tr>
<td>Fritz Hirsbrunner</td>
<td>31</td>
<td>173</td>
<td>7</td>
<td>211</td>
<td>6,333</td>
<td>155</td>
</tr>
<tr>
<td>Stefano Pessina</td>
<td>—</td>
<td>146</td>
<td>5</td>
<td>151</td>
<td>1,878</td>
<td>97</td>
</tr>
<tr>
<td>This E. Schneider</td>
<td>—</td>
<td>226</td>
<td>11</td>
<td>237</td>
<td>3,520</td>
<td>150</td>
</tr>
<tr>
<td>Non-executive members of the Board of Directors</td>
<td>366</td>
<td>1,097</td>
<td>71</td>
<td>1,534</td>
<td>14,478</td>
<td>729</td>
</tr>
<tr>
<td>Remuneration of the members of the Board of Directors</td>
<td>516</td>
<td>4,767</td>
<td>412</td>
<td>5,695</td>
<td>34,996</td>
<td>729</td>
</tr>
</tbody>
</table>

1) Other remuneration corresponds to the social security costs due from the member of the Board of Directors but paid by Galenica as well as the employer’s contribution to the pension funds.
2) The employer’s contributions to social security costs amounted to CHF 350,000
3) The remuneration of Fritz Hirsbrunner also includes the remuneration for services rendered to the Galenica Pension Fund

Shareholdings and rights to performance share units of members of the Corporate Executive Committee

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Felix Burkhard</td>
<td>843</td>
<td>118</td>
<td>125</td>
<td>225</td>
<td>468</td>
</tr>
<tr>
<td>Jean-Claude Clémençon</td>
<td>549</td>
<td>144</td>
<td>125</td>
<td>225</td>
<td>494</td>
</tr>
<tr>
<td>Jörg Kneubühler</td>
<td>826</td>
<td>250</td>
<td>206</td>
<td>286</td>
<td>742</td>
</tr>
<tr>
<td>Søren Tulstrup</td>
<td>119</td>
<td>291</td>
<td>128</td>
<td>—</td>
<td>419</td>
</tr>
<tr>
<td>Gianni Zampieri</td>
<td>4,376</td>
<td>167</td>
<td>190</td>
<td>356</td>
<td>713</td>
</tr>
</tbody>
</table>

1) Registered shares held by related parties of members of the Corporate Executive Committee are also included in the totals disclosed above
2) Each performance share unit transforms at vesting into one registered share
3) The shares corresponding to the PSU are transferred to the beneficiaries in the subsequent year

For better comparability, the number of performance share units are shown already when granted and not only at vesting after the three-year plan period expires. Included in the table above is the expected number of performance share units that will – based on the current assessment of target achievement – ultimately vest.
Remuneration trend

The overall remuneration to the members of the Board of Directors increased slightly by CHF 131,000 compared to 2015. This rise is mainly the result of full-year recording for two Boards of Directors as well as increased duties due to the change of CEO and the preparations with regard to a potential division of the Group.

The remuneration of the Executive Chairman has been fixed for the entire period 2012–2020 and thus remains unchanged. The overall remuneration to the members of the Corporate Executive Committee is higher by CHF 699,000 than in the prior year as a result of higher variable remuneration due to the good 2016 result, the promotion of Gianni Zampieri to CEO of Vifor Pharma and the contractually agreed continued salary payments following the resignation of Søren Tulstrup.

Development of maximum possible remuneration and effective pay-out

At the next Annual General Meeting in accordance with Article 19b of the Articles of Association of Galenica the maximum possible remuneration to members of the Board of Directors, the CEOs and the members of the Corporate Executive Committee is again submitted to shareholders for approval prospectively for the business year following the Annual General Meeting and therefore sets an upper limit to possible remuneration taking into account all variable elements including in particular the bonus and the LTI programme (with blocked shares and performance units valued at the grant date). In order to facilitate the assessment of such prospective remuneration, the corresponding amounts for the years 2016 and 2015 are shown on a comparable basis in the table below. The effective pay-out for the period 2015–2016 is much lower than the maximum possible remuneration in those two years and forms the basis for the maximum possible amounts submitted to the Annual General Meeting (including the initial number of performance units allocated as well as deferred bonus valued at the grant date). The remuneration of the CEO in the years 2015 and 2016 on average reached 84.3% of the maximum possible remuneration and the remuneration of the members of the Corporate Executive Committee in aggregate reached 75.8% of the maximum possible remuneration for the same years.

Evolution of remuneration of all the members of the Corporate Executive Committee

Evolution of the highest remuneration paid to members of the Corporate Executive Committee, respectively to the two CEOs

1) Amount approved by the Annual General Meeting increased due to promotion and pursuant to the Articles of Association
Report of the statutory auditor on the remuneration report to the General Meeting of Galenica Ltd., Bern

We have audited the accompanying remuneration report (pages 85 to 87) of Galenica Ltd. for the year ended 31 December 2016.

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report for the year ended 31 December 2016 of Galenica Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Bern, 9 March 2017

Ernst & Young Ltd.

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Julian Fiessinger
Licensed audit expert
Human Resources
Culture and values

Stronger together into the future
The Galenica Group has set itself the objective of operating in the market in the form of two strong independent listed companies in future: Galenica Santé and Vifor Pharma. Achieving this will take staying power, openness to change and a constant innovative mindset in particular. The commitment of 8,661 employees demonstrates that they have these specific qualities. Their competence and credibility also create ongoing trust in the products and services of Galenica.

7,458 employees from 92 countries are based in Switzerland. Following the acquisition of Relypsa in September 2016, around 400 employees from the important US market were incorporated into the Galenica Group.

Training and development

Employee development
Productive cooperation requires regular exchange of knowledge between members of Senior Management (MDI) and members of Management (MKA). The company has developed various instruments to encourage this dialogue. At the heart of these is Corporate Management Development (CMD), consisting of events (EVE), special staff training (SAM) and management training (FAB).

Events
EVE is a platform for communicating strategic objectives. In view of forthcoming changes at the Galenica Group, two invitations were issued in spring of 2016: at the EVE 1 event in March 2016, internal speakers informed 225 participants about the division into two independent listed companies planned for the end of 2016; and at the EVE 1 video conference event in May 2016, management addressed employees in Switzerland and abroad, informing them about management changes at Vifor Pharma and the deferral of division plans until 2017. At the EVE 2 event in August 2016, 800 members of Senior Management and members of Management at the Swiss sites came together with local pharmacy managers. Once again, the main issue was the planned

The five key values of Galenica
We participate with passion and act as entrepreneurs.
We build trust through credibility and competence.
We show respect and know that together, we are stronger.
Vifor Pharma Leadership Academy

The Vifor Pharma Leadership Academy supports the development of young talent and managers at Vifor Pharma, preparing them for new tasks. The Leadership Academy is in three stages. Level One, the VPMP Management Programme, is aimed at team leaders and deals with core aspects of employee management, including: issues that need to be addressed when managing people; available management tools and how to use them; how a manager’s behaviour affects those around them; and how to draw up a development plan. The course lasts six months and consists of a combination of personal study, teamwork tasks and classroom training at the Geneva and Glattbrugg sites. Candidates are either existing or potential leaders and the programme has an international focus, so excellent English is essential. The first course involving 22 participants ran from June to November 2016. A second course, with 24 managers, started in September 2016 and will run until April 2017. This course already involves four participants from Relypsa.

Level Two, the VPLP Leadership Programme, is due to be launched in 2017. This is designed for experienced managers and Heads of Business units and covers implementation of business strategy. Preparations for Level Three, the VPEP Executive Programme, are well underway and scheduled to be launched in 2017, or 2018 at the latest.

Modular training formats for employees

All new employees are invited to an induction day (SAM 1) to learn about the culture, development and strategies of Galenica and its companies. Additional SAM seminars train participants on various technical and methodological issues. More than 460 employees took part in an induction day in 2016.

Management training

The FAB 1 management training consists of modules in three areas: self-management and management tools; employee management and communication skills; and management and development of teams. FAB 2 relates to performance and health topics, and FAB 3 covers corporate management and change management. These advanced training courses are aimed at members of Senior Management and members of Management, and are given in collaboration with external partners. More than 200 managers participated in the courses in 2016. A strong corporate culture depends upon the five key values being fully realised in daily life, so they form an integral part of all FAB modules.

Investing in employees

Galenica offers its employees a range of fringe benefits, with special emphasis on structured training and development. CHF 7.3 million was invested in further training in 2016 (previous year: CHF 5.3 million).

Developing talented individuals

The two-year Talent Management Programme has been very positively received. Participants (mentees) are given a platform through which to communicate across the Business sectors. In parallel, knowledge and skills of experienced employees are made available to help develop the next generation of talented individuals, with each participant being assigned a personal mentor. There were 26 mentees on the programme in 2016. Over the year, Galenica Santé and Vifor Pharma held various organ-

Corporate Management Development

UME includes all activities offered throughout the Galenica Group for the further development of staff and management.
essional workshops in which to discuss individual personal development measures. From 2017, the Talent Management Programme for Galenica Santé and Vifor Pharma will be run separately.

**Attracting employees**
Certain companies in the Group have expanded their recruitment activities on online platforms over the past two years. In light of the division, planned innovations for centralised recruitment at Galenica Santé have been deferred to 2017 in the form of a pilot project for the Retail Business sector. Given the shortage of pharmacists in Switzerland, recruitment continues to take in neighbouring countries.

**Training apprentices**
Galenica is putting a lot of effort into training future specialists. In 2016, the Group companies trained 805 apprentices – 736 young women and 69 young men. Of these, 257 completed their apprenticeships, many with flying colours. Once qualified, 100 apprentices have been employed by the Group.

**Various communication platforms**
Personal and direct exchanges between employees are extremely important. The intranet is also used to inform employees quickly and comprehensively about changes and developments throughout all Group areas. A team of 13 employees in a workshop in Bern created a wooden representation of the symbol that stands for the five key values of the Galenica Group. This artwork is now prominently displayed in the Galenica Ltd. head office’s reception area. A video on the Galenica website shows how it was made and includes statements about the key values from those involved. Issues affecting the Group are also covered in detail in the employee magazine Spot. The January 2016 issue focused on strategy and change, while the July 2016 issue presented the annual motto “Keep it simple and stay focused!” Swiss employees receive the magazine at home and there is an online version available for international employees.

**Creative thinkers**

**Comité des Jeunes**
Galenica encourages exchanges of views between promising young employees and corporate management in an internal think tank, the “Comité des Jeunes”. The members, around 35 potential future managers and specialists from various Group companies, help to firmly anchor and further shape the corporate culture. The tasks of the Comité des Jeunes include selecting the annual motto for the Galenica Group and launching measures to make it a firm part of employee thinking.

**Keep it simple and stay focused!**
As the world becomes increasingly complex, the ability to concentrate on what matters is more important than ever. To communicate the annual motto “Keep it simple and stay focused!” to employees and remind them of it every day, these words were distributed on magnets for display around the workplace. The annual motto for 2016 will be retained in 2017.
Health and safety

Health
The health of its employees is important to Galenica. Information events on health topics were held in the Group, including a preventive skin-checking campaign in the spring. Galenica also puts measures in place to protect employee health and maintain safety in the workplace in line with the directives of the Federal Coordination Commission for Occupational Safety (FCOS).

New daily sickness allowance insurance
In 2016, the Galenica Group changed to a new insurance partner – Helsana – to cover daily sickness allowances. The switch went smoothly.

Online training with Helsana was offered for the first time at the end of 2016, looking at the issue of appreciation and how this is important for employee health.

Illnesses
Employees were once again able to take advantage of Galenica Care Management in 2016. Employees who are ill or at risk are given support before having to take sick leave. Following illness or an accident, the aim is to facilitate a rapid return to work. 2016 saw 1,039 illness-related absences, a strong fall against the previous year.

Accidents
Based on data from Suva and private insurers, the Galenica accident statistics show an increase in occupational accidents. In 2015, 168 accidents were reported (according to currently available data).

Employee profit-sharing programme
All employees worldwide were once again paid a profit-sharing bonus in 2016. The bonus is calculated based on the Group result compared with the previous year.

Every year, employees of Galenica in Switzerland have the opportunity to purchase a maximum of ten registered shares at a preferential price. These shares are blocked for sale for three years after the date of purchase. In 2016, more than 10% of eligible employees participated in the share purchase programme.

The profit-sharing bonus forms part of the annual bonus for members of Management. This is dependent on attaining quantitative and qualitative targets.

The share-based remuneration programme LTI (see from page 84 in the Remuneration Report) for members of the Corporate Executive Committee and certain members of Senior Management focuses on long-term performance; remuneration is withheld for a period of three years.

Employee benefit plans
Galenica maintains different employee benefit plans based on local conditions and legal stipulations in the corresponding countries. These plans and foundations are legally and financially independent of Galenica.

Employee benefit plans according to Swiss BVG
The vast majority of Galenica employees are insured in Switzerland through pension funds. These pension funds cover the risks and economic consequences of ageing, disability and death according to the specifications of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG).

Defined contribution plan principle
These company pension funds are managed according to the principle of defined contributions and are generally funded by contributions from the employee and the employer. The contributions made by employer and employee are accrued into individual savings capital for each employee. The savings capital is usually paid out as a lump sum or converted into an annuity on reaching statutory retirement age. In cases of termination of employment, the savings are transferred as vested benefits.

Number of employees worldwide

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>7,458</td>
<td>7,084</td>
</tr>
<tr>
<td>Europe</td>
<td>712</td>
<td>632</td>
</tr>
<tr>
<td>North America</td>
<td>418</td>
<td>10</td>
</tr>
<tr>
<td>South America</td>
<td>47</td>
<td>53</td>
</tr>
<tr>
<td>Asia</td>
<td>26</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>8,661</td>
<td>7,804</td>
</tr>
</tbody>
</table>

Galenica annual report 2016
**Pension fund reporting**

The financial statements of the pension funds of the Galenica Group in Switzerland provide a true and fair view of the financial position, the results of operations and cash flow.

The accounting and valuation principles of the Swiss pension funds correspond to the Ordinance on Occupational Retirement, Survivors’ and Disability Pension Plans (BVV2) and the Swiss GAAP FER accounting and reporting recommendations. Assets and liabilities are recognised on the basis of the financial situation of the pension fund as of the balance sheet date only.

**Works Committee**

In 2016, representatives of the Galenica Ltd. Corporate Executive Committee and HR management met twice with the Works Committee, which represents all employees of the Galenica Group, to discuss issues that go beyond matters addressed by staff committees in the individual Business sectors that meet several times a year.

**Reporting in the consolidated financial statements, defined benefit plan principle**

The recording and assessment of benefit obligations in the consolidated financial statements is in accordance with International Financial Reporting Standards (IFRS). The Swiss pension funds are classed here as defined benefit plans. In addition to recording short-term benefits to employees, benefit obligations for these pension plans following the end of employment are also calculated by actuaries. These actuarial calculations generally result in a lower coverage ratio (ratio of assets to liabilities), but have no impact on the benefits the pension funds pay under their regulations. According to the provisions under BVG, a potential obligation on the part of the employee and the employer to make additional contributions or take remediation measures is only to be assessed if the coverage ratio falls below 100%. This is primarily the case when the liabilities of the pension funds are no longer covered in full by the assets of the pension funds. Further information on reporting and the current coverage ratio can be found in the notes to the consolidated financial statements.
Social responsibility

Social commitment
As a leading player in the Swiss healthcare market, Galenica is committed at all levels to the welfare of patients. The company is also involved in helping organisations and projects. A few examples are listed below:

Ruedi Lüthy Foundation (formerly Swiss AIDS Care International). The Galenica Group has supported this foundation with regular donations and contributions in kind since 2005. The foundation was founded in 2003 by Professor Ruedi Lüthy. In Zimbabwe’s capital Harare the foundation operates the walk-in Newlands Clinic with mobile outpatient stations, which currently provides treatment to around 6,000 of the poorest HIV patients and trains local specialists. Zimbabwe is one of the countries most affected by the AIDS pandemic, with 1.6 million people currently living with HIV, an estimated 1 million children orphaned as a result of the illness and 40,000 AIDS-related deaths per year.

The Newlands Clinic in Zimbabwe continued to receive everyday material for its onsite clinical staff from GaleniCare in 2016.

Agua Viva. Since 2009, Galenica has been providing financial support to “Agua Viva, the small aid organisation for children”. Operating in eastern Brazil, this association helps children in need and arranges sponsorship for children from deprived areas of the cities of Olinda and Paulista. The contributions not only help to provide children with basic nutrition but also go into a fund that is used to finance medical treatment and medication. In Olinda, the association offers an information and contact point for all sponsored children and their relatives via the “Oficina Agua Viva”. Here, the children receive food and are given the opportunity to attend daily school lessons. Agua Viva also organises vocational and part-time courses as well as traineeships for children and adolescents from socially disadvantaged backgrounds and offers, via the Oficina, a contact point for people from the region who are in need of help.

Christmas and New Year card 2016. The Galenica Group supported the Sternschnuppe organisation with its Christmas and New Year card for 2016. Children’s charity Sternschnuppe is a Swiss non-profit organisation that helps grant the wishes of children under the age of 18 living with an illness, disability or health issues due to a major injury.

La Boule de Neige. Retail and HCI Solutions offer IT support for a vocational school in Burkina Faso with around 60 computers that were donated to the facility in the remote area of Kompienga rather than being disposed of.

GEWA. The GEWA foundation for workplace integration is a social business that aims to integrate people with particular mental challenges into the workplace. The Alloga SC Box had initially been assembled and repaired by Alloga employees – since 2012, this task has been taken over by the GEWA foundation.

Occupational reintegration. For years, Vifor Pharma has been committed to the occupational reintegration of employees expected to be unable to work permanently or for an extended period due to illness. At the end of 2015, Vifor Ltd. in Fribourg was given the Occupational Reintegration Award by the Fribourg Disability Insurance Office.
The product focus in the Sun Store pharmacies is non-prescription medicines – such as Perskindol®, Anti-Brumm®, Algifor® and Triofan® – as well as beauty and wellness products.
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Key figures of the Galenica Group 2016

**Net sales**

by Business unit in million CHF

- **Vifor Pharma** CHF 1,167.0 million
- **Galenica Santé** CHF 3,008.9 million

by region in million CHF

- **Switzerland** CHF 3,079.8 million
- **Americas** CHF 574.4 million
- **Europe** CHF 334.9 million
- **Other countries** CHF 129.3 million

**EBITDA**

by Business unit in million CHF

- **Vifor Pharma** CHF 245.2 million
- **Galenica Santé** CHF 136.0 million

**Number of employees**

- **Galenica Ltd.** 43
- **Vifor Pharma** 2,487
- **Galenica Santé** 6,131

**EBIT**

by Business unit in million CHF

- **Vifor Pharma** CHF 245.2 million
- **Galenica Santé** CHF 136.0 million

**Net profit**

by Business unit in million CHF

- **Attributable to shareholders of Galenica Ltd.** CHF 243.6 million
- **Share of minority interests** CHF 80.2 million

### Financial Highlights

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>4,118.4</td>
<td>3,791.6</td>
<td>+8.6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>489.1</td>
<td>537.4</td>
<td>-9.0%</td>
</tr>
<tr>
<td>EBIT</td>
<td>361.5</td>
<td>450.8</td>
<td>-19.8%</td>
</tr>
<tr>
<td>Net profit</td>
<td>323.8</td>
<td>370.0</td>
<td>-12.5%</td>
</tr>
<tr>
<td>- Attributable to shareholders of Galenica Ltd.</td>
<td>243.6</td>
<td>301.1</td>
<td>-19.1%</td>
</tr>
<tr>
<td>- Share of minority interests</td>
<td>80.2</td>
<td>68.9</td>
<td>+16.2%</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>37.62</td>
<td>46.47</td>
<td>-19.0%</td>
</tr>
<tr>
<td>Earnings per share (excluding effects due to IAS 19)</td>
<td>39.68</td>
<td>47.67</td>
<td>-18.2%</td>
</tr>
<tr>
<td>Investment in property, plant and equipment and intangible assets</td>
<td>304.6</td>
<td>368.6</td>
<td>-17.4%</td>
</tr>
<tr>
<td>Investment in R&amp;D</td>
<td>127.1</td>
<td>88.8</td>
<td>+43.1%</td>
</tr>
<tr>
<td>Employees at reporting date (FTE)</td>
<td>7,107</td>
<td>6,421</td>
<td>+10.7%</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>257.9</td>
<td>522.2</td>
<td>-50.6%</td>
</tr>
<tr>
<td>Total assets</td>
<td>5,431.5</td>
<td>3,640.0</td>
<td>+49.2%</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>2,301.0</td>
<td>1,976.2</td>
<td>+16.4%</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>42.4%</td>
<td>54.3%</td>
<td></td>
</tr>
<tr>
<td>Net debt</td>
<td>1,733.5</td>
<td>159.1</td>
<td></td>
</tr>
<tr>
<td>Gearing</td>
<td>75.3%</td>
<td>8.1%</td>
<td></td>
</tr>
</tbody>
</table>
## Consolidated statement of income

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Notes</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>7</td>
<td>4,118,370</td>
<td>3,791,586</td>
</tr>
<tr>
<td>Other income</td>
<td>8</td>
<td>157,093</td>
<td>153,572</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td></td>
<td><strong>4,275,463</strong></td>
<td><strong>3,945,158</strong></td>
</tr>
<tr>
<td>Cost of goods and materials</td>
<td></td>
<td>(2,492,905)</td>
<td>(2,333,566)</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>9, 25</td>
<td>(777,176)</td>
<td>(659,154)</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>10</td>
<td>(516,292)</td>
<td>(415,081)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>17, 18</td>
<td>(127,571)</td>
<td>(86,599)</td>
</tr>
<tr>
<td><strong>Operating costs</strong></td>
<td></td>
<td><strong>(3,913,944)</strong></td>
<td><strong>(3,494,400)</strong></td>
</tr>
<tr>
<td><strong>Earnings before interest and taxes (EBIT)</strong></td>
<td></td>
<td><strong>361,519</strong></td>
<td><strong>450,758</strong></td>
</tr>
<tr>
<td>Financial income</td>
<td>11</td>
<td>5,735</td>
<td>10,546</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>11</td>
<td>(36,418)</td>
<td>(35,783)</td>
</tr>
<tr>
<td>Share of result of associates and joint ventures</td>
<td>19</td>
<td>4,695</td>
<td>3,457</td>
</tr>
<tr>
<td><strong>Earnings before taxes (EBT)</strong></td>
<td></td>
<td><strong>335,531</strong></td>
<td><strong>428,978</strong></td>
</tr>
<tr>
<td>Income tax</td>
<td>12</td>
<td>(11,766)</td>
<td>(58,975)</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td></td>
<td><strong>323,765</strong></td>
<td><strong>370,003</strong></td>
</tr>
</tbody>
</table>

**Attributable to:**
- Shareholders of Galenica Ltd. | 243,627 | 301,060 |
- Non-controlling interests | 80,138 | 68,943 |

<table>
<thead>
<tr>
<th>in CHF</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earnings per share</strong></td>
<td>13</td>
<td>37.62</td>
<td>46.47</td>
</tr>
<tr>
<td><strong>Diluted earnings per share</strong></td>
<td>13</td>
<td>37.56</td>
<td>46.38</td>
</tr>
</tbody>
</table>
## Consolidated statement of comprehensive income

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Notes</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net profit</strong></td>
<td></td>
<td>323,765</td>
<td>370,003</td>
</tr>
<tr>
<td>Hedge transactions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– change in fair value</td>
<td>29</td>
<td>2,980</td>
<td>(465)</td>
</tr>
<tr>
<td>– realised in profit or loss</td>
<td></td>
<td>1,472</td>
<td>3,026</td>
</tr>
<tr>
<td>Financial assets available for sale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– change in fair value</td>
<td>29</td>
<td>15,665</td>
<td>1,372</td>
</tr>
<tr>
<td>– realised in profit or loss</td>
<td></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Translation differences</td>
<td></td>
<td>48,511</td>
<td>(30,133)</td>
</tr>
<tr>
<td>Income tax</td>
<td>(3,193)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss</td>
<td></td>
<td>65,435</td>
<td>(26,200)</td>
</tr>
<tr>
<td>Remeasurements of the net defined benefit liability / (asset)</td>
<td>25</td>
<td>51,672</td>
<td>(21,439)</td>
</tr>
<tr>
<td>Income tax from remeasurements of the net defined benefit liability / (asset)</td>
<td>12</td>
<td>(11,368)</td>
<td>4,717</td>
</tr>
<tr>
<td>Share of other comprehensive income from joint ventures</td>
<td>19</td>
<td>2,371</td>
<td>(3,856)</td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td>42,675</td>
<td>(20,578)</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td>108,110</td>
<td>(46,778)</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td></td>
<td>431,875</td>
<td>323,225</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Shareholders of Galenica Ltd.</td>
<td></td>
<td>351,730</td>
<td>254,285</td>
</tr>
<tr>
<td>– Non-controlling interests</td>
<td></td>
<td>80,145</td>
<td>68,940</td>
</tr>
</tbody>
</table>
### Consolidated statement of financial position

#### Assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>180,914</td>
<td>422,196</td>
</tr>
<tr>
<td>Securities</td>
<td></td>
<td>2,141</td>
<td>246</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>14</td>
<td>699,312</td>
<td>581,172</td>
</tr>
<tr>
<td>Tax receivables</td>
<td></td>
<td>4,317</td>
<td>634</td>
</tr>
<tr>
<td>Inventories</td>
<td>15</td>
<td>432,499</td>
<td>383,807</td>
</tr>
<tr>
<td>Prepaid expenses and accrued income</td>
<td></td>
<td>39,964</td>
<td>33,661</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>16</td>
<td>29,574</td>
<td>—</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td><strong>1,388,721</strong></td>
<td><strong>1,421,716</strong></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>17</td>
<td>475,095</td>
<td>450,202</td>
</tr>
<tr>
<td>Investment properties</td>
<td>17</td>
<td>4,107</td>
<td>34,722</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>18</td>
<td>3,403,126</td>
<td>1,601,416</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>19</td>
<td>43,518</td>
<td>40,736</td>
</tr>
<tr>
<td>Financial assets</td>
<td>20</td>
<td>87,279</td>
<td>64,971</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>12</td>
<td>29,655</td>
<td>26,233</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td><strong>4,042,780</strong></td>
<td><strong>2,218,280</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td><strong>5,431,501</strong></td>
<td><strong>3,639,996</strong></td>
</tr>
</tbody>
</table>

#### Liabilities and shareholders’ equity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial liabilities</td>
<td>22</td>
<td>1,829,387</td>
<td>144,892</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>21</td>
<td>511,159</td>
<td>444,302</td>
</tr>
<tr>
<td>Tax payables</td>
<td></td>
<td>58,546</td>
<td>47,728</td>
</tr>
<tr>
<td>Accrued expenses and deferred income</td>
<td></td>
<td>234,493</td>
<td>164,723</td>
</tr>
<tr>
<td>Provisions</td>
<td>24</td>
<td>3,685</td>
<td>2,257</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td><strong>2,637,270</strong></td>
<td><strong>803,902</strong></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>23</td>
<td>275,147</td>
<td>668,799</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>12</td>
<td>150,802</td>
<td>86,420</td>
</tr>
<tr>
<td>Employee benefit liabilities</td>
<td>25</td>
<td>65,870</td>
<td>100,559</td>
</tr>
<tr>
<td>Provisions</td>
<td>24</td>
<td>1,382</td>
<td>4,154</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td><strong>493,201</strong></td>
<td><strong>859,932</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td><strong>3,130,471</strong></td>
<td><strong>1,663,834</strong></td>
</tr>
<tr>
<td>Share capital</td>
<td>26</td>
<td>650</td>
<td>650</td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
<td>2,123,703</td>
<td>1,878,443</td>
</tr>
<tr>
<td>Equity attributable to shareholders of Galenica Ltd.</td>
<td></td>
<td><strong>2,124,353</strong></td>
<td><strong>1,879,093</strong></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>27</td>
<td>176,677</td>
<td>97,069</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td>28</td>
<td><strong>2,301,030</strong></td>
<td><strong>1,976,162</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td></td>
<td><strong>5,431,501</strong></td>
<td><strong>3,639,996</strong></td>
</tr>
</tbody>
</table>
## Consolidated statement of cash flows

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net profit</strong></td>
<td>323,765</td>
<td>370,003</td>
</tr>
<tr>
<td><strong>Income tax</strong></td>
<td>11,766</td>
<td>58,975</td>
</tr>
<tr>
<td><strong>Depreciation and amortisation</strong></td>
<td>127,571</td>
<td>86,599</td>
</tr>
<tr>
<td><strong>(Gain)/loss on disposal of non-current assets</strong></td>
<td>(179)</td>
<td>49</td>
</tr>
<tr>
<td><strong>(Gain)/loss on disposal of subsidiaries</strong></td>
<td>—</td>
<td>(273)</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in provisions and employee benefit assets and liabilities</strong></td>
<td>14,839</td>
<td>9,227</td>
</tr>
<tr>
<td><strong>Net financial result</strong></td>
<td>30,683</td>
<td>25,237</td>
</tr>
<tr>
<td><strong>Share of result of associates and joint ventures</strong></td>
<td>(4,695)</td>
<td>(3,457)</td>
</tr>
<tr>
<td><strong>Other non-cash items</strong></td>
<td>19,227</td>
<td>16,953</td>
</tr>
<tr>
<td><strong>Change in trade and other receivables</strong></td>
<td>(116,014)</td>
<td>(36,886)</td>
</tr>
<tr>
<td><strong>Change in inventories</strong></td>
<td>1,908</td>
<td>(10,566)</td>
</tr>
<tr>
<td><strong>Change in trade and other payables</strong></td>
<td>41,556</td>
<td>14,784</td>
</tr>
<tr>
<td><strong>Change in other net current assets</strong></td>
<td>(117,003)</td>
<td>47,346</td>
</tr>
<tr>
<td><strong>Interest received</strong></td>
<td>875</td>
<td>1,553</td>
</tr>
<tr>
<td><strong>Interest paid</strong></td>
<td>(23,498)</td>
<td>(19,832)</td>
</tr>
<tr>
<td><strong>Other financial receipts/(financial payments)</strong></td>
<td>(2,336)</td>
<td>(1,596)</td>
</tr>
<tr>
<td><strong>Dividends received</strong></td>
<td>4,815</td>
<td>5,270</td>
</tr>
<tr>
<td><strong>Income tax paid</strong></td>
<td>(55,386)</td>
<td>(41,184)</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>257,894</td>
<td>522,202</td>
</tr>
<tr>
<td><strong>Investments in property, plant and equipment and investment properties</strong></td>
<td>(78,072)</td>
<td>(68,535)</td>
</tr>
<tr>
<td><strong>Investments in intangible assets</strong></td>
<td>(205,089)</td>
<td>(96,342)</td>
</tr>
<tr>
<td><strong>Investments in associates and joint ventures</strong></td>
<td>(531)</td>
<td>(1,973)</td>
</tr>
<tr>
<td><strong>Investments in financial assets and securities</strong></td>
<td>(10,873)</td>
<td>(4,795)</td>
</tr>
<tr>
<td><strong>Proceeds from property, plant and equipment and investment properties</strong></td>
<td>1,921</td>
<td>1,045</td>
</tr>
<tr>
<td><strong>Proceeds from intangible assets</strong></td>
<td>—</td>
<td>353</td>
</tr>
<tr>
<td><strong>Proceeds from financial assets and securities</strong></td>
<td>5,300</td>
<td>42,544</td>
</tr>
<tr>
<td><strong>Purchase of subsidiaries (net cash flow)</strong></td>
<td>(1,254,154)</td>
<td>(42,659)</td>
</tr>
<tr>
<td><strong>Sale of subsidiaries (net cash flow)</strong></td>
<td>—</td>
<td>8,223</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td>(1,541,498)</td>
<td>(162,139)</td>
</tr>
<tr>
<td><strong>Dividends paid</strong></td>
<td>(116,550)</td>
<td>(102,424)</td>
</tr>
<tr>
<td><strong>Purchase of treasury shares</strong></td>
<td>(18,111)</td>
<td>(20,264)</td>
</tr>
<tr>
<td><strong>Sale of treasury shares</strong></td>
<td>9,788</td>
<td>10,888</td>
</tr>
<tr>
<td><strong>Proceeds from financial liabilities</strong></td>
<td>1,490,832</td>
<td>40,594</td>
</tr>
<tr>
<td><strong>Repayment of financial liabilities</strong></td>
<td>(323,298)</td>
<td>(101,194)</td>
</tr>
<tr>
<td><strong>Purchase of non-controlling interests</strong></td>
<td>(307)</td>
<td>(2,751)</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td>1,042,354</td>
<td>(175,951)</td>
</tr>
<tr>
<td><strong>Effects of exchange rate changes on cash and cash equivalents</strong></td>
<td>(32)</td>
<td>(442)</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in cash and cash equivalents</strong></td>
<td>(241,282)</td>
<td>183,670</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents as at 1 January</strong></td>
<td>422,196</td>
<td>238,526</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents as at 31 December</strong></td>
<td>180,914</td>
<td>422,196</td>
</tr>
</tbody>
</table>
## Consolidated statement of changes in equity

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Share capital</th>
<th>Treasury shares</th>
<th>Fluctuation in value of financial instruments</th>
<th>Retained earnings</th>
<th>Accumulated translation differences</th>
<th>Equity attributable to shareholders of Galenica Ltd.</th>
<th>Non-controlling interests</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at 31 December 2014</strong></td>
<td>650</td>
<td>(16,968)</td>
<td>(5,234)</td>
<td>1,827,827</td>
<td>(93,924)</td>
<td>1,712,351</td>
<td>38,143</td>
<td>1,750,494</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td></td>
<td></td>
<td></td>
<td>301,060</td>
<td></td>
<td>301,060</td>
<td>68,943</td>
<td>370,003</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td>3,933</td>
<td>(20,578)</td>
<td>(30,130)</td>
<td>(46,775)</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td>3,933</td>
<td>280,482</td>
<td>(30,130)</td>
<td>254,285</td>
<td>68,940</td>
<td>323,225</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>(97,213)</td>
<td>(97,213)</td>
<td>(5,220)</td>
<td>(102,433)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transactions on treasury shares</strong></td>
<td>(4,976)</td>
<td>(5,655)</td>
<td>(10,631)</td>
<td>(10,631)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share-based payments</strong></td>
<td>18,258</td>
<td>18,258</td>
<td>18,258</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Change in non-controlling interests</strong></td>
<td>2,043</td>
<td>2,043</td>
<td>(4,794)</td>
<td>(2,751)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2015</strong></td>
<td>650</td>
<td>(21,944)</td>
<td>(1,301)</td>
<td>2,025,742</td>
<td>(124,054)</td>
<td>1,879,093</td>
<td>97,069</td>
<td>1,976,162</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td></td>
<td></td>
<td></td>
<td>243,627</td>
<td></td>
<td>243,627</td>
<td>80,138</td>
<td>323,765</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td>16,924</td>
<td>42,675</td>
<td>48,504</td>
<td>108,103</td>
<td>7</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td>16,924</td>
<td>286,302</td>
<td>48,504</td>
<td>351,730</td>
<td>80,145</td>
<td>431,875</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>(116,569)</td>
<td>(116,569)</td>
<td>(116,569)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transactions on treasury shares</strong></td>
<td>(1,752)</td>
<td>(7,643)</td>
<td>(9,395)</td>
<td>(9,395)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share-based payments</strong></td>
<td>19,264</td>
<td>19,264</td>
<td>19,264</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Change in non-controlling interests</strong></td>
<td>230</td>
<td>230</td>
<td>(537)</td>
<td>(307)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2016</strong></td>
<td>650</td>
<td>(23,696)</td>
<td>15,623</td>
<td>2,207,326</td>
<td>(75,550)</td>
<td>2,124,353</td>
<td>176,677</td>
<td>2,301,030</td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements of the Galenica Group

1. Accounting principles

General information

Galenica is a diversified Group operating in the healthcare market. Its activities include the development, manufacture and distribution of pharmaceutical products. In addition, Galenica runs pharmacies, provides logistical and database services and sets up networks.

The parent company is Galenica Ltd., a Swiss company limited by shares with its head office in Bern. The registered office is at Untermattweg 8, 3027 Bern, Switzerland. Shares in Galenica Ltd. are traded on the SIX Swiss Exchange under securities no. 1553646 (ISIN CH0015536466).

The Board of Directors authorised the consolidated financial statements 2016 for publication on 10 March 2017. The 2015 consolidated financial statements will be submitted for approval to the Annual General Meeting of shareholders on 11 May 2017.

Basis of preparation

The consolidated financial statements of Galenica have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB), as well as the interpretations of the IFRS Interpretations Committee and the provisions of Swiss law.

The consolidated financial statements are based on the financial statements of the individual companies of Galenica, prepared in accordance with uniform accounting principles. The reporting period comprises twelve months to 31 December.

The consolidated financial statements have been presented on a historical cost basis. Non-monetary assets are measured at the lower of cost and net realisable value or recoverable amount. Specific financial assets and financial liabilities are measured at fair value in the statement of financial position. Detailed disclosures on measurement are provided in the summary of significant accounting policies.

Amendments to IFRS

The standards adopted are consistent with the previous financial year with the following exceptions. As at 1 January 2016 Galenica adopted the following amended International Financial Reporting Standards.

- IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- IAS 1 – Disclosure Initiative
- IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual Improvements 2012-2014 Cycle

These changes have no or no material impact on the financial position, financial performance and cash flows of Galenica nor on disclosures in these financial statements.
Future amendments to IFRS

As at the reporting date, various new and amended standards and interpretations had been issued with effective
dates in the financial year 2017 or later. Galenica has opted not to early adopt any of the following standards or
amendments to standards or interpretations that are potentially relevant for Galenica. Galenica intends to apply
the new or amended standards for the first time in the financial year beginning on or after the date shown:

- IFRS 2 – Classification and Measurement of Share-based Payment Transactions (1 January 2018)
- IFRS 9 – Financial Instruments (1 January 2018)
- IFRS 15 – Revenue from Contracts with Customers (1 January 2018)
- IFRS 16 – Leases (1 January 2019)
- IAS 7 – Disclosure Initiative (1 January 2017)
- IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (1 January 2017)
- IAS 28 and IFRS 10 – Sale or Contribution of Assets between an Investor and its
  Associate or Joint Venture (effective date to be determined by the IASB)
- IAS 40 – Transfer of Investment Property (1 January 2018)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (1 January 2018)
- Annual Improvements 2014–2016 Cycle (1 January 2017 and 1 January 2018)

Galenica is currently assessing the impact of the new and amended standards. Based on the preliminary results
of the analysis, Galenica does not expect there to be any material impact on the consolidated financial state-
ments with the exception of IFRS 9, IFRS 15 and IFRS 16.

IFRS 9 will substantially change the classification and measurement of financial instruments. The standard will
affect the Group’s accounting for its available-for-sale financial assets as gains and losses on certain instruments
are never reclassified to the income statement on a later date.

IFRS 15 amends revenue recognition requirements and establishes principles for reporting information about
the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.
Whereas Galenica does not expect a significant impact on revenue recognition as a result of the application of
the new standard, IFRS 15 will require detailed additional disclosures regarding revenue in the notes.

IFRS 16 substantially changes the financial statements as the majority of leases will become on-balance sheet
liabilities with corresponding right of use assets on the balance sheet. Amortisation and interest expense will
be separately recorded, which will impact EBITDA, EBIT and financial result. The impact is being evaluated as
part of a Group-wide project. A reliable estimate of the impact of applying IFRS 16 can only be made once the
detailed analysis is completed. The total amount of undiscounted lease commitments is disclosed in note 32.
2. Summary of significant accounting policies

Scope of consolidation

The consolidated financial statements of Galenica comprise those of Galenica Ltd. and all its subsidiaries, including associate companies and joint ventures.

Subsidiaries, associates and joint ventures acquired during the reporting period are included in the consolidated financial statements as at the date when control, significant influence or joint control was obtained. Companies sold during the reporting period are included up to the date when control, significant influence or joint control was lost.

Details of changes in the scope of consolidation in the reporting period are included in note 6, Business combinations. The Group companies are listed in note 36.

Consolidation method

Companies which Galenica controls have been fully consolidated. This is the case when Galenica has the ability to control significant decisions of a company, has rights to variable returns from its involvement with the investee and has the ability to affect those returns.

When Galenica holds less than 50% of the voting rights in a company, Galenica considers all the relevant facts and circumstances in assessing whether it has control over that company. This includes contractual arrangements with the vote holders of the investee, rights arising from other contractual arrangements and the number of voting rights and potential voting rights.

Assets and liabilities as well as income and expenses of such companies are fully included in the consolidated financial statements as at the acquisition date, i.e. the date on which Galenica obtains control. The share of net assets and net profit attributable to non-controlling interests is indicated separately in the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income and the consolidated statement of changes in equity.

All intercompany receivables and payables, income and expenses, investments and dividends as well as unrealised gains and losses on transactions are fully eliminated.

Investments in associates where Galenica holds between 20% and 50% of the voting rights and investments in joint ventures are accounted for using the equity method.

Unrealised gains and losses from transactions with associates and joint ventures are eliminated in proportion to Galenica’s interest.

Investments of less than 20% where Galenica has no significant influence are classified as securities or financial assets and are accounted for as financial instruments.
Group currency and translation of foreign currencies

Galenica’s consolidated financial statements are prepared in Swiss francs (CHF) and, unless otherwise indicated, figures are rounded to the nearest CHF 1,000.

The functional currency of the Group companies is the currency of the primary economic environment in which they operate. Transactions in foreign currencies are translated at the exchange rate effective on the transaction date. Monetary items are re-translated into the functional currency using exchange rates as at the reporting date. The resulting exchange gains and losses are recognised in profit or loss.

Assets and liabilities of foreign subsidiaries are translated into Swiss francs using year-end exchange rates. Income and expenses and cash flows are translated using the average exchange rate for the year.

Exchange differences arising from net investments in foreign operations are recognised directly in comprehensive income and reported separately as accumulated translation differences. Cumulative translation differences recognised directly in comprehensive income are only released through profit or loss in the event of a loss of control, significant influence or joint control.

Translation differences on equity-like loans that form part of the net investment in a foreign operation are recognised in comprehensive income, provided that repayment of these loans is neither planned nor likely to occur in the foreseeable future.

The table below shows the exchange rates against the Swiss franc of the main currencies of relevance for the consolidated financial statements:

<table>
<thead>
<tr>
<th>Exchange rates</th>
<th>Year-end rates</th>
<th>Average rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>2016 1.07</td>
<td>2015 1.09</td>
</tr>
<tr>
<td></td>
<td>2016 1.09</td>
<td>2015 1.07</td>
</tr>
<tr>
<td>GBP</td>
<td>2016 1.26</td>
<td>2015 1.48</td>
</tr>
<tr>
<td></td>
<td>2016 1.35</td>
<td>2015 1.48</td>
</tr>
<tr>
<td>USD</td>
<td>2016 1.02</td>
<td>2015 1.00</td>
</tr>
<tr>
<td></td>
<td>2016 0.99</td>
<td>2015 0.96</td>
</tr>
<tr>
<td>CAD</td>
<td>2016 0.76</td>
<td>2015 0.72</td>
</tr>
<tr>
<td></td>
<td>2016 0.74</td>
<td>2015 0.76</td>
</tr>
</tbody>
</table>

Classification as current or non-current

Assets which are realised or consumed within one year or in the normal course of business, or which are held for trading purposes are classified as current assets. All other assets are classified as non-current assets.

All liabilities which Galenica aims to settle in the normal course of business or which fall due within one year after the reporting date are classified as current liabilities. All other liabilities are classified as non-current liabilities.
Financial assets and financial liabilities

Measurement of financial assets and financial liabilities
Financial assets and financial liabilities are initially recognised at fair value including transaction costs with the exception of financial assets and liabilities classified as "at fair value through profit or loss", for which transaction costs are recognised directly in profit or loss. All purchases and sales are recognised using trade date accounting. Assets that are not carried at fair value through profit or loss are regularly tested for impairment. Financial assets are generally derecognised when the contractual rights to the cash flows expire. Financial liabilities are derecognised when they have been settled.

For subsequent measurement Galenica distinguishes between the following types of financial assets and financial liabilities:

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities are classified as at fair value through profit or loss if they are acquired with a view to realising a profit from current fluctuations in the price. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships. The resulting realised and unrealised changes in fair value are recognised directly in profit or loss (financial result) for the relevant reporting period.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include, but are not limited to, trade receivables and loans to third parties. These types of financial instruments are recognised in the statement of financial position at amortised cost using the effective interest rate method less accumulated impairment. Uncollectible loans and receivables are only derecognised if a certificate of loss has been issued.

Financial assets available for sale
All other financial assets are classified as available for sale. These financial instruments are recognised at fair value with any changes in value, adjusted for deferred taxes, being recognised in comprehensive income. On sale, impairment or any other form of disposal, the cumulative gain or loss previously recognised in comprehensive income is recognised in profit or loss for the reporting period.

An impairment loss for an equity instrument is recognised when there is a significant or prolonged decline in fair value, i.e. longer than six months or material, i.e. more than 20% below the acquisition value.

Financial liabilities at amortised cost
Financial liabilities mainly comprise trade and other payables as well as financial liabilities and are measured at amortised cost using the effective interest rate method.
Derivative financial instruments and hedge accounting

Derivative financial instruments are initially and subsequently measured at fair value. Depending on their maturity, derivative financial instruments with a positive fair value are either classified within current assets as securities or within non-current assets as financial assets. Derivative financial instruments with a negative fair value are presented as current or non-current financial liabilities according to their maturity.

Galenica uses derivative financial instruments such as currency forwards and cross currency interest rate swaps in order to minimise and hedge interest rate and exchange risks. Currency forwards and cross currency interest rate swaps are valued using the fair value of expected future cash flows.

Galenica uses hedge accounting for selected transactions if the criteria relating to documentation, probability, effectiveness and reliability of measurement are met. The effective portion of changes in the fair value of cash flow hedging instruments is recognised in other comprehensive income.

Gains and losses on derivatives not designated in active hedge relationships are recorded immediately in profit or loss.

Cash flow hedges
Cash flow hedges are hedges against changes in cash flows due to fluctuations in foreign exchange or interest rates of a financial instrument or a forecast transaction. Gains or losses on the effective portion of the hedging instrument are recognised in comprehensive income while gains or losses on the ineffective part of the hedging instrument are recognised in profit or loss.

At the inception of the hedge, Galenica prepares a formal documentation containing the strategy, objectives, identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and details of how the hedging instrument’s effectiveness will be assessed. Hedge accounting is only applied if the hedge relationship is expected to be highly effective throughout the entire term.

Any cumulative unrealised gain or loss on the hedging instrument remains in equity until the underlying hedged item affects profit or loss. However, if a hedged forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss on the hedging instrument is immediately reclassified to profit or loss.

Cash and cash equivalents
Cash and cash equivalents include cash, sight deposits at financial institutions and time deposits with an original term of three months or less. Cash and cash equivalents are measured at nominal value.

Securities
In the statement of financial position, securities recorded as current assets include marketable, highly liquid securities and time deposits with an original term to maturity of 3 to 12 months, and derivative financial instruments with a positive fair value and a residual term to maturity of up to 12 months. Quoted securities and derivative financial instruments are measured at fair value, time deposits at amortised cost. Unquoted securities are measured at their estimated fair value, based on valuation models. If the fair value cannot be reliably determined, unquoted equity instruments are included in the statement of financial position at cost less accumulated impairments. Changes in the value of securities and derivative financial instruments not designated as a hedge are recognised immediately in profit or loss for the current reporting period.
Trade and other receivables

Trade receivables are carried at their original invoice value. If there is objective evidence that the amounts will not be paid in full, the carrying amount is adjusted accordingly. These bad debt allowances are based on the difference between the carrying amount and the recoverable amount as derived from individual valuations or for groups with comparable credit risk profiles.

Inventories

Inventories and purchased merchandise are carried at the lower of cost or net realisable value. Cost includes all direct manufacturing costs and a proportion of manufacturing overheads. Borrowing costs are not included. The weighted average method is primarily used to determine cost. Adjustments are recognised on inventories that have a lower net realisable value or slow turnover.

Property, plant and equipment and investment properties

Property, plant and equipment and investment properties are measured at cost less accumulated depreciation and impairment. Depreciation is charged on a straight-line basis over the assets’ useful lives as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>unlimited</td>
</tr>
<tr>
<td>Buildings</td>
<td>10–50</td>
</tr>
<tr>
<td>Manufacturing systems</td>
<td>5–15</td>
</tr>
<tr>
<td>Warehouse equipment</td>
<td>6–15</td>
</tr>
<tr>
<td>Furniture, fittings</td>
<td>5–10</td>
</tr>
<tr>
<td>IT equipment</td>
<td>3–10</td>
</tr>
<tr>
<td>Vehicles</td>
<td>3–10</td>
</tr>
</tbody>
</table>

Land and buildings not used for operations are included in investment properties. They are recognised and depreciated on the same basis as property, plant and equipment. They include land and buildings or parts thereof that are being held for an undetermined future use or to generate rental income. The fair value of these properties, which is disclosed separately, is based on external appraisals.

Costs are only capitalised if they result in extending the useful life, expanding capacity, improving product quality or contributing to a marked reduction in operating costs. Maintenance or repair costs are recognised directly in profit or loss.

If property, plant and equipment or investment properties are sold or derecognised, gains are recognised in other operating income and losses in other operating costs.
**Intangible assets**

Intangible assets include acquired trademarks, patents, licences, technologies, purchased or internally developed software and other assets without physical substance. These items are measured at cost less accumulated amortisation and/or impairment. The cost of an intangible asset acquired in a business combination corresponds to its fair value determined at acquisition.

Expenditure on internally developed software is capitalised when the capitalisation criteria are met and future economic benefits from use or sale of the software are expected. Software that is not yet available for use is tested for impairment annually or more frequently if there are indications of impairment.

Amortisation is charged on a straight-line basis over the estimated economic or legal useful life, whichever is shorter as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>Trademarks, patents, licences, technologies</th>
<th>Software</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5–20</td>
<td>2–7</td>
</tr>
</tbody>
</table>

The amortisation period and the amortisation method are reviewed at least at each financial year-end.

With the exception of one trademark at Vifor Consumer Health and certain manufacturing technologies of OM Pharma, all intangible assets are assessed as having a finite useful life.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if there are indications of impairment.

Any impairment is recorded in profit or loss under depreciation and amortisation and disclosed separately as an impairment.

If intangible assets are sold or derecognised, gains are recognised in other operating income and losses in other operating costs.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. Consideration transferred comprises payments in cash as well as the fair value of the assets transferred, the obligations entered into or assumed and the equity instruments transferred. Transaction costs are recognised directly in profit or loss.

Goodwill is recognised at cost on the acquisition date and corresponds to the difference between the consideration transferred and the fair value of assets, liabilities and contingent liabilities identified in the purchase price allocation. Goodwill is capitalised and included in intangible assets, while negative goodwill is recognised immediately in profit or loss. After initial measurement goodwill is recognised at cost less any accumulated impairment.

Goodwill is allocated to the cash-generating unit (CGU) or group of CGUs that benefit from the business combination. Goodwill is tested for impairment annually, or more frequently if there are indications of impairment. The impairment test is based on the estimated future cash flow of the CGU or group of CGUs to which the goodwill belongs. If the recoverable amount (higher of fair value less costs of disposal and value in use) is lower than the carrying amount, the carrying amount is reduced to the recoverable amount by recording an impairment charge.

Contingent consideration is measured at fair value on the acquisition date and not remeasured subsequently for equity instruments. If the contingent consideration qualifies as a financial instrument, it is remeasured to fair value and any difference is recognised in other operating income or other operating costs.

The difference arising from the acquisition of additional non-controlling interests in fully consolidated companies (purchase consideration less proportionate carrying amount of non-controlling interests) is considered to be an equity transaction and is thus taken directly to retained earnings in shareholders’ equity. Gains and losses resulting from the disposal of interests in consolidated companies without loss of control are also recognised in retained earnings.

If a CGU or group of CGUs is sold, goodwill is taken into account when calculating the profit or loss on the sale. The profit or loss on deconsolidation is recognised in operating income or other operating costs.

Any impairment on goodwill is recognised in profit or loss and disclosed separately.
Research and development

Expenditure on research and development (excluding internally developed software) is recognised directly in profit or loss as incurred. The costs of development cannot be capitalised since the regulatory risks and the considerable periods of time before a product is launched do not allow a reliable estimate to be made of the economic benefit, which would be necessary for capitalisation.

Borrowing costs

Borrowing costs are recognised directly in profit or loss as incurred. In the case of qualifying assets such as assets under construction, which take a considerable time to build, borrowing costs are capitalised.

Leases

Leases under which Galenica assumes substantially all the risks and rewards of ownership are treated as finance leases. Assets that are taken over as part of a finance lease are recognised at the lower of fair value or net present value of future non-cancellable lease payments under non-current assets, while liabilities are recorded under financial liabilities. Leased items of plant are depreciated over their estimated useful economic lives or the term of the lease if shorter, if it cannot be assumed that ownership of the asset will be transferred at the end of the lease term. Each lease payment is split into a finance charge and the reduction of the outstanding liability.

The other leases are treated as operating leases. Lease payments are recognised on a straight-line basis directly as operating costs.

Investments in associates and joint ventures

Investments in associates and joint ventures are initially recognised at cost and subsequently accounted for using the equity method. Goodwill paid upon acquisition is included in the carrying amount of the investment. In the accounting periods following the acquisition, the carrying amount of the investment is increased by the share in profit or reduced by the share in loss of the associate. The corresponding amounts are recognised in profit or loss. Transactions that are recognised in comprehensive income of associates and joint ventures are recognised proportionately in comprehensive income.

Non-current financial assets

Non-current financial assets comprise securities categorised as “available-for-sale”, loans, time deposits with a term to maturity of more than twelve months, rental security deposits and derivative financial instruments with a positive fair value and a residual term to maturity of more than twelve months. Loans are assessed for impairment based on creditworthiness of the counterparty. Any impairment is recognised in financial expenses.
Impairment of non-financial assets

Assets are tested for impairment whenever there are indications that they could be impaired. Goodwill and intangible assets with an indefinite useful life or intangible assets that are not yet available for use, are tested for impairment at least annually and more frequently if there are indications of impairment. If the recoverable amount (higher of fair value less costs of disposal and value in use) is lower than the carrying amount, the carrying amount is reduced to the recoverable amount by recording an impairment charge. To determine the value in use, the future cash flows are discounted on a pre-tax basis. Impairments are recognised in profit or loss under depreciation and amortisation and disclosed separately.

Reversal of impairments are recognised immediately in profit or loss. An impairment loss for goodwill is not reversed.

Provisions and contingent liabilities

Provisions are recorded when Galenica has a present legal or constructive obligation towards a third party as a result of a past event, when the amount of the obligation can be reliably estimated and an outflow of economic resources is probable.

A provision for restructuring is only recorded when there is a detailed formal plan, the expenditures that will be undertaken have been identified, there is evidence that the plan will be implemented and its main features have been announced to those affected by it.

A contingent liability is disclosed for an obligation where it is not probable that an outflow of resources will be required or where the amount of the obligation cannot be estimated with sufficient reliability.

Income tax

Current income tax is based on taxable profit for the current year and is recognised in profit or loss unless the underlying transaction is recognised outside profit or loss.

Deferred taxes are taxes on temporary differences between the value of assets and liabilities in the tax accounts and the carrying amounts included in the Group’s consolidated financial statements. Deferred taxes are calculated using the liability method on the basis of enacted or substantively enacted tax rates expected to apply when the tax asset is realised or the liability is settled. Tax effects from losses carried forward and other deductible temporary differences are only capitalised when it is probable that they will be realised in the future.

Changes in deferred tax assets and liabilities are recognised in profit or loss. Deferred taxes on transactions that are recognised directly in comprehensive income or equity are likewise recognised in comprehensive income or equity.

Deferred tax liabilities are recorded for all taxable temporary differences associated with investments in subsidiaries, except Galenica is able to control the timing of the distribution and no dividend distribution is planned or likely to occur in the foreseeable future.
**Employee benefits**

Galenica has a number of employee benefit plans based on local conditions and legal requirements in the respective countries. These plans are legally separate from Galenica and consist of both defined contribution and defined benefit plans.

Galenica’s defined benefit obligation (DBO) is assessed annually by independent pension actuaries using the projected unit credit method. This method considers employees’ service in the periods prior to the reporting date and their future expected salary development. In addition, actuaries make use of statistical data such as employee turnover and mortality to calculate the DBO.

All defined benefit plans are funded. Plan assets are managed separately from Galenica’s assets by independent pension funds.

Any deficit or surplus in funded defined benefit plans (when the fair value of plan assets falls short of or exceeds the present value of the DBO) is recorded as a net defined benefit liability or asset. Galenica only recognises a net defined benefit asset if it has the ability to use the surplus to generate future economic benefits that will be available to Galenica in the form of a reduction in future contributions. If Galenica does not have the ability to use the surplus or it will not generate any future economic benefit, Galenica does not recognise an asset, but instead discloses the effect of this asset ceiling in the notes.

The components of defined benefit cost are service cost, net interest on the net defined benefit asset or liability and remeasurements of the net defined benefit asset or liability.

Service cost is a component of personnel costs and comprises current service cost, past service cost (including gains and losses from plan amendments) and gains and losses from plan settlements.

Net interest is determined by multiplying the net defined benefit liability or asset by a discount rate at the beginning of the reporting period. Net interest is included in the financial result.

Actuarial gains and losses result from changes in actuarial assumptions and differences between actuarial assumptions and actual outcomes. Actuarial gains and losses resulting from remeasuring the defined benefit plans are recognised immediately in comprehensive income as remeasurements of the net defined benefit liability or asset. This includes any differences in the return on plan assets (excluding interest, based on the discount rate). Remeasurements of the net defined benefit liability or asset are not reclassified through profit or loss at any point in time.

Galenica rewards employees for long service with jubilee benefits. These long-term benefits to employees are also measured using the projected unit credit method and included in employee benefit liabilities. These obligations are unfunded. Changes in obligations are recorded as personnel costs and interest expense as part of the financial expense, in line with the defined benefit plans.

**Treasury shares**

When shares in Galenica Ltd. are acquired, they are deducted from shareholders’ equity. Gains and losses from buying and selling treasury shares in Galenica Ltd. are recognised directly in shareholders’ equity.
Share-based payments

Galenica has a number of equity-settled share-based payment plans.

The share-based payments are measured at fair value on the grant date. When measuring these transactions, only those conditions which are linked to the price of Galenica’s shares (market conditions) are taken into account, along with any non-vesting conditions.

Galenica estimates the number of shares which are expected to vest. Expense adjustments due to changes in expectations regarding the number of Galenica shares to be purchased are recognised in personnel costs for the relevant reporting period. The expense is recognised over the vesting period as part of personnel expense and an increase in shareholders’ equity for the best estimate of the number of shares Galenica expects to vest. Adjustments to these expectations are immediately recognised in profit or loss.

If the arrangements are modified during the life of an equity-settled share-based payment plan, any incremental fair value is recognised over the remaining vesting period. If the plan is cancelled, the rights are assumed to be exercised on the date of cancellation and the expense is recognised immediately in profit or loss. If the cancelled plan is replaced by a new share-based payment plan identified as a replacement award, the expense is recognised in the same way as for modifications.

The dilutive effect of the share-based payments is taken into account in the calculation of the diluted earnings per share.

Net sales

Net sales, consisting of the revenue from sale of goods and revenue from services, are sales after deduction of price discounts, cash discounts, volume discounts and other discounts as well as taxes linked directly to sales.

Sale of goods

The sale of all products from Galenica’s production and trading companies is recognised as sale of goods. The sale of products is recognised in revenue upon transfer of the principal risks and rewards to the customer once it is probable that future economic benefits will flow to the company and these benefits can be measured reliably. In the retail trade, the transfer of principal risks and rewards occurs with the transfer of ownership to the customer or the legal transfer of ownership in accordance with generally accepted trading practice.

Should significant risks remain with Galenica following the sale of products, the transaction is not considered a sale and revenue is not recognised. Price discounts, cash discounts, volume discounts and other discounts granted to customers are recognised in revenue as sales discounts. Revenue from customer loyalty programmes is deferred and recognised when the award credits are redeemed on the basis of past experience.

Services

Revenue from services includes logistics services, the processing and sale of information, marketing and IT services as well as other contractually agreed services. In order for revenue from services to be recognised, it must be possible to reliably estimate the stage of completion, the amount of revenue, the probability of the inflow of economic benefit and any further costs to completion. The logistics services provided are dependent on volume, while the marketing and IT services are contract-based and measured in accordance with the stage of completion. Access to information made available electronically is calculated in terms of volume or on the basis of subscribers.

Price discounts and cash discounts granted to customers are recognised in revenue. In order to determine the stage of completion, experience involving the same or similar services is used as a reference.
Other income

Royalties, milestone and upfront payments
Royalties (licence fee income) are recognised in accordance with the provisions of the underlying contract when an inflow of economic resources is probable and the amount of revenue can be measured reliably. The revenue is disclosed separately in other income.

In accordance with the conditions of an agreement with Roche, Galenica receives royalties which, after taking account of an agreed basic sum, correspond to half of the net sales for non-transplant indications of CellCept, developed by Roche. Roche and Galenica have developed a sales tracking method to assess net sales of CellCept and to determine the portion attributable to sales from use in non-transplant indications. Therefore Roche and Galenica have defined a fixed percentage of total sales of CellCept as a means to determine the portion attributable to sales from use in non-transplant indications.

Other income
Gains on disposal of property, plant and equipment are recognised at the time of the transfer of ownership and the related transfer of risks and rewards.

Allocated marketing costs and expenses covered by cost-sharing arrangements are recognised as income on the basis of the contractual agreements.

Rental income is based on the provisions of the underlying rental contracts.

Financial income
Interest is recognised using the effective interest rate method. Unpaid interest is recognised on the reporting date as accrued income. Interest is recognised as financial income.

Dividends are profit distributions to Galenica as the holder of equity investments and are recognised when the legal claim to payment arises. Dividends are recognised in securities and other financial income.

Cost of goods and materials
Cost of goods and materials mainly include costs of goods and merchandise from the business sectors Retail and Services as well as costs of materials used for the production of pharmaceutical products, including procurement, transport and packaging costs. Price discounts, rebates or supplier discounts on the purchase of goods and materials are directly deducted from costs of goods and materials.
3. Financial risk management

Galenica is exposed to various financial risks caused by movements in exchange rates and interest rates, by receivables and by liquidity requirements. These risks are managed by the Group Finance Division in line with the hedging policy approved by the Board of Directors as well as internal guidelines on cash and liability management. In order to optimise financial resources, all cash that is surplus to operating requirements and the Group’s long-term financing requirements is managed centrally. In this way, Galenica ensures that it has cost-effective access to capital and that its liquidity situation reflects its liquidity requirements.

It is Galenica’s policy not to enter into any speculative financial arrangements and to ensure matching maturities. Together, the risk management and monitoring measures described below are designed to limit negative impact on the financial statements.

Liquidity risk management

The aim of liquidity risk management is to provide sufficient cash to meet Galenica’s financial liabilities on time while maintaining the flexibility to take advantage of market opportunities and optimum investment conditions. The Group Finance Division is responsible for raising current and non-current loans as well as for decisions on investments. Apart from financing operations, Galenica’s credit standing enables it to borrow cash at an advantageous rate. To ensure that Galenica can meet its payment obligations in good time, liquidity is monitored centrally. The Treasury department monitors the cash flows using rolling liquidity planning. This takes into account the maturities of the financial instruments as well as the cash flows from operating activities.

Credit risk management

Credit risks arise when a customer or a third party fails to meet its contractual obligations and causes Galenica a financial loss. Credit risks are minimised and monitored by restricting business relations to known, reliable partners.

Corporate policy ensures that credit checks are performed for customers who are supplied on credit. Trade receivables are subject to active risk management procedures. They are continually monitored and credit risks are reviewed in the process of reporting to management. Necessary allowances are made for foreseeable losses in accordance with uniform Galenica guidelines on the measurement of outstanding receivables.

In addition, credit risks arise in relation to financial assets, comprising cash and cash equivalents, securities, loans and certain derivative financial instruments. The creditworthiness of the counterparties is regularly monitored and reported to management.

Market risk management

Market risks are potential losses that Galenica could incur as a result of changes in the variable market conditions. These variables include things such as interest rates, foreign exchange rates and share prices. Changes in the fair value of financial assets, financial liabilities or derivative financial instruments caused by such variables may affect Galenica’s financial position and results. The market risks are monitored and regularly reported to management. The impact of changes in market variables is monitored using sensitivity analyses. Sensitivity analysis is a widespread and accepted analysis to quantify the risk in relation to an isolated change in a variable.

Interest rate risk

Interest rate risks arise from changes in interest rates that may have a negative impact on Galenica’s financial position and results. Fluctuations in interest rates lead to changes in interest income and interest expense on floating-rate assets and liabilities and thus affect the financial result.

In addition fluctuations in interest rates may affect the fair value of certain financial assets, financial liabilities and derivatives, as explained under market risks. Interest rates are managed centrally in order to limit the effects of interest rate fluctuations on the financial result.

Interest rate risks are managed through a balanced mix of fixed-rate and floating-rate financial assets and financial liabilities. Galenica also uses interest rate swaps for that purpose.
Currency risk
Galenica is exposed to foreign exchange rate risks, mainly in relation to the USD and EUR, that may affect Galenica’s financial position and results in CHF. Derivatives, especially currency forwards and currency swaps are used to hedge the risk of fluctuation in exchange rates.

Galenica is further exposed to currency transaction risk. This risk arises when income and expenses are incurred in a currency other than the functional currency. Foreign currency transaction risks are mostly hedged without applying hedge accounting.

Other market risk
Other market risks include changes in share prices and the general economic environment. Non-current assets comprise securities which are publicly traded as well as investments in venture funds which are normally not publicly traded. Potential changes in fair value are assessed on the stock markets or independently of the stock markets and separately for each fund based on the earnings power and prospects of the respective investment.
4. Estimation uncertainty and assumptions

The preparation of the Group’s consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and the disclosure of contingent liabilities as at the reporting date. Although these estimates and assumptions are made on the basis of all available information and with the greatest of care, the actual results may differ. This applies primarily to estimates and assumptions made with regard to the items set out below.

Deferred tax assets (note 12)
Deferred tax assets on tax losses carried forward are taken into account only if their future realisation is probable. Deferred tax assets are recognised based on assumptions and estimates with regard to future income and expenses relating to the corresponding taxable entity.

Goodwill and intangible assets (note 18)
Goodwill and other intangible assets with an indefinite useful life or intangible assets that are not yet available for use are tested for impairment at least once a year. This involves estimating the value in use of the cash-generating unit (CGU) or group of CGUs to which the goodwill or other intangible assets are allocated. It also requires a forecast of expected future cash flows as well as the application of an appropriate discount rate to calculate the present value of these cash flows.

Intangible assets acquired for contingent consideration (note 18)
The Group has entered into in-licensing agreements or similar arrangements which require Galenica to make certain milestone payments dependent on the achievement of agreed objectives or performance targets as defined in the arrangements. Such payments for rights are recognised as intangible assets when they become probable. The estimated amount corresponds to the present value of expected payments determined by considering possible scenarios. These estimates could change significantly over time and could significantly affect the carrying amount of intangible assets and related amortisation expense as well as the corresponding liability.

Employee benefit plans and other non-current employee benefits (note 25)
The costs of the employee benefit plans and other non-current employee benefits are determined using actuarial valuations. These valuations involve making assumptions about the discount rate, future salary and pension developments, mortality and the employee turnover rate. Galenica considers the discount rate and development of salaries to be key assumptions.
5. Operating segment information

The management approach is used to determine the reportable operating segments. Accordingly, external segment reporting is based on the internal organisational and management structures of Galenica and the internal financial reporting to the chief operating decision maker (CODM). The CODM of Galenica is the Board of Directors of Galenica Ltd. It defines business activities and monitors internal reporting to assess performance and allocate resources.

Galenica has determined three operating segments: Vifor Pharma, Health & Beauty and Services.

The operating result (EBIT) comprises all operating income generated and expenses incurred in the corresponding segments. Galenica is financed at Group level, therefore financial income and expenses as well as income tax are reported at Group level only and not allocated to the segments. The assets and liabilities include all items of the statement of financial position that can be directly or reasonably allocated to a segment.

Vifor Pharma

Under the business unit Vifor Pharma, Galenica operates a fully integrated, international speciality pharmaceutical company that researches, develops and produces its own pharmaceutical products, and markets and distributes them worldwide.

Vifor Pharma’s activities focus on the treatment of iron deficiency (including iron deficiency anaemia), infectious diseases (OTX products) and polymeric medicines. To ensure rapid and direct access to the various global markets, the company operates through its own subsidiaries and works together with licencing partners.

Vifor Pharma leads the global market for pharmaceutical iron replacement products. Customers in more than 100 countries are supplied from Switzerland. Vifor Pharma manufactures a comprehensive range of prescription (Rx) products. Vifor Pharma also markets products manufactured by third parties.

In OM Pharma, Vifor Pharma operates a biotechnology and pharmaceutical company that develops, produces and markets premium synthetic and biotech drugs (OTX) for use in immunology and the treatment of infectious diseases.

In Relypsa, Vifor Pharma operates a biopharmaceutical company focused on the discovery, development and commercialisation of polymeric medicines for patients with conditions that can be addressed in the gastrointestinal tract. In September 2016, Relypsa became a Vifor Pharma company.

Vifor Pharma runs Vifor Fresenius Medical Care Renal Pharma, a speciality pharmaceutical company founded by Galenica and Fresenius Medical Care that operates globally in the field of nephrology and develops and markets innovative, high-quality products aimed at improving the quality of life of patients suffering from chronic kidney disease (CKD).

In addition, Vifor Pharma holds the global rights (excluding Japan) to develop and market CellCept, developed by Roche, for all applications involving auto-immune diseases with the exception of transplants.

Galenica Santé

Under the business unit Galenica Santé, Galenica operates in Switzerland within the two segments Health & Beauty and Services.

Health & Beauty

The Health & Beauty segment comprises the two business sectors Products & Brands and Retail.

Products & Brands is made up of Vifor Consumer Health and G-Pharma. Vifor Consumer Health offers a complete portfolio of consumer health products which is sold to all Swiss pharmacies and drugstores. G-Pharma, active as service provider for own brands and commercial products, launches and distributes pharmaceutical and parapharmaceutical products and offers marketing and sales services. G-Pharma offers its range of products and services to all partners of the healthcare market.
With its pharmacy network, Retail offers unparalleled potential for selling strong brands – own brands as well as brands from business partners. Retail operates at 496 locations Galenica’s pharmacy network – the largest in Switzerland. With 329 pharmacies of its own and 167 partner pharmacies, Retail has attractive outlets throughout the country. Galenica’s own pharmacies comprise the Amavita brand with 150 branches and the Sun Store brand with 99 branches. Galenica also operates a chain of 69 own pharmacies in partnership with Coop under the Coop Vitality brand. Galenica’s pharmacy network also covers the speciality pharmacy MediService, which is focused on medication for the treatment of patients in their own homes, as well as 9 Amavita partner pharmacies, 8 majority interests in pharmacies, 2 minority interests in pharmacies and 158 Winconcept partner pharmacies.

**Services**

The companies of the Services business sector play an important role in the pharmaceutical supply chain. Services offers pharmaceutical and healthcare companies a broad range of specialised pre-wholesale services, from storage and distribution of products in Switzerland to debt collection. As a pharmaceutical wholesaler, Services ensures on-schedule delivery within short deadlines to pharmacies, physicians, drugstores, care homes and hospitals throughout Switzerland.

The companies of the Services business sector offer solutions for the healthcare market. They operate comprehensive databases that provide additional knowledge for all service providers in the Swiss healthcare market and develop management solutions tailored specifically to the needs of the healthcare market. Services is the leading provider of master data systems for Switzerland’s entire healthcare market and publishes printed and electronic technical information on pharmaceutical products as well as complete management solutions for pharmacies and physicians.

**Corporate**

The activities included within Corporate mainly comprise the Group’s central operations, which include Group Management, Controlling, Accounting, Tax, Treasury, Insurance, Human Resources, Legal Services, Corporate Services, General Secretariat, Corporate Communications and Investor Relations.

**Eliminations**

Operating activities involve the sales of goods and services between the business units and business sectors. Corporate charges management fees to the other business units and operating segments for the organisational and financial management services that it provides.

All intercompany services are charged at arm’s length. Sales of goods and services between the segments and resulting unrealised gains are eliminated in the “Eliminations” column.

The segments’ assets and liabilities include loans and current accounts held with respect to other segments. These positions are eliminated in the column “Eliminations”.
### Operating segment information 2016

#### Business units

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Vifor Pharma</th>
<th>Galenica Santé</th>
<th>Corporate</th>
<th>Eliminations</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,166,963</td>
<td>3,008,851</td>
<td>—</td>
<td>(57,444)</td>
<td>4,118,370</td>
</tr>
<tr>
<td>Other income</td>
<td>112,621</td>
<td>49,848</td>
<td>27,607</td>
<td>(32,983)</td>
<td>157,093</td>
</tr>
<tr>
<td>Intersegmental sales and income</td>
<td>(58,199)</td>
<td>(7,241)</td>
<td>(24,987)</td>
<td>90,427</td>
<td>—</td>
</tr>
<tr>
<td>Third party operating income</td>
<td>1,221,385</td>
<td>3,051,458</td>
<td>2,620</td>
<td>—</td>
<td>4,275,463</td>
</tr>
<tr>
<td>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</td>
<td>330,925</td>
<td>177,799</td>
<td>(2,982)</td>
<td>(16,652)</td>
<td>489,090</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(85,695)</td>
<td>(41,810)</td>
<td>(66)</td>
<td>—</td>
<td>(127,571)</td>
</tr>
<tr>
<td>Earnings before interest and taxes (EBIT)</td>
<td>245,230</td>
<td>135,989</td>
<td>(3,048)</td>
<td>(16,652)</td>
<td>361,519</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,065</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(29,886)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial result (net)</td>
<td>(1,862)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of result of associates and joint ventures</td>
<td>—</td>
<td>4,695</td>
<td>—</td>
<td>—</td>
<td>4,695</td>
</tr>
<tr>
<td>Earnings before taxes (EBT)</td>
<td>335,531</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td>(11,766)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>323,765</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Assets

<table>
<thead>
<tr>
<th></th>
<th>3,696,567</th>
<th>1,972,665</th>
<th>1,968,166</th>
<th>(2,205,887)&lt;sup&gt;1&lt;/sup&gt;</th>
<th>5,431,501</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in associates and joint ventures</td>
<td>—</td>
<td>43,518</td>
<td>—</td>
<td>—</td>
<td>43,518</td>
</tr>
<tr>
<td>Liabilities</td>
<td>2,669,051</td>
<td>1,593,105</td>
<td>1,020,908</td>
<td>(2,152,593)&lt;sup&gt;2&lt;/sup&gt;</td>
<td>3,130,471</td>
</tr>
</tbody>
</table>

#### Investments in property, plant and equipment and investment properties

|                    | 47,111 | 31,137 | 15 | — | 78,263 |

#### Investments in intangible assets

|                    | 222,507 | 3,603 | 179 | — | 226,289 |

#### Employees as at 31 December (FTE)

|                    | 2,410 | 4,657 | 40 | — | 7,107 |

<sup>1</sup> Of which elimination of intercompany positions CHF -2,218.0 million and other unallocated amounts CHF 12.1 million

<sup>2</sup> Of which elimination of intercompany positions CHF -2,218.0 million and other unallocated amounts CHF 65.4 million
### Galenica Santé segments

<table>
<thead>
<tr>
<th></th>
<th>Health &amp; Beauty</th>
<th>Services</th>
<th>Eliminations</th>
<th>Galenica Santé</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>1,436,970</td>
<td>2,328,902</td>
<td>(757,021)</td>
<td>3,008,851</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>99,440</td>
<td>18,138</td>
<td>(67,730)</td>
<td>49,848</td>
</tr>
<tr>
<td><strong>Intersegmental sales and income</strong></td>
<td>(138,992)</td>
<td>(685,986)</td>
<td>824,978</td>
<td>—</td>
</tr>
<tr>
<td><strong>Sales and income from other business units</strong></td>
<td>(4,046)</td>
<td>(3,195)</td>
<td>—</td>
<td>(7,241)</td>
</tr>
<tr>
<td><strong>Third party operating income</strong></td>
<td>1,393,372</td>
<td>1,657,859</td>
<td>227</td>
<td>3,051,458</td>
</tr>
</tbody>
</table>

**Earnings before interest, taxes, depreciation and amortisation (EBITDA)**

|                      | 118,683 | 61,659 | (2,543) | 177,799 |

**Depreciation and amortisation**

|                      | (22,477) | (20,237) | 904 | (41,810) |

**Earnings before interest and taxes (EBIT)**

|                      | 96,206 | 41,422 | (1,639) | 135,989 |

**Share of result of associates and joint ventures**

|                      | 4,695 | — | 4,695 |

**Assets**

|                      | 1,296,330 | 721,385 | (45,050) | 1,972,665 |

**Investments in associates and joint ventures**

|                      | 43,518 | — | — | 43,518 |

**Liabilities**

|                      | 1,202,701 | 427,382 | (36,978) | 1,593,105 |

**Investments in property, plant and equipment and investment properties**

|                      | 13,805 | 17,575 | (243) | 31,137 |

**Investments in intangible assets**

|                      | 1,088 | 2,597 | (82) | 3,603 |

**Employees as at 31 December (FTE)**

|                      | 3,423 | 1,234 | — | 4,657 |

1. Of which elimination of intercompany positions CHF –34.8 million and other unallocated amounts CHF –10.2 million
2. Of which elimination of intercompany positions CHF –34.8 million and other unallocated amounts CHF –2.1 million

### Geographic areas

<table>
<thead>
<tr>
<th></th>
<th>Switzerland</th>
<th>Europe</th>
<th>America</th>
<th>Other countries</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>3,079,838</td>
<td>334,870</td>
<td>574,401</td>
<td>129,261</td>
<td>4,118,370</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>145,899</td>
<td>8,367</td>
<td>1,806</td>
<td>1,021</td>
<td>157,093</td>
</tr>
<tr>
<td><strong>Third party operating income</strong></td>
<td>3,225,737</td>
<td>343,237</td>
<td>576,207</td>
<td>130,282</td>
<td>4,275,463</td>
</tr>
</tbody>
</table>

**Non-current assets**

|                      | 1,910,738   | 103,439| 1,911,604| 65 | 3,925,846 |

1. Without financial assets, deferred tax assets and employee benefit assets
Operating segment information 2015

The operating segment information 2015 has been restated to the changed internal financial reporting to the CODM. The segment Health & Beauty, part of the business unit Galenica Santé includes the financial information of the business sector Products & Brands since 1 January 2015 and a transfer of G-Pharma activities to Services.

<table>
<thead>
<tr>
<th>Business units</th>
<th>in thousand CHF</th>
<th>Vifor Pharma</th>
<th>Galenica Santé</th>
<th>Corporate</th>
<th>Eliminations</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td></td>
<td>935,351</td>
<td>2,914,917</td>
<td>—</td>
<td>(58,682)</td>
<td>3,791,586</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td>115,052</td>
<td>45,279</td>
<td>33,908</td>
<td>(40,667)</td>
<td>153,572</td>
</tr>
<tr>
<td>Intersegmental sales and income</td>
<td></td>
<td>(63,327)</td>
<td>(4,792)</td>
<td>(31,230)</td>
<td>99,349</td>
<td>—</td>
</tr>
<tr>
<td>Third party operating income</td>
<td>987,076</td>
<td>2,955,404</td>
<td>2,678</td>
<td>—</td>
<td>3,945,158</td>
<td></td>
</tr>
<tr>
<td>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</td>
<td>372,927</td>
<td>169,247</td>
<td>3,056</td>
<td>(7,873)</td>
<td>537,357</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(45,177)</td>
<td>(41,240)</td>
<td>(182)</td>
<td>—</td>
<td>(86,599)</td>
<td></td>
</tr>
<tr>
<td>Earnings before interest and taxes (EBIT)</td>
<td>327,750</td>
<td>128,007</td>
<td>2,874</td>
<td>(7,873)</td>
<td>450,758</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,698</td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(21,149)</td>
<td></td>
</tr>
<tr>
<td>Other financial result (net)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(5,786)</td>
<td></td>
</tr>
<tr>
<td>Share of result of associates and joint ventures</td>
<td></td>
<td></td>
<td>3,457</td>
<td>—</td>
<td>3,457</td>
<td></td>
</tr>
<tr>
<td>Earnings before taxes (EBT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>428,978</td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(58,975)</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>370,003</td>
<td></td>
</tr>
</tbody>
</table>

Assets

1,914,542 | 1,712,619 | 1,939,267 | (1,926,432)  | 3,639,996 |

Investments in associates and joint ventures

— | 40,736 | — | — | 40,736 |

Liabilities

1,080,376 | 1,382,101 | 1,047,806 | (1,846,449) | 1,663,834 |

Investments in property, plant and equipment and investment properties

30,675 | 37,835 | 52 | — | 68,562 |

Investments in intangible assets

294,005 | 5,965 | 35 | — | 300,005 |

Employees as at 31 December (FTE)

1,752 | 4,628 | 41 | — | 6,421 |

1) Of which elimination of intercompany positions CHF –1,946.6 million and other unallocated amounts CHF 20.2 million
2) Of which elimination of intercompany positions CHF –1,946.6 million and other unallocated amounts CHF 100.2 million
Notes to the consolidated financial statements of the Galenica Group

Galenica Santé segments

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Health &amp; Beauty</th>
<th>Services</th>
<th>Eliminations</th>
<th>Galenica Santé</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,393,337</td>
<td>2,244,548</td>
<td>(722,968)</td>
<td>2,914,917</td>
</tr>
<tr>
<td>Other income</td>
<td>93,028</td>
<td>13,666</td>
<td>(61,415)</td>
<td>45,279</td>
</tr>
<tr>
<td>Intersegmental sales and income</td>
<td>(129,699)</td>
<td>(680,356)</td>
<td>810,055</td>
<td>–</td>
</tr>
<tr>
<td>Sales and income from other business units</td>
<td>(1,596)</td>
<td>(3,196)</td>
<td>–</td>
<td>(4,792)</td>
</tr>
<tr>
<td>Third party operating income</td>
<td>1,355,070</td>
<td>1,574,662</td>
<td>25,672</td>
<td>2,955,404</td>
</tr>
<tr>
<td>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</td>
<td>113,201</td>
<td>56,367</td>
<td>(321)</td>
<td>169,247</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(23,422)</td>
<td>(19,273)</td>
<td>1,455</td>
<td>(41,240)</td>
</tr>
<tr>
<td>Earnings before interest and taxes (EBIT)</td>
<td>89,779</td>
<td>37,094</td>
<td>1,134</td>
<td>128,007</td>
</tr>
<tr>
<td>Share of result of associates and joint ventures</td>
<td>3,457</td>
<td>–</td>
<td>–</td>
<td>3,457</td>
</tr>
</tbody>
</table>

| Assets | 1,055,662 | 715,711 | (58,754) | 1,712,619 |
| Investments in associates and joint ventures | 40,736 | – | – | 40,736 |

Geographic areas

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Switzerland</th>
<th>Europe</th>
<th>America</th>
<th>Other countries</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>2,985,600</td>
<td>292,923</td>
<td>414,998</td>
<td>98,065</td>
<td>3,791,586</td>
</tr>
<tr>
<td>Other income</td>
<td>133,610</td>
<td>7,025</td>
<td>1,037</td>
<td>11,900</td>
<td>153,572</td>
</tr>
<tr>
<td>Third party operating income</td>
<td>3,119,210</td>
<td>299,948</td>
<td>416,035</td>
<td>109,965</td>
<td>3,945,158</td>
</tr>
</tbody>
</table>

Non-current assets

| Non-current assets | 1,822,956 | 114,155 | 189,902 | 63 | 2,127,076 |

¹ Without financial assets, deferred tax assets and employee benefit assets
6. Business combinations

In 2016 and 2015 the scope of consolidation has changed as a result of the following transactions:

**Business combinations 2016**

**Vifor Pharma business unit**

**Acquisition of Relypsa, Inc.** On 1 September 2016 Galenica acquired 100% of the issued share capital and control of Relypsa, Inc. through its indirect wholly owned subsidiary, Vifor Pharma USA Inc., pursuant to the announcement from Galenica and Relypsa, Inc. on 21 July 2016.

Relypsa, Inc. is a biopharmaceutical company focused on the discovery, development and commercialisation of polymeric medicines for patients with conditions that are often overlooked and undertreated and can be addressed in the gastrointestinal tract. The company’s first medicine, Veltassa® (patiromer) for oral suspension, was developed based on Relypsa’s rich legacy in polymer science. Veltassa® is approved in the United States for the treatment of hyperkalaemia. Veltassa® has intellectual property protection until 2030 in the United States and 2029 in the European Union.

The overall purchase consideration amounting to USD 1,483.5 million includes a cash payment of USD 1,444.9 million and an additional amount of USD 38.6 million to settle a pre-existing relationship (refer to note 18). The purchase agreement does not contain any contingent consideration elements. The provisional fair value of net assets amounts to USD 852.4 million on the acquisition date. The fair value of trade receivables is USD 1.9 million.

The above disclosed amounts were determined provisionally. Up to twelve months from the effective date of the acquisition, further adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed. In particular, certain information relating to deferred taxes required to complete the final purchase price allocation remains outstanding.

The goodwill of USD 631.1 million has been allocated to the Vifor Pharma business unit and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition, the growth in market share and workforce. None of the goodwill recognised is expected to be deductible for tax purposes. Through this acquisition, Vifor Pharma will gain a fully-integrated commercial organisation in the US and significant strengthen its presence in the US cardio-renal market.

Transaction costs of USD 7.8 million were recognised in other operating costs.

**Galenica Santé business unit**

**Health & Beauty segment**

**Acquisition of pharmacies.** GaleniCare Holding acquired 100% of the interests in pharmacies at various locations in Switzerland. Upon acquisition, most of these pharmacies were merged with GaleniCare Ltd. or Sun Store SA.

The purchase consideration amounted to CHF 27.8 million, of which CHF 24.1 million was settled in cash. CHF 2.6 million was offset against loans receivable. The deferred and contingent purchase price consideration of CHF 1.1 million falls due in the years 2017 and 2020. The goodwill of CHF 17.8 million was allocated to the business sector Retail and corresponds to the added value of the pharmacies based on their locations.

Transaction costs of CHF 0.1 million were recognised in other operating costs.

**Services segment**

**Acquisition of business activities of Streuli Pharma AG.** On 1 November 2016 Galexis acquired in an asset deal several business activities from Streuli Pharma AG, a Swiss company specialised in trading of pharmaceutical products. The marketing and sales organisation and associated assets were integrated in Galexis.

The purchase consideration amounted to CHF 5.6 million, of which CHF 4.1 million was settled in cash. The contingent purchase consideration of CHF 1.5 million will be paid in 2018. The fair value of net assets amounts to CHF 1.2 million on the acquisition date. The goodwill of CHF 4.4 million has been allocated to the business sector Services and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition, the growth in market share and the employees gained. Transaction costs were insignificant.
Pro forma figures for acquisitions made in 2016 for the full 2016 financial year
Since its inclusion in the Galenica Group’s scope of consolidation, Relypsa contributed net sales of USD 7.4 million (CHF 7.4 million) and a net loss of USD 72.6 million (CHF 71.9 million) to Group’s results. If the acquisition had occurred on 1 January 2016, Relypsa would have contributed additional consolidated net sales of USD 5.0 million (CHF 4.9 million) and decreased the consolidated result by USD 301.5 million (CHF 298.5 million). These amounts have been calculated using Relypsa’s results and adjusting them for the additional amortisation that would have been charged assuming the fair value adjustment to intangible assets had applied from 1 January 2016, together with the consequential tax effects. No material differences in accounting policies between Galenica and the subsidiary were identified requiring adjustments in the consolidated pro-forma disclosures (unaudited).

Since their inclusion in the Galenica Group’s scope of consolidation, the businesses acquired beside Relypsa contributed net sales of approximately CHF 17.0 million and a net profit of CHF 1.2 million to the Group’s results. If these acquisitions had already been concluded by 1 January 2016, they would have contributed additional consolidated net sales of CHF 9.4 million and increased the consolidated net profit by CHF 1.3 million (unaudited).

If all 2016 acquisitions had occurred on 1 January 2016, consolidated pro-forma net sales and net profit for the year ended 31 December 2016 would have been CHF 4,132.7 million and CHF 26.6 million respectively.

Business combinations 2015
Vifor Pharma business unit
Vifor Fresenius Medical Care Renal Pharma: Expansion of product portfolio and establishment of a marketing and sales organisation in Europe. On 31 July 2015 Vifor Fresenius Medical Care Renal Pharma acquired 100% of the interests in the German company Fresenius Medical Care Nephrologica Deutschland GmbH (FMC Nephrologica) and the net assets and employees of several marketing and sales companies in Europe (asset deals). With this acquisition Vifor Fresenius Medical Renal Pharma expanded its product portfolio with the phosphate binders Osvaren® and Phosphosorb® and substantially developed its sales and marketing organisation for nephrology medicines in Europe.

The overall purchase consideration amounted to EUR 65.3 million included a cash payment of EUR 29.1 million, a deferred purchase consideration of EUR 23.6 million and contingent consideration of EUR 12.6 million, which falls due in the years 2017 to 2026 if certain earning targets are achieved. The fair value of net assets amounted to EUR 48.4 million on the acquisition date and consisted of cash of EUR 0.1 million, inventories and other current assets of EUR 0.2 million, fixed assets of EUR 54.6 million and liabilities of EUR 6.5 million. The goodwill of EUR 16.9 million has been allocated to the Vifor Pharma business unit and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition, the growth in market share and the workforce. Transaction costs of EUR 0.4 million were recognised in other operating costs.

Galenica Santé business unit
Health & Beauty segment
Acquisition of pharmacies. GaleniCare Holding acquired 100% of the interests in pharmacies at various locations in Switzerland. Upon acquisition, most of these pharmacies were merged with GaleniCare Ltd.

The purchase consideration amounted to CHF 8.2 million, of which CHF 5.6 million was settled in cash. CHF 2.6 million was offset against loans receivable. The goodwill of CHF 2.3 million was allocated to the business sector Retail and corresponds to the added value of the pharmacies based on their locations. Transaction costs were insignificant.

Services segment
Acquisition of i-medify AG. On 29 December 2015 Galenica acquired 100% of the shares in the Swiss company i-medify AG. i-medify AG is specialised in development, production, distribution and service support in the field of information technology.

The purchase consideration amounted to CHF 1.5 million, of which CHF 1.0 million was settled in cash. CHF 0.5 million was offset against loans receivable. The goodwill of CHF 0.4 million was allocated to the business sector Services. Transaction costs were insignificant.
Business combinations

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Relypsa, Inc.</th>
<th>Others</th>
<th>2016 Total Fair value</th>
<th>2015 Total Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalent</td>
<td>207,163</td>
<td>2,945</td>
<td>210,108</td>
<td>1,367</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>1,889</td>
<td>2,585</td>
<td>4,474</td>
<td>1,503</td>
</tr>
<tr>
<td>Inventories</td>
<td>47,253</td>
<td>1,935</td>
<td>49,188</td>
<td>1,901</td>
</tr>
<tr>
<td>Other current assets</td>
<td>8,247</td>
<td>2,354</td>
<td>10,601</td>
<td>569</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>7,070</td>
<td>1,513</td>
<td>8,583</td>
<td>2,758</td>
</tr>
<tr>
<td>Investment properties</td>
<td>—</td>
<td>1,146</td>
<td>1,146</td>
<td>—</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,053,572</td>
<td>1,230</td>
<td>1,054,802</td>
<td>57,045</td>
</tr>
<tr>
<td>Financial assets</td>
<td>1,421</td>
<td>15</td>
<td>1,436</td>
<td>29</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>—</td>
<td>170</td>
<td>170</td>
<td>378</td>
</tr>
<tr>
<td>Trade payables</td>
<td>(4,754)</td>
<td>(635)</td>
<td>(5,389)</td>
<td>(35)</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(95,678)</td>
<td>(133)</td>
<td>(95,811)</td>
<td>(6,300)</td>
</tr>
<tr>
<td>Other current and non-current liabilities</td>
<td>(382,439)</td>
<td>(1,936)</td>
<td>(384,375)</td>
<td>(1,878)</td>
</tr>
<tr>
<td><strong>Fair value of net assets</strong></td>
<td><strong>843,744</strong></td>
<td><strong>11,189</strong></td>
<td><strong>854,933</strong></td>
<td><strong>57,337</strong></td>
</tr>
<tr>
<td>Goodwill</td>
<td>624,666</td>
<td>22,248</td>
<td>646,914</td>
<td>20,261</td>
</tr>
<tr>
<td><strong>Purchase consideration</strong></td>
<td><strong>1,468,410</strong></td>
<td><strong>33,437</strong></td>
<td><strong>1,501,847</strong></td>
<td><strong>77,598</strong></td>
</tr>
<tr>
<td>Cash acquired</td>
<td>(207,163)</td>
<td>(2,945)</td>
<td>(210,108)</td>
<td>(1,367)</td>
</tr>
<tr>
<td>Offset against loans receivable</td>
<td>—</td>
<td>(2,554)</td>
<td>(2,554)</td>
<td>(3,090)</td>
</tr>
<tr>
<td>Net settlement of pre-existing relationship</td>
<td>(38,222)</td>
<td>—</td>
<td>(38,222)</td>
<td>—</td>
</tr>
<tr>
<td>Deferred consideration</td>
<td>—</td>
<td>(1,004)</td>
<td>(1,004)</td>
<td>(24,570)</td>
</tr>
<tr>
<td>Contingent consideration</td>
<td>—</td>
<td>(1,650)</td>
<td>(1,650)</td>
<td>(13,104)</td>
</tr>
<tr>
<td><strong>Net cash flow from current business combinations</strong></td>
<td><strong>1,223,025</strong></td>
<td><strong>25,284</strong></td>
<td><strong>1,248,309</strong></td>
<td><strong>35,467</strong></td>
</tr>
<tr>
<td>Payment of consideration due to previous business combinations</td>
<td>5,845</td>
<td>7,192</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td><strong>1,254,154</strong></td>
<td><strong>42,659</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Disposal of subsidiaries 2015

On 30 November 2015 Vifor Pharma UK sold its business unit Potters to Soho Flordis International. Potters has a broad range of well-established products, including brands like Red Kooga®, Seatone®, Calcia™ as well as Equazen™.

The consideration amounted to CHF 9.2 million was settled in cash. The carrying amount of the disposed net assets amounted to CHF 8.9 million including cash and cash equivalents of CHF 1.0 million. The net gain from this transaction of CHF 0.3 million has been recognised in other income.
### 7. Net sales

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of goods</td>
<td>3,997,306</td>
<td>3,676,198</td>
</tr>
<tr>
<td>Services</td>
<td>121,064</td>
<td>115,388</td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td><strong>4,118,370</strong></td>
<td><strong>3,791,586</strong></td>
</tr>
</tbody>
</table>

### 8. Other income

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalties, milestone and upfront payments</td>
<td>86,704</td>
<td>100,732</td>
</tr>
<tr>
<td>Changes in inventories of semi-finished and finished goods</td>
<td>11,487</td>
<td>40</td>
</tr>
<tr>
<td>Income from own work capitalised</td>
<td>2,416</td>
<td>3,315</td>
</tr>
<tr>
<td>Rental income</td>
<td>5,103</td>
<td>4,699</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment, investment properties and intangible assets</td>
<td>289</td>
<td>258</td>
</tr>
<tr>
<td>Gain on disposal of subsidiaries</td>
<td>–</td>
<td>273</td>
</tr>
<tr>
<td>Other operating income</td>
<td>51,094</td>
<td>44,255</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td><strong>157,093</strong></td>
<td><strong>153,572</strong></td>
</tr>
</tbody>
</table>

Royalties, milestone and upfront payments comprises income from sales of CellCept of CHF 86.4 million (previous year: CHF 88.5 million).

Other operating income primarily consists of marketing costs and other expenses charged to customers.

### 9. Personnel costs

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>594,894</td>
<td>517,337</td>
</tr>
<tr>
<td>Social security costs and pension expenses</td>
<td>107,730</td>
<td>87,040</td>
</tr>
<tr>
<td>Other personnel costs</td>
<td>74,552</td>
<td>54,777</td>
</tr>
<tr>
<td><strong>Personnel costs</strong></td>
<td><strong>777,176</strong></td>
<td><strong>659,154</strong></td>
</tr>
<tr>
<td>Average number of FTE</td>
<td>6,771</td>
<td>6,395</td>
</tr>
</tbody>
</table>

Personnel costs include expenses for defined benefit plans of CHF 49.3 million (previous year: CHF 42.2 million) and for share-based payments of CHF 19.0 million (previous year: CHF 16.9 million) [refer to note 25 and 30].
## 10. Other operating costs

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance and repairs</td>
<td>36,922</td>
<td>32,910</td>
</tr>
<tr>
<td>Operating and production costs</td>
<td>123,033</td>
<td>93,860</td>
</tr>
<tr>
<td>Rental and other lease expense</td>
<td>65,409</td>
<td>61,848</td>
</tr>
<tr>
<td>Administration costs</td>
<td>106,785</td>
<td>70,877</td>
</tr>
<tr>
<td>Marketing and sales costs</td>
<td>173,795</td>
<td>148,817</td>
</tr>
<tr>
<td>Loss on disposals of property, plant and equipment</td>
<td>110</td>
<td>307</td>
</tr>
<tr>
<td>Non-income taxes</td>
<td>4,926</td>
<td>3,826</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>5,312</td>
<td>2,636</td>
</tr>
<tr>
<td><strong>Other operating costs</strong></td>
<td><strong>516,292</strong></td>
<td><strong>415,081</strong></td>
</tr>
</tbody>
</table>

## 11. Financial result

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>1,065</td>
<td>1,698</td>
</tr>
<tr>
<td>Securities and other financial income</td>
<td>4,670</td>
<td>8,848</td>
</tr>
<tr>
<td><strong>Financial income</strong></td>
<td><strong>5,735</strong></td>
<td><strong>10,546</strong></td>
</tr>
<tr>
<td>Interest expense</td>
<td>29,886</td>
<td>21,149</td>
</tr>
<tr>
<td>Net interest expense from employee benefit plans</td>
<td>783</td>
<td>661</td>
</tr>
<tr>
<td>Other financial costs</td>
<td>4,682</td>
<td>2,014</td>
</tr>
<tr>
<td>Net foreign exchange differences</td>
<td>1,067</td>
<td>11,959</td>
</tr>
<tr>
<td><strong>Financial expenses</strong></td>
<td><strong>36,418</strong></td>
<td><strong>35,783</strong></td>
</tr>
</tbody>
</table>

The net interest expense of CHF 28.8 million (previous year: CHF 19.5 million) was mainly attributable to financing costs from the acquisition of Relypsa and the acquisitions in the prior periods.

Net foreign exchange differences are mainly influenced by the development of the USD and the EUR. In the previous year, net foreign exchange differences were mainly influenced by the development of the EUR as a consequence of the discontinuation of the minimum exchange rate CHF/EUR by the Swiss National Bank in January 2015.
12. Income tax

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax</td>
<td>61,185</td>
<td>56,107</td>
</tr>
<tr>
<td>Income tax of prior periods</td>
<td>(2,014)</td>
<td>912</td>
</tr>
<tr>
<td>Deferred income tax</td>
<td>(47,405)</td>
<td>1,956</td>
</tr>
<tr>
<td><strong>Income tax</strong></td>
<td><strong>11,766</strong></td>
<td><strong>58,975</strong></td>
</tr>
</tbody>
</table>

Tax reconciliation

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings before taxes (EBT)</td>
<td>335,531</td>
<td>428,978</td>
</tr>
<tr>
<td>Weighted income tax rate in %</td>
<td>10.1%</td>
<td>17.0%</td>
</tr>
<tr>
<td>Expected income tax</td>
<td>33,747</td>
<td>72,835</td>
</tr>
<tr>
<td>Effects of income that is taxable at a lower rate or tax-free</td>
<td>(13,937)</td>
<td>(11,838)</td>
</tr>
<tr>
<td>Effects of changes in tax rates</td>
<td>90</td>
<td>(901)</td>
</tr>
<tr>
<td>Effects of unrecognised losses in the current year</td>
<td>301</td>
<td>23</td>
</tr>
<tr>
<td>Realisation of unrecognised tax losses of prior periods</td>
<td>(913)</td>
<td>(1,056)</td>
</tr>
<tr>
<td>Subsequent recognition of loss carry forwards from prior periods</td>
<td>(850)</td>
<td>–</td>
</tr>
<tr>
<td>Items from prior periods and other items</td>
<td>(6,672)</td>
<td>(88)</td>
</tr>
<tr>
<td><strong>Effective income tax</strong></td>
<td><strong>11,766</strong></td>
<td><strong>58,975</strong></td>
</tr>
<tr>
<td>Effective income tax rate in % of EBT</td>
<td>3.5%</td>
<td>13.7%</td>
</tr>
</tbody>
</table>

As Galenica predominantly operates in Switzerland and the Vifor Pharma business unit has international operations, the income tax paid depends on a number of different tax laws. The weighted income tax rate reflects the weighted average of the tax rates across the Swiss cantons and other countries in which Galenica is active. The composition of Galenica’s taxable income and changes in local tax rates cause the tax rate to vary from year to year.

Deferred taxes

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax due to temporary differences</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Current assets</td>
<td>20,494</td>
<td>20,485</td>
</tr>
<tr>
<td>– Property, plant and equipment</td>
<td>11,534</td>
<td>10,372</td>
</tr>
<tr>
<td>– Intangible assets</td>
<td>430,411</td>
<td>42,638</td>
</tr>
<tr>
<td>– Investments</td>
<td>62,761</td>
<td>21,224</td>
</tr>
<tr>
<td>– Provisions</td>
<td>252</td>
<td>252</td>
</tr>
<tr>
<td>– Employee benefit plans</td>
<td>(14,487)</td>
<td>(22,115)</td>
</tr>
<tr>
<td>– Other temporary differences</td>
<td>(11,744)</td>
<td>641</td>
</tr>
<tr>
<td>– Shareholders’ equity</td>
<td>(1,565)</td>
<td>(2,407)</td>
</tr>
<tr>
<td><strong>Deferred tax due to temporary differences</strong></td>
<td><strong>497,656</strong></td>
<td><strong>71,090</strong></td>
</tr>
<tr>
<td>Tax loss carry forwards</td>
<td>(376,509)</td>
<td>(10,903)</td>
</tr>
<tr>
<td><strong>Net deferred tax</strong></td>
<td><strong>121,147</strong></td>
<td><strong>60,187</strong></td>
</tr>
</tbody>
</table>

Recognised as deferred tax assets in the statement of financial position

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>– of which due to recognised tax loss carry forwards</td>
<td>11,147</td>
<td>1,656</td>
</tr>
<tr>
<td>– of which due to temporary differences</td>
<td>18,508</td>
<td>24,577</td>
</tr>
<tr>
<td><strong>Recognised as deferred tax liabilities in the statement of financial position</strong></td>
<td><strong>29,655</strong></td>
<td><strong>26,233</strong></td>
</tr>
</tbody>
</table>
Analysis of deferred taxes (net)

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January</td>
<td>60,187</td>
<td>58,596</td>
</tr>
</tbody>
</table>

- Recognised in income tax in profit or loss
  - Addition/(reversal) of temporary differences 15,658 (1,163)
  - Fiscal realisation of recognised tax loss carry forwards 792 4,079
  - Tax loss carry forwards taken into account for the first time or no longer taken into account (63,945) (59)
  - Effects of changes in tax rates 90 (901)

- Recognised in other comprehensive income 11,368 (4,717)
- Recognised in shareholders’ equity (related to share-based payments) (37) (1,305)
- Addition to scope of consolidation 95,641 5,922
- Disposal from scope of consolidation – (561)
- Translation differences 1,393 256

31 December 121,147 60,187

Temporary differences on which no deferred taxes have been recognised

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in subsidiaries</td>
<td>1,311,872</td>
<td>1,429,142</td>
</tr>
</tbody>
</table>

Unrecognised tax assets

Deferred tax assets, including tax loss carry forwards and expected tax credits, are only taken into account if it is probable that future profits will be available against which the assets mentioned can be applied for tax purposes.

Tax loss carry forwards and tax credits

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax loss carry forwards and tax credits</td>
<td>1,102,670</td>
<td>378,657</td>
</tr>
<tr>
<td>Of which capitalised as deferred assets</td>
<td>(32,893) (11,147)</td>
<td>(7,302) (1,656)</td>
</tr>
<tr>
<td>Of which netted with deferred tax liabilities</td>
<td>(1,061,798) (365,362)</td>
<td>(42,437) (9,247)</td>
</tr>
<tr>
<td>Unrecognised tax loss carry forwards and tax credits</td>
<td>7,979 2,148</td>
<td>18,914 3,208</td>
</tr>
<tr>
<td>Of which expire:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- within 1 year</td>
<td>361 73</td>
<td>1,410 286</td>
</tr>
<tr>
<td>- in 2 to 5 years</td>
<td>1,282 257</td>
<td>6,460 619</td>
</tr>
<tr>
<td>- in more than 5 years</td>
<td>6,336 1,818</td>
<td>11,044 2,303</td>
</tr>
</tbody>
</table>
### 13. Earnings per share

Basic earnings per share are arrived at by dividing net profit by the weighted average number of outstanding shares during the reporting period, minus the average number of treasury shares held by Galenica. When calculating diluted earnings per share, the weighted average number of outstanding shares during the reporting period is adjusted assuming conversion of all potentially dilutive effects that would occur if Galenica’s obligations were converted.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>6,500,000</td>
<td>6,500,000</td>
</tr>
<tr>
<td>Average number of treasury shares</td>
<td>(23,333)</td>
<td>(20,738)</td>
</tr>
<tr>
<td>Average number of outstanding shares</td>
<td>6,476,667</td>
<td>6,479,262</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>10,043</td>
<td>11,341</td>
</tr>
<tr>
<td>Theoretical average number of outstanding shares (diluted)</td>
<td>6,486,710</td>
<td>6,490,603</td>
</tr>
</tbody>
</table>

#### in thousand CHF

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit – attributable to shareholders of Galenica Ltd.</td>
<td>243,627</td>
<td>301,060</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>37.62</td>
<td>46.47</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>37.56</td>
<td>46.38</td>
</tr>
</tbody>
</table>

### 14. Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>657,809</td>
<td>551,512</td>
</tr>
<tr>
<td>Other receivables</td>
<td>53,695</td>
<td>37,048</td>
</tr>
<tr>
<td>Bad debt allowances</td>
<td>(12,192)</td>
<td>(7,388)</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>699,312</td>
<td>581,172</td>
</tr>
</tbody>
</table>

#### Change in bad debt allowances for trade receivables

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January</td>
<td>(7,388)</td>
<td>(5,842)</td>
</tr>
<tr>
<td>Addition</td>
<td>(6,499)</td>
<td>(2,301)</td>
</tr>
<tr>
<td>Use</td>
<td>169</td>
<td>74</td>
</tr>
<tr>
<td>Reversal</td>
<td>1,506</td>
<td>607</td>
</tr>
<tr>
<td>Disposal from scope of consolidating</td>
<td>—</td>
<td>12</td>
</tr>
<tr>
<td>Translation differences</td>
<td>20</td>
<td>62</td>
</tr>
<tr>
<td>31 December</td>
<td>(12,192)</td>
<td>(7,388)</td>
</tr>
</tbody>
</table>

Goods and services supplied by pharmacies for receivables covered by health insurance companies were invoiced through an invoicing and collection office until October 2016. Receivables from the invoicing and collection office are derecognised only when the invoicing and collection office has been paid by the health insurance companies and there is no longer a risk of loss for Galenica. In 2015, the respective trade receivables amounted to CHF 51.2 million and the maximum risk of loss amounted to CHF 73.1 million.
### 15. Inventories

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Raw material and merchandise</th>
<th>Semi-finished and finished goods</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross carrying amounts as at 31.12.2014</strong></td>
<td>323,521</td>
<td>74,590</td>
<td>398,111</td>
</tr>
<tr>
<td>Addition to scope of consolidation</td>
<td>1,901</td>
<td>—</td>
<td>1,901</td>
</tr>
<tr>
<td>Disposal from scope of consolidation</td>
<td>(2,668)</td>
<td>(978)</td>
<td>(3,646)</td>
</tr>
<tr>
<td>Change in stock</td>
<td>9,557</td>
<td>3,616</td>
<td>13,173</td>
</tr>
<tr>
<td>Translation differences</td>
<td>(1,027)</td>
<td>(145)</td>
<td>(1,172)</td>
</tr>
<tr>
<td><strong>Gross carrying amounts as at 31.12.2015</strong></td>
<td>331,284</td>
<td>77,083</td>
<td>408,367</td>
</tr>
<tr>
<td>Addition to scope of consolidation</td>
<td>12,795</td>
<td>36,393</td>
<td>49,188</td>
</tr>
<tr>
<td>Change in stock</td>
<td>(14,005)</td>
<td>13,693</td>
<td>(312)</td>
</tr>
<tr>
<td>Translation differences</td>
<td>274</td>
<td>1,109</td>
<td>1,383</td>
</tr>
<tr>
<td><strong>Gross carrying amounts as at 31.12.2016</strong></td>
<td>330,348</td>
<td>128,278</td>
<td>458,626</td>
</tr>
</tbody>
</table>

| Adjustments as at 31.12.2014 | (17,342) | (4,952) | (22,294) |
| Addition | (1,410) | (5,706) | (7,116) |
| Use | 2,355 | 2,154 | 4,509 |
| Disposal from scope of consolidation | 190 | 43 | 233 |
| Translation differences | 93 | 15 | 108 |

| Adjustments as at 31.12.2015 | (16,114) | (8,446) | (24,560) |
| Addition | (2,006) | (5,265) | (7,271) |
| Use | 2,327 | 3,349 | 5,676 |
| Translation differences | 23 | 5 | 28 |

| Adjustments as at 31.12.2016 | (15,770) | (10,357) | (26,127) |
| Net carrying amounts as at 31.12.2015 | 315,170 | 68,637 | 383,807 |
| Net carrying amounts as at 31.12.2016 | 314,578 | 117,921 | 432,499 |

### 16. Assets held for sale

Due to its lack of strategic relevance, an investment property with a carrying amount of CHF 29.6 million was classified as held for sale on 31 December 2016. This building that belonged to the business sector Services was sold to an independent third party on 30 January 2017.
### 17. Property, plant and equipment and investment properties

#### in thousand CHF

<table>
<thead>
<tr>
<th></th>
<th>Real estate used for commercial operations</th>
<th>Assets under construction</th>
<th>Other property, plant and equipment</th>
<th>Total property, plant and equipment</th>
<th>Investment properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net carrying amounts as at 31.12. 2014</td>
<td>254,885</td>
<td>9,237</td>
<td>176,969</td>
<td>441,091</td>
<td>35,685</td>
</tr>
<tr>
<td>Addition</td>
<td>15,362</td>
<td>14,412</td>
<td>38,443</td>
<td>68,217</td>
<td>345</td>
</tr>
<tr>
<td>Disposal</td>
<td>(64)</td>
<td>–</td>
<td>(1,028)</td>
<td>(1,092)</td>
<td>–</td>
</tr>
<tr>
<td>Reclassification</td>
<td>2,199</td>
<td>(7,532)</td>
<td>5,333</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(19,021)</td>
<td>–</td>
<td>(38,690)</td>
<td>(57,711)</td>
<td>(1,308)</td>
</tr>
<tr>
<td>Addition to scope of consolidation</td>
<td>1,568</td>
<td>–</td>
<td>1,190</td>
<td>2,758</td>
<td>–</td>
</tr>
<tr>
<td>Disposal from scope of consolidation</td>
<td>(1,903)</td>
<td>–</td>
<td>(568)</td>
<td>(2,471)</td>
<td>–</td>
</tr>
<tr>
<td>Reclassification</td>
<td>2,199</td>
<td>–</td>
<td>1,190</td>
<td>2,758</td>
<td>–</td>
</tr>
<tr>
<td>Net carrying amounts as at 31.12. 2015</td>
<td>252,713</td>
<td>16,122</td>
<td>181,367</td>
<td>450,202</td>
<td>34,722</td>
</tr>
<tr>
<td>Addition</td>
<td>14,631</td>
<td>16,906</td>
<td>46,189</td>
<td>77,726</td>
<td>537</td>
</tr>
<tr>
<td>Disposal</td>
<td>(3)</td>
<td>–</td>
<td>(594)</td>
<td>(597)</td>
<td>(1,145)</td>
</tr>
<tr>
<td>Reclassification</td>
<td>15,035</td>
<td>(23,503)</td>
<td>8,715</td>
<td>247</td>
<td>(29,821)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(20,131)</td>
<td>–</td>
<td>(40,987)</td>
<td>(61,118)</td>
<td>(1,332)</td>
</tr>
<tr>
<td>Addition to scope of consolidation</td>
<td>2,321</td>
<td>–</td>
<td>6,262</td>
<td>8,583</td>
<td>1,146</td>
</tr>
<tr>
<td>Translations differences</td>
<td>13</td>
<td>(66)</td>
<td>105</td>
<td>52</td>
<td>–</td>
</tr>
<tr>
<td>Net carrying amounts as at 31.12. 2016</td>
<td>264,579</td>
<td>9,459</td>
<td>201,057</td>
<td>475,095</td>
<td>4,107</td>
</tr>
<tr>
<td>of which finance lease as at 31.12. 2015 (net)</td>
<td>–</td>
<td>–</td>
<td>3</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>of which finance lease as at 31.12. 2016 (net)</td>
<td>–</td>
<td>–</td>
<td>115</td>
<td>115</td>
<td>–</td>
</tr>
</tbody>
</table>

**Overview as at 31.12. 2015**

- **Cost**: 409,562
  - 16,906
  - 500,538
  - 926,222
  - 51,121
- **Accumulated depreciation and impairment**: (156,849)
  - (319,171)
  - (476,020)
  - (16,399)
- **Net carrying amounts as at 31.12. 2015**: 252,713
  - 16,122
  - 181,367
  - 450,202
  - 34,722

**Overview as at 31.12. 2016**

- **Cost**: 441,674
  - 9,459
  - 549,251
  - 1,000,384
  - 4,383
- **Accumulated depreciation and impairment**: (177,095)
  - (348,194)
  - (525,289)
  - (276)
- **Net carrying amounts as at 31.12. 2016**: 264,579
  - 9,459
  - 201,057
  - 475,095
  - 4,107

**Other property, plant and equipment** consists of manufacturing systems, warehouse equipment, furniture, fittings, IT equipment and vehicles.

**Investment properties** include non-operating real estate:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fair value</strong></td>
<td>4,934</td>
<td>41,263</td>
</tr>
<tr>
<td><strong>Rental income</strong></td>
<td>2,672</td>
<td>2,782</td>
</tr>
<tr>
<td><strong>Operating costs of real estate generating rental income</strong></td>
<td>560</td>
<td>477</td>
</tr>
</tbody>
</table>

The fair values of investment properties (level 3 of the fair value hierarchy) are calculated by external experts. An investment property has been reclassified to assets held for sale (refer to note 16).

There are no significant restrictions regarding the realisability or collectibility of rental income or sales proceeds. In addition, there are no contractual obligations to improve or maintain investment properties.
18. Intangible assets

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Trademarks, patents, licences, technologies with finite useful lives</th>
<th>Trademarks and technologies with indefinite useful lives</th>
<th>Acquired software</th>
<th>Internally developed software</th>
<th>Goodwill</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net carrying amounts as at 31.12. 2014</strong></td>
<td>40,624</td>
<td>125,735</td>
<td>12,902</td>
<td>7,763</td>
<td>1,098,419</td>
<td>1,285,443</td>
</tr>
<tr>
<td>Addition</td>
<td>290,429</td>
<td>—</td>
<td>6,326</td>
<td>3,250</td>
<td>—</td>
<td>300,005</td>
</tr>
<tr>
<td>Disposal</td>
<td>(353)</td>
<td>—</td>
<td>(3)</td>
<td>—</td>
<td>—</td>
<td>(356)</td>
</tr>
<tr>
<td>Reclassification</td>
<td>—</td>
<td>—</td>
<td>(24)</td>
<td>24</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(18,732)</td>
<td>—</td>
<td>(5,460)</td>
<td>(3,388)</td>
<td>—</td>
<td>(27,580)</td>
</tr>
<tr>
<td>Addition to scope of consolidation</td>
<td>56,483</td>
<td>—</td>
<td>95</td>
<td>467</td>
<td>20,261</td>
<td>77,306</td>
</tr>
<tr>
<td>Disposal from scope of consolidation</td>
<td>(2,860)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(899)</td>
<td>(3,759)</td>
</tr>
<tr>
<td>Translation differences</td>
<td>(413)</td>
<td>—</td>
<td>(3)</td>
<td>(3)</td>
<td>(29,224)</td>
<td>(29,643)</td>
</tr>
<tr>
<td><strong>Net carrying amounts as at 31.12. 2015</strong></td>
<td>365,178</td>
<td>125,735</td>
<td>13,833</td>
<td>8,113</td>
<td>1,088,557</td>
<td>1,601,416</td>
</tr>
<tr>
<td>Addition</td>
<td>218,613</td>
<td>—</td>
<td>5,870</td>
<td>1,807</td>
<td>—</td>
<td>226,290</td>
</tr>
<tr>
<td>Reclassification</td>
<td>177</td>
<td>—</td>
<td>(400)</td>
<td>223</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(55,938)</td>
<td>—</td>
<td>(5,943)</td>
<td>(3,240)</td>
<td>—</td>
<td>(65,121)</td>
</tr>
<tr>
<td>Addition to scope of consolidation</td>
<td>1,052,188</td>
<td>—</td>
<td>2,614</td>
<td>—</td>
<td>646,914</td>
<td>1,701,716</td>
</tr>
<tr>
<td>Settlement of pre-existing relationship</td>
<td>(106,641)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(106,641)</td>
</tr>
<tr>
<td>Translation differences</td>
<td>30,969</td>
<td>—</td>
<td>64</td>
<td>(8)</td>
<td>14,441</td>
<td>45,466</td>
</tr>
<tr>
<td><strong>Net carrying amounts as at 31.12. 2016</strong></td>
<td>1,504,546</td>
<td>125,735</td>
<td>16,038</td>
<td>6,895</td>
<td>1,749,912</td>
<td>3,403,126</td>
</tr>
</tbody>
</table>

**Overview as at 31.12. 2015**

| | Cost | 708,094 | 125,735 | 57,864 | 27,894 | 1,088,557 | 2,008,144 |
| Accumulated amortisation and impairment | (342,916) | — | (44,031) | (19,781) | — | (406,728) |
| **Net carrying amounts as at 31.12. 2015** | 365,178 | 125,735 | 13,833 | 8,113 | 1,088,557 | 1,601,416 |

**Overview as at 31.12. 2016**

| | Cost | 1,902,596 | 125,735 | 64,751 | 29,641 | 1,749,912 | 3,872,635 |
| Accumulated amortisation and impairment | (398,050) | — | (48,713) | (22,746) | — | (469,509) |
| **Net carrying amounts as at 31.12. 2016** | 1,504,546 | 125,735 | 16,038 | 6,895 | 1,749,912 | 3,403,126 |

**Trademarks, patents, licences, technologies with finite useful lives**

In May 2016, Vifor Fresenius Medical Care Renal Pharma Ltd. (VFMCRP) and OPKO Health, Inc. entered into an exclusive agreement for the development and commercialisation of OPKO's drug RAYALDEE® in Europe, Canada, Mexico, Australia, South Korea and certain other international markets for the treatment of secondary hyperparathyroidism (SHPT) in patients with chronic kidney disease (CKD) and vitamin D insufficiency. In addition, OPKO has granted VFMCRP an option to acquire rights to the US market for treatment of dialysis patients. Under the terms of the agreement, OPKO received an upfront cash payment of USD 50.0 million which has been capitalised at the signing date. The arrangement may require VFMCRP to make certain milestone or other similar payments upon the achievement of agreed objectives or performance targets of maximum USD 232 million. These potential future payments are contingent on regulatory approvals and have not been capitalised at the reporting date.

In May 2016, Vifor Pharma and ChemoCentryx, Inc. entered into an exclusive agreement for the development and commercialisation of ChemoCentryx’s orally-administered Complement 5a Receptor (C5aR) inhibitor CCX168 for orphan and rare renal diseases in Europe, Canada, Mexico, Central and South America, South Korea and Africa. Under the terms of the agreement, Vifor Pharma paid USD 85.0 million, of which USD 7.0 million relates to the acquisition of an approximate 7% of shares in listed ChemoCentryx which are classified as available for sale and recorded at fair value. The remaining USD 78.0 million is attributable to the license agreement and was recorded as an intangible asset. The arrangement may require Vifor Pharma to make certain milestone or other similar payments upon the achievement of agreed objectives or performance targets of maximum USD 510 million. These potential future payments are contingent on regulatory approvals of CCX168 and have not been capitalised at the reporting date.
In December 2016, Vifor Pharma and ChemoCentryx, Inc. entered into an exclusive agreement for the development and commercialisation of ChemoCentryx’s orally-administered chemokine receptor CCX140 for rare renal diseases in worldwide territories outside of the US and China. CCX140 has previously completed a successful Phase II clinical trial in patients with diabetic kidney disease. Under the terms of the agreement, ChemoCentryx will receive an upfront cash payment of USD 50.0 million, which will fall due in 2017. The arrangement may require Vifor Pharma to make certain milestone or other similar payments upon the achievement of agreed objectives or performance targets of maximum USD 678 million. These potential future payments are contingent on regulatory approvals of CCX140 and have not been capitalised at the reporting date.

In May 2015, Vifor Fresenius Medical Care Renal Pharma (VFMCRP) and Roche have entered into an exclusive licence agreement for the commercialisation of Roche’s drug Mircera® in the US and Puerto Rico by VFMCRP. Under this license agreement Roche will manufacture and supply Mircera® to VFMCRP and will receive upfront and milestone payments, supply reimbursements, as well as tiered royalties on Mircera® sales in the US and Puerto Rico. Under the terms of the agreement, Roche received upfront and milestone cash payments of USD 100.0 million. The expected upfront and milestone payments of USD 167.0 million have been capitalised at present value at the signing date, whereof USD 67.0 million are expected to fall due in the years 2017 to 2020. In 2016, an additional sales milestone of USD 39.0 million was considered probable and capitalised as an intangible asset. Amortisation is charged on a straight-line basis over the expected useful life of 10 years. As at the reporting date, the carrying amount of those rights amounted to CHF 165.2 million (previous year: CHF 144.8 million).

In August 2015, Vifor Fresenius Medical Care Renal Pharma (VFMCRP) and Relypsa, Inc. signed an exclusive agreement to commercialise the potassium binder Patiromer for Oral Suspension (Patiromer FOS) in worldwide territories outside of the US and Japan.

As a result of the acquisition of Relypsa, Inc. in September 2016, the Vifor Pharma Group now has the worldwide rights for Veltassa® (Patiromer) and has effectively settled the pre-existing relationship with Relypsa, Inc. Vifor Pharma has consequently derecognised the intangible asset for Patiromer of USD 108.5 million as well as the related contingent consideration liability of USD 69.9 million (refer to note 6).

As part of the purchase price allocation, a fair value of USD 1,050 million was assigned to intangible assets for the rights of Veltassa®. The useful life of this intangible asset was determined to be 14 years which corresponds with the expiry date of the underlying patent. As at the reporting date, the carrying amount of those rights amounted to USD 1,025 million and the amortisation in 2016 amounted to CHF 24.8 million.

Galenica is party to in-licensing and similar arrangements and intangible asset purchase agreements. These arrangements may require Galenica to make certain milestone or other similar payments dependent upon achievement of agreed objectives or performance targets as defined in the agreements. The maximum amount of unrecognised potential future commitments is USD 1,540 million (previous year: USD 235 million). These amounts are undiscounted and are not risk-adjusted, meaning that they include all such potential payments that can arise assuming all projects currently in development are successful.
Trademarks and technologies with indefinite useful lives

This caption includes a trademark with a carrying amount of CHF 21.6 million (previous year: CHF 21.6 million) that is well known nationally and internationally and actively advertised. This acquired trademark is regarded as having an indefinite useful life for the following reasons: it was created many years ago, it does not expire, and the products sold under the trademark have a history of strong revenue and cash flow performance. Galenica intends and has the ability to support the trademark to maintain its value for the foreseeable future. For impairment testing purposes the trademark has been allocated to the cash-generating unit Vifor Consumer Health in the Products & Brands business sector.

The caption also includes unpatented technology assets with a carrying amount of CHF 104.1 million (previous year: CHF 104.1 million) related to OM Pharma. These acquired manufacturing technologies are regarded as having indefinite useful lives because they have been in existence for many years, they are not patent-registered in order to prevent publication and as such there are no legal provisions that limit the useful lives of the technologies. The products generated using the technologies have a history of strong revenue and cash flow performance. These technology assets have been allocated to the cash-generating unit OM Pharma in the Vifor Pharma business unit for impairment testing purposes.

These intangible assets with an indefinite useful life are subject to an annual impairment test or more frequently if there is an indication that they may be impaired.

The recoverable amount is determined on the basis of future discounted cash flows. The weighted average cost of capital (WACC) is used to determine the applicable pre-tax discount rate. Future cash flows beyond the three-year planning period are based on the growth rates and capital cost rates before tax set out below, as approved in medium-term planning by management:

### Trademark and technologies 2016

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Underlying data used</th>
<th>Growth rate</th>
<th>Interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vifor Consumer Health</td>
<td>21,590</td>
<td>1.0%</td>
<td>6.7%</td>
</tr>
<tr>
<td>OM Pharma</td>
<td>104,145</td>
<td>1.0%</td>
<td>7.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125,735</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Trademark and technologies 2015

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Underlying data used</th>
<th>Growth rate</th>
<th>Interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vifor Consumer Health</td>
<td>21,590</td>
<td>1.0%</td>
<td>6.6%</td>
</tr>
<tr>
<td>OM Pharma</td>
<td>104,145</td>
<td>1.0%</td>
<td>6.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125,735</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the results of impairment testing for 2016 and 2015, no impairment was necessary. Galenica performed a sensitivity analysis taking into account reasonable changes in the assumptions used to calculate the discounted cash flows, such as higher discount rates, lower EBITDA, lower gross margins or lower perpetual growth rates. The sensitivity analysis for 2016 and 2015 did not reveal any indicators of impairment as at the reporting date.
**Goodwill**

Goodwill is allocated to the cash-generating unit (CGU) or group of CGUs that is the principal economic beneficiary. The management monitors the Goodwill at business sector level. The allocation of the net carrying amount of the goodwill to the business sectors is summarised in the table below.

Goodwill is subject to an impairment test once a year or more frequently if there are indications of impairment. The impairment tests are based on the discounted cash flow method. The WACC is used to determine the applicable pre-tax discount rate. Goodwill is evaluated on the basis of the medium-term plans for the next three years approved by the management. Cash flows beyond the planning horizon are extrapolated using a perpetual growth rate. The growth rates and capital cost rates before tax shown below were used.

**Goodwill 2016**

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Carrying amount</th>
<th>Underlying data used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vifor Pharma</td>
<td>1,144,396</td>
<td>Growth rate 1.7%</td>
</tr>
<tr>
<td>Products &amp; Brands</td>
<td>26,175</td>
<td>Interest rate 7.9%</td>
</tr>
<tr>
<td>Retail</td>
<td>501,091</td>
<td>Growth rate 1.0%</td>
</tr>
<tr>
<td>Services</td>
<td>78,250</td>
<td>Interest rate 6.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,749,912</strong></td>
<td></td>
</tr>
</tbody>
</table>

Goodwill 2015

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Carrying amount</th>
<th>Underlying data used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vifor Pharma</td>
<td>505,289</td>
<td>Growth rate 1.5%</td>
</tr>
<tr>
<td>Products &amp; Brands</td>
<td>26,175</td>
<td>Interest rate 7.1%</td>
</tr>
<tr>
<td>Retail</td>
<td>483,267</td>
<td>Growth rate 1.0%</td>
</tr>
<tr>
<td>Services</td>
<td>73,826</td>
<td>Interest rate 5.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,088,557</strong></td>
<td></td>
</tr>
</tbody>
</table>

According to the results of impairment testing for 2016 and 2015, no impairment was necessary. Galenica performed a sensitivity analysis taking into account reasonable changes in the assumptions used to calculate the discounted cash flows, such as higher discount rates, lower EBITDA, lower gross margins or lower perpetual growth rates. The sensitivity analysis for 2016 and 2015 did not reveal any indicators of impairment as at the reporting date.

**Costs of research and development**

During the reporting period, expenses for research and development totalling CHF 127.1 million were recognised directly in other operating costs (previous year: CHF 88.8 million).
19. Investments in associates and joint ventures

Galenica has no individually material associates or joint ventures.

**Associates**

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net carrying amount as at 1 January</td>
<td>21,453</td>
<td>20,603</td>
</tr>
<tr>
<td>Income from associates</td>
<td>1,749</td>
<td>1,220</td>
</tr>
<tr>
<td>Dividends received</td>
<td>(699)</td>
<td>(370)</td>
</tr>
<tr>
<td><strong>Net carrying amount as at 31 December</strong></td>
<td>22,503</td>
<td>21,453</td>
</tr>
</tbody>
</table>

**Joint ventures**

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net carrying amount as at 1 January</td>
<td>19,283</td>
<td>23,828</td>
</tr>
<tr>
<td>Income from joint ventures</td>
<td>2,946</td>
<td>2,237</td>
</tr>
<tr>
<td>Remeasurement of the net defined benefit liability from joint ventures</td>
<td>2,371</td>
<td>(3,856)</td>
</tr>
<tr>
<td>Investments</td>
<td>531</td>
<td>1,973</td>
</tr>
<tr>
<td>Dividends received</td>
<td>(4,116)</td>
<td>(4,900)</td>
</tr>
<tr>
<td><strong>Net carrying amount as at 31 December</strong></td>
<td>21,015</td>
<td>19,283</td>
</tr>
</tbody>
</table>

If one specific joint venture is overindebted, Galenica has an unlimited obligation, in proportion to its equity interest, to restructure the company. At the reporting date, this joint venture is not overindebted.

20. Financial assets

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>5,613</td>
<td>6,160</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>—</td>
<td>1,013</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>11,283</td>
<td>14,133</td>
</tr>
<tr>
<td><strong>Loans and other financial assets</strong></td>
<td>16,896</td>
<td>21,306</td>
</tr>
<tr>
<td>Securities available for sale</td>
<td>70,383</td>
<td>43,665</td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td>87,279</td>
<td>64,971</td>
</tr>
</tbody>
</table>

Other financial assets include receivables from non-current agreements and rental guarantee deposits.

Securities available for sale include investments in venture funds and listed shares in ChemoCentryx. The shares in ChemoCentryx were purchased in 2016.

21. Trade and other payables

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>443,666</td>
<td>364,502</td>
</tr>
<tr>
<td>Other payables</td>
<td>67,493</td>
<td>79,800</td>
</tr>
<tr>
<td><strong>Trade and other payables</strong></td>
<td>511,159</td>
<td>444,302</td>
</tr>
</tbody>
</table>
22. Current financial liabilities

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank debts</td>
<td>1,453,008</td>
<td>9,618</td>
</tr>
<tr>
<td>Loans</td>
<td>30,666</td>
<td>64,161</td>
</tr>
<tr>
<td>Bond</td>
<td>299,547</td>
<td>—</td>
</tr>
<tr>
<td>Liability to pension funds</td>
<td>38,022</td>
<td>5,375</td>
</tr>
<tr>
<td>Current portion of non-current financial liabilities</td>
<td>8,144</td>
<td>64,021</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>—</td>
<td>1,717</td>
</tr>
<tr>
<td><strong>Current financial liabilities</strong></td>
<td><strong>1,829,387</strong></td>
<td><strong>144,892</strong></td>
</tr>
</tbody>
</table>

Bank debts consists of the bridge loan of CHF 1,450 million related to the acquisition of Relypsa. The bond is due for repayment on 27 October 2017. Galenica reclassified the outstanding amount at reporting date to current financial liabilities.

23. Non-current financial liabilities

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank debts</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Loans</td>
<td>472</td>
<td>472</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>25,892</td>
<td>24,645</td>
</tr>
<tr>
<td>Private placement (notes)</td>
<td>91,500</td>
<td>94,600</td>
</tr>
<tr>
<td>Bond</td>
<td>—</td>
<td>299,005</td>
</tr>
<tr>
<td>Finance leases</td>
<td>64</td>
<td>—</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>57,219</td>
<td>150,077</td>
</tr>
<tr>
<td><strong>Non-current financial liabilities</strong></td>
<td><strong>275,147</strong></td>
<td><strong>668,799</strong></td>
</tr>
</tbody>
</table>

Bank debts
The acquisition of Sun Store in 2009 was partially financed with non-current bank loans. The remaining amount totaling CHF 100.0 million will be repaid on 1 July 2019.

Private placement (notes)
On 12 March 2008 Galenica borrowed USD 105.0 million and GBP 20.0 million from a number of American and British insurance companies by means of a private placement of unsecured notes. The remaining amount totaling USD 65.0 million and GBP 20.0 million will be repaid on 12 March 2018. The interest rate and currency risk of the private placement was hedged.

Financial covenants (debt coverage ratio and interest coverage ratio) were agreed in connection with the private placement. Failure to comply with these could trigger early repayment of the notes. Galenica complied with the covenants on the reporting date.
Bond
On 5 October 2010, Galenica issued a fixed-rate bond for a nominal amount of CHF 300.0 million with an annual coupon of 2.5% and a term of seven years, falling due on 27 October 2017. The bond is traded on the SIX Swiss Exchange under securities no. 11848005 (ISIN CH0118480059). The bond closed at 102.02% as at 31 December 2016 (previous year: 104.08%). Galenica reclassified the outstanding amount at reporting date to current financial liabilities.

Other financial liabilities
Non-current contingent and deferred consideration liabilities from business combinations as well as deferred and milestone payments for the acquisition of intangible assets have been recognised as other financial liabilities.


<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January</td>
<td>6,411</td>
<td>6,750</td>
</tr>
<tr>
<td>Addition</td>
<td>1,657</td>
<td>601</td>
</tr>
<tr>
<td>Use</td>
<td>(192)</td>
<td>(727)</td>
</tr>
<tr>
<td>Reversal</td>
<td>(2,826)</td>
<td>(268)</td>
</tr>
<tr>
<td>Addition to scope of consolidation</td>
<td>41</td>
<td>236</td>
</tr>
<tr>
<td>Disposal from scope of consolidation</td>
<td>–</td>
<td>(110)</td>
</tr>
<tr>
<td>Translation differences</td>
<td>(24)</td>
<td>(71)</td>
</tr>
<tr>
<td>31 December</td>
<td>5,067</td>
<td>6,411</td>
</tr>
</tbody>
</table>

Current provisions | 3,685 | 2,257 |
Non-current provisions | 1,382 | 4,154 |

Provisions are recognised for the estimated cost of excess on damage not covered by insurance, contractual liabilities, liabilities related to sureties, customer complaints, litigation risks and ongoing legal proceedings in Switzerland and abroad. These provisions concern all business sectors. The cash outflow from the non-current provisions is expected within the next 3 to 4 years.
25. Employee benefit plans

The vast majority of employees works in Switzerland and is insured at least in accordance with the legal provisions by pension funds that are financed by Galenica and the employees. The pension plans cover the risks of the economic consequences of old age, disability and death in accordance with the Swiss Federal Occupational Retirement, Survivors and Disability Pension Plans Act (BVG/LPP). The benefits target is 85% of the most recent base salary as at statutory retirement age for employees with a full insurance history of 35 years. The pension plans are structured in the legal form of a foundation. All actuarial risks are borne by the foundation and regularly assessed by the Board of Trustees based on an annual actuarial appraisal prepared in accordance with BVG/LPP. The calculations made in these appraisals do not apply the projected unit credit method required by IFRS. If the calculations made in accordance with the provisions of BGV/LPP reveal a funded status of less than 100%, suitable restructuring measures need to be introduced. The Board of Trustees is made up of employee and employer representatives.

As stated in the 2015 annual report, Galenica became aware in 2015 that the employees of a joint venture company were erroneously included in the computation of the DBO and plan assets in prior years. Consequently, the net pension liability as of 31 December 2014 was overstated by CHF 6.8 million (resulting from an overstatement of DBO of CHF 42.7 million and related plan assets of CHF 35.9 million), the carrying amount of the joint venture by CHF 2.6 million, deferred tax assets by CHF 1.5 million and total equity was understated by CHF 2.7 million. As the impact is not deemed material, Galenica decided to adjust this difference prospectively in the 2015 financial statements through other comprehensive income (OCI) without restating prior year amounts. Without this effect, the remeasurement of the net pension liability recognised in OCI in 2015 amounted to a loss of CHF 28.2 million (actuarial loss due to changes in financial assumptions of CHF 49.4 million, actuarial gain due to experience adjustments of CHF 2.4 million and a gain from remeasurement of plan assets of CHF 18.8 million).

The most recent actuarial valuation was prepared as at 31 December 2016. The underlying assumptions reflect the economic circumstances. The pension funds’ assets are invested in accordance with local investment guidelines. Galenica pays its contributions to the pension funds in accordance with the regulations defined by the funds.

The final funded status pursuant to BVG/LPP is not available until the first quarter of the subsequent year. The projected funded status as at 31 December 2016 (unaudited) is 112.4% to 118.6% (previous year: 115.9% to 120.0%, audited).
### Defined benefit plans and long-service awards

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th></th>
<th>2015</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Defined benefit plans</td>
<td>Long-service awards</td>
<td>Total</td>
<td>Defined benefit plans</td>
<td>Long-service awards</td>
<td>Total</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>1,122,332</td>
<td>—</td>
<td>1,122,332</td>
<td>1,034,726</td>
<td>—</td>
<td>1,034,726</td>
</tr>
<tr>
<td>Present value of defined benefit obligation</td>
<td>(1,171,565)</td>
<td>(16,637)</td>
<td>(1,188,202)</td>
<td>(1,120,839)</td>
<td>(14,446)</td>
<td>(1,135,285)</td>
</tr>
<tr>
<td>Net carrying amount</td>
<td>(49,233)</td>
<td>(16,637)</td>
<td>(65,870)</td>
<td>(86,113)</td>
<td>(14,446)</td>
<td>(100,559)</td>
</tr>
</tbody>
</table>

1) The long-service awards relate to provisions for jubilee payments

2) Recognised in liabilities

### Change in the present value of the defined benefit obligation

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th></th>
<th>2015</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Defined benefit plan</td>
<td>Long-service awards</td>
<td>Total</td>
<td>Defined benefit plan</td>
<td>Long-service awards</td>
<td>Total</td>
</tr>
<tr>
<td>1 January</td>
<td>(1,120,839)</td>
<td>(14,446)</td>
<td>(1,135,285)</td>
<td>(1,059,674)</td>
<td>(13,624)</td>
<td>(1,073,298)</td>
</tr>
<tr>
<td>Current service cost</td>
<td>(48,171)</td>
<td>(2,251)</td>
<td>(50,422)</td>
<td>(40,965)</td>
<td>(1,946)</td>
<td>(42,911)</td>
</tr>
<tr>
<td>Interest on the defined benefit liability</td>
<td>(9,090)</td>
<td>(128)</td>
<td>(9,218)</td>
<td>(11,703)</td>
<td>(170)</td>
<td>(11,873)</td>
</tr>
<tr>
<td>Actuarial gain/(loss)</td>
<td>24,504</td>
<td>(1,116)</td>
<td>23,388</td>
<td>(47,035)</td>
<td>(59)</td>
<td>(47,094)</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>(20,674)</td>
<td>—</td>
<td>(20,674)</td>
<td>(19,524)</td>
<td>—</td>
<td>(19,524)</td>
</tr>
<tr>
<td>Benefits/awards paid</td>
<td>2,705</td>
<td>1,304</td>
<td>4,009</td>
<td>15,382</td>
<td>1,353</td>
<td>16,735</td>
</tr>
<tr>
<td>Adjustment (refer to page 147)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>42,680</td>
<td>—</td>
<td>42,680</td>
</tr>
<tr>
<td>31 December</td>
<td>(1,171,565)</td>
<td>(16,637)</td>
<td>(1,188,202)</td>
<td>(1,120,839)</td>
<td>(14,446)</td>
<td>(1,135,285)</td>
</tr>
</tbody>
</table>

### Change in fair value of plan assets

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th>2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January</td>
<td>1,034,726</td>
<td>1,004,460</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>8,436</td>
<td>11,212</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurement gains/(losses)</td>
<td>27,168</td>
<td>18,811</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee contributions</td>
<td>20,674</td>
<td>19,524</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer contributions</td>
<td>35,155</td>
<td>33,224</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(2,705)</td>
<td>(15,382)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration cost</td>
<td>(1,122)</td>
<td>(1,228)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustment (refer to page 147)</td>
<td>—</td>
<td>(35,895)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 December</td>
<td>1,122,332</td>
<td>1,034,726</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Net defined benefit cost

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>48,171</td>
<td>40,965</td>
</tr>
<tr>
<td>Interest on the defined benefit liability</td>
<td>654</td>
<td>491</td>
</tr>
<tr>
<td>Administration cost</td>
<td>1,122</td>
<td>1,228</td>
</tr>
<tr>
<td>Defined benefit cost</td>
<td>49,947</td>
<td>42,684</td>
</tr>
</tbody>
</table>
Remeasurement of net defined benefit liability/(asset)

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial gain/(loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Changes in demographic assumptions</td>
<td>(658)</td>
<td>—</td>
</tr>
<tr>
<td>- Changes in financial assumptions</td>
<td>4,443</td>
<td>(49,476)</td>
</tr>
<tr>
<td>- Experience adjustments</td>
<td>20,719</td>
<td>2,441</td>
</tr>
<tr>
<td>Remeasurement of plan assets</td>
<td>27,168</td>
<td>18,811</td>
</tr>
<tr>
<td>Adjustment (refer to page 147)</td>
<td>—</td>
<td>6,785</td>
</tr>
<tr>
<td>Remeasurements of net defined benefit liability/(asset) recognised in other comprehensive income</td>
<td>51,672</td>
<td>(21,439)</td>
</tr>
</tbody>
</table>

The actuarial gain in financial assumptions of CHF 4.4 million includes a loss related to the decrease in discount rate from 0.8% to 0.6% which was more than compensated by a gain related to the reduction of interest rate on the accumulated savings of plan participants from 1.6% to 1.0%.

Investment structure of plan assets

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>36,083</td>
<td>47,221</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>241,297</td>
<td>251,718</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>469,945</td>
<td>418,786</td>
</tr>
<tr>
<td>Real estate</td>
<td>268,543</td>
<td>254,071</td>
</tr>
<tr>
<td>Other investments</td>
<td>106,464</td>
<td>62,930</td>
</tr>
<tr>
<td><strong>Fair value of plan assets</strong></td>
<td>1,122,332</td>
<td>1,034,726</td>
</tr>
<tr>
<td>Current return on investments</td>
<td>3.4%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

The Board of Trustees is responsible for investing the plan assets. It defines the investment strategy and determines the long-term target asset structure (investment policy), taking account of the legal requirements, objectives set, the benefit obligations and the foundations’ risk capacity. The Board of Trustees delegates implementation of the investment policy in accordance with the investment strategy to an investment committee, which also comprises trustees from the Board of Trustees and a general manager. Plan assets are managed by external asset managers in line with the investment strategy.

Cash and cash equivalents are deposited with financial institutions with a rating of A or above.

Debt instruments (e.g. bonds) have a credit rating of at least BBB- and quoted prices in active markets (level 1 of the fair value hierarchy). They can also be investments in funds and direct investment funds.

Equity instruments are investments in equity funds and direct investments. These generally have quoted prices in active markets (level 1 of the fair value hierarchy). Equity instruments include treasury shares of Galenica Ltd. with a fair value of CHF 6.5 million (previous year: CHF 8.3 million).

Real estate relates to both residential property and offices. These can be investments in quoted real estate funds (level 1 of the fair value hierarchy) or direct investments (level 3 of the fair value hierarchy). If real estate is held directly, it is valued by an independent expert.
Other investments consist of hedge funds, insurance linked securities (ILS), mixed investments and receivables. There are receivables from Group companies amounting to CHF 36.9 million (previous year: CHF 5.2 million). Investments in hedge funds are classified as alternative investments. They are primarily used for risk management purposes. In most cases, quoted prices in an active market are not available for hedge funds investments (level 2 or level 3 of the fair value hierarchy).

The use of derivative financial instruments is only permitted if sufficient liquidity or underlying investments are available. Leverage and short selling are not permitted.

The pension funds manage the assets of 5,710 active members (previous year: 5,486) and 914 pensioners (previous year: 890).

Galenica does not use any pension fund assets.

### Basis for measurement

<table>
<thead>
<tr>
<th>Basis for measurement</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>0.60</td>
<td>0.80</td>
</tr>
<tr>
<td>Salary development</td>
<td>1.00</td>
<td>1.50</td>
</tr>
<tr>
<td>Pension development</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Mortality (mortality tables)</td>
<td>BVG 2015 GT</td>
<td>BVG 2010 GT</td>
</tr>
<tr>
<td>Turnover</td>
<td>BVG 2015</td>
<td>BVG 2010</td>
</tr>
</tbody>
</table>

### Sensitivity analysis

The discount rate and future salary development were identified as key actuarial assumptions. Changes in these would affect the defined benefit obligation (DBO) as follows:

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>Basis for calculation</td>
<td>0.60%</td>
</tr>
<tr>
<td></td>
<td>DBO</td>
<td>1,171,565</td>
</tr>
<tr>
<td></td>
<td>+0.25%</td>
<td>1,127,745</td>
</tr>
<tr>
<td></td>
<td>-0.25%</td>
<td>1,218,541</td>
</tr>
<tr>
<td>Salary development</td>
<td>Basis for calculation</td>
<td>1.00%</td>
</tr>
<tr>
<td></td>
<td>DBO</td>
<td>1,171,565</td>
</tr>
<tr>
<td></td>
<td>+0.25%</td>
<td>1,175,016</td>
</tr>
<tr>
<td></td>
<td>-0.25%</td>
<td>1,168,204</td>
</tr>
</tbody>
</table>

The sensitivity analysis assumes potential changes in the above parameters as at year-end. Every change in a key actuarial assumption is analysed separately; interdependencies were not taken into account.

### Maturity structure of pension obligations

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>in 1 year</td>
<td>32,196</td>
<td>29,895</td>
</tr>
<tr>
<td>in 2 years</td>
<td>33,288</td>
<td>30,715</td>
</tr>
<tr>
<td>in 3 years</td>
<td>32,830</td>
<td>31,906</td>
</tr>
<tr>
<td>in 4 years</td>
<td>32,870</td>
<td>31,786</td>
</tr>
<tr>
<td>in 5 years</td>
<td>32,687</td>
<td>31,031</td>
</tr>
<tr>
<td>in 6–10 years</td>
<td>159,791</td>
<td>222,790</td>
</tr>
</tbody>
</table>

The pension obligations have an average duration of 20.4 years (previous year: 20.8 years).

Cash outflows for pension payments and other obligations can be budgeted reliably. The benefit plans collect regular contribution payments. Furthermore, the investment strategies safeguard liquidity at all times.

The employer contributions to the pension funds are estimated at CHF 35.6 million for 2017.

Further details on employee benefit plans are included in Galenica’s 2016 annual report in the chapter Human Resources on page 96 and page 97.
26. Share capital and number of shares

As in the previous year, 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, as at the reporting date. All shares have the same capital rights with the exception of the treasury shares which do not generate any dividends. Voting rights and restrictions on voting rights are described in detail in Galenica’s 2016 annual report in the chapter Corporate Governance (unaudited).

According to Art. 3a) of Galenica’s articles of incorporation, the Board of Directors may raise the share capital of CHF 650,000 by 10%, i.e. an amount of CHF 65,000 (650,000 shares), at any time until 28 April 2018.

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Total shares Galenica Ltd.</th>
<th>Treasury shares</th>
<th>Outstanding shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>as at 31.12.2014</td>
<td>6,500,000 (22,398)</td>
<td></td>
<td>6,477,602</td>
</tr>
<tr>
<td>Change</td>
<td>—</td>
<td>(738)</td>
<td>(738)</td>
</tr>
<tr>
<td>as at 31.12.2015</td>
<td>6,500,000 (23,136)</td>
<td></td>
<td>6,476,864</td>
</tr>
<tr>
<td>Change</td>
<td>—</td>
<td>170</td>
<td>170</td>
</tr>
<tr>
<td>as at 31.12.2016</td>
<td>6,500,000 (22,966)</td>
<td></td>
<td>6,477,034</td>
</tr>
</tbody>
</table>

The treasury shares are reserved for share-based payments to employees.

27. Non-controlling interests

Vifor Fresenius Medical Care Renal Pharma is the only Group company with significant non-controlling interests. The company is registered in St. Gallen, Switzerland. Galenica owns 55% of the share capital and voting rights, Fresenius Medical Care 45% of the share capital and voting rights. The minority shareholder has extensive protection rights. In the event of disagreement Galenica has the casting vote within a defined escalation process.

Condensed financial information of Vifor Fresenius Medical Care Renal Pharma (before elimination of inter-company transactions):

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>86,529</td>
<td>196,849</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>529,949</td>
<td>356,603</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>138,083</td>
<td>198,677</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>97,084</td>
<td>150,508</td>
</tr>
<tr>
<td>Equity before appropriation of earnings</td>
<td>381,311</td>
<td>204,267</td>
</tr>
<tr>
<td>Operating income</td>
<td>519,428</td>
<td>348,785</td>
</tr>
<tr>
<td>EBIT</td>
<td>209,883</td>
<td>177,615</td>
</tr>
<tr>
<td>Net profit</td>
<td>177,008</td>
<td>153,244</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>126,762</td>
<td>156,637</td>
</tr>
</tbody>
</table>

There were non-controlling interests in the equity of Vifor Fresenius Medical Care Renal Pharma of CHF 172.1 million as at 31 December 2016 (previous year: CHF 91.9 million). No dividends were paid to non-controlling interests in 2016 (previous year: CHF 5.2 million).

The non-controlling interests in the net profit of Vifor Fresenius Medical Care Renal Pharma total CHF 80.2 million in the reporting period (previous year: CHF 69.0 million).
28. Changes in consolidated shareholders’ equity

At the Annual General Meeting of Shareholders held on 28 April 2016 a resolution was passed to pay a dividend of CHF 18.00 per share, constituting a total amount of CHF 117.0 million. In the previous year a resolution was passed to pay a dividend of CHF 15.00 per share, constituting a total amount of CHF 97.5 million.

In the reporting period, 16,336 treasury shares (previous year: 20,443 treasury shares) were bought at an average price of CHF 1,108.66 (previous year: CHF 991.26) and 16,506 treasury shares (previous year: 19,705 treasury shares) were issued as share-based payments. As at 31 December 2015, a forward purchase of 5,000 treasury shares at a price of CHF 593.00 was outstanding. This forward purchase was settled in 2016.

The expense for share-based payment transactions, allocated over the vesting period, has been recognised in personnel costs and accrued in consolidated shareholders’ equity.

The acquisition of non-controlling interests reduced consolidated shareholders’ equity by CHF 0.3 million (previous year: CHF 2.8 million).

The Board of Directors will submit a proposal to the Annual General Meeting of Shareholders on 11 May 2017 to pay a dividend of CHF 130.0 million, corresponding to CHF 20.00 per registered share for the financial year 2016 (previous year: CHF 117.0 million, CHF 18.00 per registered share).
29. Financial instruments

The financial assets of Galenica include cash, securities, trade receivables, other receivables, loans and venture funds.

Galenica’s financial liabilities primarily comprise advances on current bank accounts, trade payables, finance lease liabilities, loans, a bond, private placements (notes) and liabilities from deferred and contingent consideration from business combinations as well as deferred and milestone payments for the acquisition of intangible assets. They are used to finance Galenica’s operations and acquisitions.

Galenica uses derivatives such as interest rate swaps and foreign exchange forwards in order to manage and hedge the interest and currency risks resulting from operations and financing activities.

Galenica is mainly exposed to liquidity risks, credit risks, interest rate risks, currency risks and other market risks from its financial instruments.

29.1 Categories of financial instruments

All financial assets and liabilities at fair value through profit or loss are held for trading purposes or are derivative financial instruments. There are no other financial assets and liabilities designated on initial recognition as at fair value through profit or loss.

**Carrying amounts of financial instruments 2016**

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Financial assets at fair value through profit or loss</th>
<th>Loans and receivables</th>
<th>Financial assets available for sale</th>
<th>Financial liabilities at fair value through profit or loss</th>
<th>Financial liabilities at amortised cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>—</td>
<td>180,914</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>180,914</td>
</tr>
<tr>
<td>Securities</td>
<td>2,141</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,141</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>—</td>
<td>699,312</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>699,312</td>
</tr>
<tr>
<td>Financial assets</td>
<td>—</td>
<td>16,896</td>
<td>70,383</td>
<td>—</td>
<td>—</td>
<td>87,279</td>
</tr>
<tr>
<td>Current financial liabilities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,511</td>
<td>1,826,876</td>
<td>1,829,387</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>511,159</td>
<td>511,159</td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>41,276</td>
<td>233,871</td>
<td>275,147</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,141</strong></td>
<td><strong>897,122</strong></td>
<td><strong>70,383</strong></td>
<td><strong>43,787</strong></td>
<td><strong>2,571,906</strong></td>
<td><strong>2,571,906</strong></td>
</tr>
</tbody>
</table>

**Carrying amounts of financial instruments 2015**

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Financial assets at fair value through profit or loss</th>
<th>Loans and receivables</th>
<th>Financial assets available for sale</th>
<th>Financial liabilities at fair value through profit or loss</th>
<th>Financial liabilities at amortised cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>—</td>
<td>422,196</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>422,196</td>
</tr>
<tr>
<td>Securities</td>
<td>246</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>246</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>—</td>
<td>581,172</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>581,172</td>
</tr>
<tr>
<td>Financial assets</td>
<td>1,013</td>
<td>20,293</td>
<td>43,665</td>
<td>—</td>
<td>—</td>
<td>64,971</td>
</tr>
<tr>
<td>Current financial liabilities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3,613</td>
<td>141,279</td>
<td>144,892</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>444,302</td>
<td>444,302</td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>43,695</td>
<td>625,104</td>
<td>668,799</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,259</strong></td>
<td><strong>1,023,661</strong></td>
<td><strong>43,665</strong></td>
<td><strong>47,308</strong></td>
<td><strong>1,210,685</strong></td>
<td><strong>1,210,685</strong></td>
</tr>
</tbody>
</table>
**Net gain/(loss) on financial instruments 2016**

<table>
<thead>
<tr>
<th>Description</th>
<th>Financial assets at fair value through profit or loss</th>
<th>Loans and receivables</th>
<th>Financial assets available for sale</th>
<th>Financial liabilities at fair value through profit or loss</th>
<th>Financial liabilities at amortised cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from securities</td>
<td>4</td>
<td>-</td>
<td>2,661</td>
<td>-</td>
<td>-</td>
<td>2,665</td>
</tr>
<tr>
<td>Change in fair value</td>
<td>1,952</td>
<td>(1)</td>
<td>-</td>
<td>2,844</td>
<td>-</td>
<td>4,795</td>
</tr>
<tr>
<td>Loss on receivables and other financial result</td>
<td>-</td>
<td>(1,055)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,067)</td>
</tr>
<tr>
<td>Interest income</td>
<td>-</td>
<td>945</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>945</td>
</tr>
<tr>
<td>Interest expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(29,886)</td>
</tr>
<tr>
<td>Fees recognised in profit and loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4,824)</td>
</tr>
<tr>
<td>Interest income on impaired trade receivables</td>
<td>-</td>
<td>120</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>120</td>
</tr>
<tr>
<td>Change in bad debt allowances</td>
<td>-</td>
<td>(4,824)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4,824)</td>
</tr>
<tr>
<td>Net gain/(loss) recognised in profit or loss</td>
<td>1,956</td>
<td>(5,245)</td>
<td>2,661</td>
<td>2,844</td>
<td>(34,611)</td>
<td>(32,395)</td>
</tr>
<tr>
<td>Net gain/(loss) recognised in other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>15,665</td>
<td>2,980</td>
<td>-</td>
<td>18,645</td>
</tr>
</tbody>
</table>

1) Other comprehensive income includes the changes in value of hedge transactions (foreign exchange forwards and cross currency interest rate swaps) as well as venture funds.

**Net gain/(loss) on financial instruments 2015**

<table>
<thead>
<tr>
<th>Description</th>
<th>Financial assets at fair value through profit or loss</th>
<th>Loans and receivables</th>
<th>Financial assets available for sale</th>
<th>Financial liabilities at fair value through profit or loss</th>
<th>Financial liabilities at amortised cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from securities</td>
<td>4</td>
<td>-</td>
<td>3,145</td>
<td>-</td>
<td>-</td>
<td>3,149</td>
</tr>
<tr>
<td>Change in fair value</td>
<td>3,985</td>
<td>-</td>
<td>-</td>
<td>545</td>
<td>-</td>
<td>4,530</td>
</tr>
<tr>
<td>Loss on receivables and other financial result</td>
<td>-</td>
<td>(696)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,095)</td>
</tr>
<tr>
<td>Interest income</td>
<td>-</td>
<td>1,606</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,606</td>
</tr>
<tr>
<td>Interest expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(21,149)</td>
<td>(21,149)</td>
</tr>
<tr>
<td>Fees recognised in profit and loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(30)</td>
</tr>
<tr>
<td>Interest income on impaired trade receivables</td>
<td>-</td>
<td>92</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>92</td>
</tr>
<tr>
<td>Change in bad debt allowances</td>
<td>-</td>
<td>(1,621)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,621)</td>
</tr>
<tr>
<td>Net gain/(loss) recognised in profit or loss</td>
<td>3,989</td>
<td>(11,676)</td>
<td>3,145</td>
<td>545</td>
<td>(22,480)</td>
<td>(26,477)</td>
</tr>
<tr>
<td>Net gain/(loss) recognised in other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>1,372</td>
<td>(465)</td>
<td>-</td>
<td>907</td>
</tr>
</tbody>
</table>

1) Other comprehensive income includes the changes in value of hedge transactions (foreign exchange forwards, and cross currency interest rate swaps) as well as venture funds.
Notes to the consolidated financial statements of the Galenica Group

Fair value

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>249,255</td>
</tr>
</tbody>
</table>

With the exception of non-current financial liabilities the carrying amount approximate to the fair value.

The securities available for sale within the financial instruments consist of securities which are publicly traded (level 1 of the fair value hierarchy) and investments in venture funds (level 3 of the fair value hierarchy). The venture funds are valued at net asset value.

The derivatives largely consist of cross currency and interest rate swaps and are measured at fair value. The fair values of the cross currency and interest rate swaps are calculated as the present value of the estimated future cash flows (level 2 of the fair value hierarchy).

The fair value of the bond, which is included in the current financial liabilities (previous year: non-current financial liabilities), is derived from observable price quotations at the reporting date (level 1 of the fair value hierarchy).

Non-current financial liabilities contain contingent consideration liabilities from business combinations which are measured at fair value. The fair value of these financial instruments is measured based on the expected cash flows in due consideration of the probability of occurrence and the current market interest rates (level 3 of the fair value hierarchy).

The fair values of the other non-current financial liabilities are calculated based on the expected cash flows, the current market interest rates and the counterparties’ credit risk (level 3 of the fair value hierarchy).

Fair value hierarchy

Galenica measures financial instruments at fair value using the following hierarchies for determining the fair value:

- **Level 1**: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2**: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- **Level 3**: Unobservable inputs for the asset or liability. These inputs reflect the best estimates of Galenica based on criteria that market participants would use to determine prices for assets or liabilities at the reporting date.

There have been no transfers between Level 1 and Level 2 in the financial year, or any transfers into or out of Level 3.

Financial assets measured at fair value

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative financial instruments</td>
<td>Level 2</td>
<td>2,141</td>
</tr>
<tr>
<td>Securities available for sale</td>
<td></td>
<td>67,970</td>
</tr>
<tr>
<td>– thereof</td>
<td>Level 1</td>
<td>25,160</td>
</tr>
<tr>
<td>– thereof</td>
<td>Level 3</td>
<td>42,810</td>
</tr>
</tbody>
</table>

Financial liabilities measured at fair value

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative financial instruments</td>
<td>Level 2</td>
<td>25,892</td>
</tr>
<tr>
<td>Contingent consideration liabilities from business combinations</td>
<td>Level 3</td>
<td>17,895</td>
</tr>
</tbody>
</table>
Fair value of securities available for sale (level 3 of the fair value hierarchy)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January</td>
<td>41,237</td>
<td>35,326</td>
</tr>
<tr>
<td>Investments</td>
<td>3,634</td>
<td>4,344</td>
</tr>
<tr>
<td>Disposals</td>
<td>(209)</td>
<td>(384)</td>
</tr>
<tr>
<td>Gain/(loss) recognised in other comprehensive income</td>
<td>(2,699)</td>
<td>1,372</td>
</tr>
<tr>
<td>Translations differences</td>
<td>847</td>
<td>579</td>
</tr>
<tr>
<td>31 December</td>
<td>42,810</td>
<td>41,237</td>
</tr>
</tbody>
</table>

Galenica invests in venture funds. These funds are structured as closed end funds, for which Galenica has undertaken a defined capital commitment. The funds call this capital commitment over the term. Galenica and the other investors are usually bound to their fund units throughout the entire term; consequently there is no active market for units in these funds, although a transaction cannot be ruled out in principle. The funds themselves are likewise usually invested in venture funds with the same attributes (fund of funds).

Galenica determines the fair values for the venture funds using the net asset values. According to the venture funds, the net asset values for the funds are based on the net asset values reported to them by the respective investments; net asset values are not usually determined based on publicly available input data, or only to an insignificant extent. Galenica therefore classifies all venture funds as assets in level 3 of the fair value hierarchy.

Compared to the previous year, the fair value of the venture funds has not changed significantly, nor have there been any changes in the measurement methods used since the last financial statements.

Fair value of contingent consideration liabilities (level 3 of the fair value hierarchy)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January</td>
<td>20,946</td>
<td>10,865</td>
</tr>
<tr>
<td>Arising from business combinations</td>
<td>1,650</td>
<td>13,104</td>
</tr>
<tr>
<td>Total unrealised gains and losses included in the income statement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Unused amounts reversed</td>
<td>(2,844)</td>
<td>(1,175)</td>
</tr>
<tr>
<td>- Additional amounts created</td>
<td>—</td>
<td>630</td>
</tr>
<tr>
<td>Total gains and losses included in other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Translation differences</td>
<td>(12)</td>
<td>(286)</td>
</tr>
<tr>
<td>Payments (cash out)</td>
<td>(1,845)</td>
<td>(2,192)</td>
</tr>
<tr>
<td>31 December</td>
<td>17,895</td>
<td>20,946</td>
</tr>
</tbody>
</table>
## 29.2 Liquidity risk

### Maturity profile of financial liabilities and derivative financial instruments 2016

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Carrying amount</th>
<th>Total undiscounted cash flows</th>
<th>up to 3 months</th>
<th>3 to 12 months</th>
<th>1 to 5 years</th>
<th>Maturities more than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>511,159</td>
<td>511,159</td>
<td>506,012</td>
<td>5,147</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Current financial liabilities</td>
<td>1,529,840</td>
<td>1,529,840</td>
<td>71,285</td>
<td>1,458,555</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Non-current financial liabilities (unhedged)</td>
<td>157,755</td>
<td>173,946</td>
<td>750</td>
<td>2,292</td>
<td>161,972</td>
<td>8,932</td>
</tr>
<tr>
<td>Bond</td>
<td>299,547</td>
<td>307,500</td>
<td>—</td>
<td>307,500</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Private placement notes</td>
<td>91,500</td>
<td>123,065</td>
<td>3,002</td>
<td>3,002</td>
<td>117,061</td>
<td>—</td>
</tr>
<tr>
<td>of which hedged</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>– Cross currency interest rate swaps – cash inflow</td>
<td>91,500</td>
<td>123,065</td>
<td>3,002</td>
<td>3,002</td>
<td>117,061</td>
<td>—</td>
</tr>
<tr>
<td>– Cross currency interest rate swaps – cash outflow</td>
<td>25,892</td>
<td>123,066</td>
<td>3,003</td>
<td>3,003</td>
<td>117,060</td>
<td>—</td>
</tr>
<tr>
<td>Other derivative financial instruments (current and non-current)</td>
<td>(2,141)</td>
<td>(2,141)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>of which hedged</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>– Foreign exchange forwards – cash inflow</td>
<td>(2,141)</td>
<td>(32,640)</td>
<td>3,002</td>
<td>3,003</td>
<td>123,066</td>
<td>—</td>
</tr>
<tr>
<td>– Foreign exchange forwards – cash outflow</td>
<td>—</td>
<td>30,357</td>
<td>30,357</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>2,613,552</td>
<td>2,665,877</td>
<td>578,797</td>
<td>1,776,527</td>
<td>301,621</td>
<td>8,932</td>
</tr>
</tbody>
</table>

The values presented above are contractually agreed undiscounted cash flows including interest. Wherever the contractually agreed payment amount is liable to change before maturity as a result of variable interest rates, the payment amounts based on the interest rates on the reporting date are disclosed.

In order to ensure that Galenica can meet its payment obligations on time, liquidity is managed centrally. The Treasury department monitors the cash flows using ongoing liquidity planning, which takes into account the maturities of financial assets and financial liabilities, monetary assets and cash flows from operating activities.

### Maturity profile of financial liabilities and derivative financial instruments 2015

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Carrying amount</th>
<th>Total undiscounted cash flows</th>
<th>up to 3 months</th>
<th>3 to 12 months</th>
<th>1 to 5 years</th>
<th>Maturities more than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>444,302</td>
<td>444,302</td>
<td>441,693</td>
<td>2,609</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Current financial liabilities</td>
<td>143,175</td>
<td>144,947</td>
<td>24,674</td>
<td>120,273</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Non-current financial liabilities (unhedged)</td>
<td>250,549</td>
<td>274,582</td>
<td>758</td>
<td>3,058</td>
<td>222,901</td>
<td>47,865</td>
</tr>
<tr>
<td>Bond</td>
<td>299,005</td>
<td>315,000</td>
<td>—</td>
<td>7,500</td>
<td>307,500</td>
<td>—</td>
</tr>
<tr>
<td>Private placement notes</td>
<td>94,600</td>
<td>129,071</td>
<td>3,002</td>
<td>3,003</td>
<td>123,066</td>
<td>—</td>
</tr>
<tr>
<td>of which hedged</td>
<td>94,600</td>
<td>129,071</td>
<td>3,002</td>
<td>3,003</td>
<td>123,066</td>
<td>—</td>
</tr>
<tr>
<td>– Cross currency interest rate swaps – cash inflow</td>
<td>24,645</td>
<td>129,071</td>
<td>3,002</td>
<td>3,003</td>
<td>123,066</td>
<td>—</td>
</tr>
<tr>
<td>– Cross currency interest rate swaps – cash outflow</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other derivative financial instruments (current and non-current)</td>
<td>459</td>
<td>459</td>
<td>580</td>
<td>892</td>
<td>(1,013)</td>
<td>—</td>
</tr>
<tr>
<td>of which hedged</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>– Foreign exchange forwards – cash inflow</td>
<td>459</td>
<td>(144,595)</td>
<td>(36,296)</td>
<td>(76,299)</td>
<td>(32,000)</td>
<td>—</td>
</tr>
<tr>
<td>– Foreign exchange forwards – cash outflow</td>
<td>—</td>
<td>145,357</td>
<td>37,000</td>
<td>78,000</td>
<td>30,356</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>1,256,735</td>
<td>1,327,699</td>
<td>470,746</td>
<td>138,060</td>
<td>671,028</td>
<td>47,865</td>
</tr>
</tbody>
</table>
29.3 Credit risk

The financial assets subject to credit risk are primarily receivables.

Galenica applies internal risk management guidelines to identify concentrations of credit risks.

Galenica’s financial assets are not exposed to a concentration of credit risks.

No past due financial assets have been renegotiated. Based on past experience, Galenica considers the credit-worthiness of not past due trade receivables to be good. Trade receivables past due are analysed on an ongoing basis. These receivables are accounted for using individual bad debt allowances, which are calculated on the basis of past experience.

As collateral for future deliveries, Galenica has accepted bank guarantees and assignment of receivables from various customers; these total CHF 2.1 million (previous year: CHF 2.1 million).

Maturity profile of trade receivables

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross trade receivables</td>
<td>534,041</td>
<td>463,546</td>
</tr>
<tr>
<td>Bad debt allowances</td>
<td>(2,787)</td>
<td>(474)</td>
</tr>
<tr>
<td>Total</td>
<td>531,254</td>
<td>459,072</td>
</tr>
</tbody>
</table>

29.4 Market risks

Interest rate risk

Galenica manages the risk of changes in interest rates by modifying the ratio of fixed to floating-rate liabilities.

Interest rates are managed centrally in order to limit the effects of interest rate fluctuations on the financial result. The Treasury department is responsible for operational risk management in connection with interest rates. The risks are monitored using sensitivity analyses. The management is informed periodically of the current situation. The scenarios for the sensitivity analyses assume a parallel shift of the yield curve across all maturities. This assumption is justified by the weighted distribution of maturities. The effects of interest rate changes on floating-rate financial assets and financial liabilities are recognised in profit or loss and affect the financial result. Galenica does not have any fixed-rate financial liabilities classified as at fair value through profit or loss. For fixed-rate financial liabilities such as the bond and private placements notes, changes in interest rates therefore have no effect on profit or loss.

The financial assets and liabilities subject to interest rate risk are almost exclusively floating-rate current bank deposits, debts and loans. Had the market rate been 50 basis points higher or lower at the reporting date, the consolidated earnings before taxes would remain unchanged as in the previous year. The other comprehensive income would have been CHF 0.2 million higher (previous year: CHF 0.3 million) or CHF 0.1 million lower (previous year: CHF 1.0 million).
Currency risk
The table below shows the unhedged net financial assets and net financial liabilities per currency pair as well as the sensitivity per currency pair to changes in exchange rates for monetary financial assets and monetary financial liabilities.

The sensitivity analysis is based on assumptions of reasonable changes in exchange rates. There are currency risks for all monetary financial assets and liabilities denominated in a different currency to the functional currency. The effect on the consolidated earnings before taxes arises from currency related changes in fair value of monetary financial assets and financial liabilities.

Exchange rate risks of monetary financial instruments and sensitivity analysis

<table>
<thead>
<tr>
<th>Currency Pair</th>
<th>2016 Net Exposure</th>
<th>Sensitivity</th>
<th>Effect on Profit or Loss</th>
<th>2015 Net Exposure</th>
<th>Sensitivity</th>
<th>Effect on Profit or Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR/CHF</td>
<td>(49)</td>
<td>2%</td>
<td>(1)</td>
<td>(10,534)</td>
<td>5%</td>
<td>(527)</td>
</tr>
<tr>
<td>USD/CHF</td>
<td>(1,294)</td>
<td>6%</td>
<td>(78)</td>
<td>(63,405)</td>
<td>7%</td>
<td>(4,438)</td>
</tr>
<tr>
<td>GBP/CHF</td>
<td>3,536</td>
<td>9%</td>
<td>318</td>
<td>(45)</td>
<td>3%</td>
<td>(1)</td>
</tr>
</tbody>
</table>

Other market risks
The values of the securities classified as available for sale which are publicly traded depend on the share price quoted on the corresponding stock exchange. The values of the venture funds recognised as securities classified as available for sale depend on the general market environment and not directly on a share index. A change in value of +/-15% would have had a positive or negative effect of CHF 10.2 million (previous year: +/-15%, +/-CHF 6.2 million) on other comprehensive income.

29.5 Derivative financial instruments

Derivative financial instruments 2016

<table>
<thead>
<tr>
<th>Type of Derivative</th>
<th>Fair Value</th>
<th>Contract Value</th>
<th>Expiry date of contract values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Positive</td>
<td>Negative</td>
<td>up to 3 months</td>
</tr>
<tr>
<td>Foreign exchange forwards</td>
<td>2,141</td>
<td>-</td>
<td>32,640</td>
</tr>
<tr>
<td>Currency instruments</td>
<td>2,141</td>
<td>-</td>
<td>32,640</td>
</tr>
<tr>
<td>Cross currency interest rate swaps</td>
<td>-</td>
<td>25,892</td>
<td>91,500</td>
</tr>
<tr>
<td>Interest instruments</td>
<td>-</td>
<td>25,892</td>
<td>91,500</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>2,141</td>
<td>25,892</td>
<td>124,140</td>
</tr>
</tbody>
</table>

Derivative financial instruments 2015

<table>
<thead>
<tr>
<th>Type of Derivative</th>
<th>Fair Value</th>
<th>Contract Value</th>
<th>Expiry date of contract values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Positive</td>
<td>Negative</td>
<td>up to 3 months</td>
</tr>
<tr>
<td>Foreign exchange forwards</td>
<td>1,259</td>
<td>1,717</td>
<td>147,000</td>
</tr>
<tr>
<td>Currency instruments</td>
<td>1,259</td>
<td>1,717</td>
<td>147,000</td>
</tr>
<tr>
<td>Cross currency interest rate swaps</td>
<td>-</td>
<td>24,645</td>
<td>94,600</td>
</tr>
<tr>
<td>Interest instruments</td>
<td>-</td>
<td>24,645</td>
<td>94,600</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>1,259</td>
<td>26,362</td>
<td>241,600</td>
</tr>
</tbody>
</table>
29.6 Cash flow hedges

Foreign currency hedging
Galenica selectively hedges liabilities and expected cash flows in USD against foreign currency risks by means of foreign exchange forwards. The contract volume amounted to CHF 32.6 million (previous year: CHF 147.0 million) as at the reporting date with a positive fair value of CHF 2.1 million (previous year: negative fair value of CHF 0.5 million).

Foreign currency and interest rate risk hedging (cross currency interest rate swaps)
Galenica entered into cross currency interest rate swaps to hedge foreign currency risks and interest rate risks in connection with the private placement notes issued in USD and GBP. The contract volume amounted to CHF 91.5 million (previous year: CHF 94.6 million) as at the reporting date with a negative fair value of CHF 25.9 million (previous year: negative fair value of CHF 24.6 million).

These cross currency interest rate swaps are deemed to be highly effective. Consequently, the changes in fair value of these derivatives are recognised directly in other comprehensive income (hedge accounting). In 2016, CHF 1.9 million (previous year: CHF 0.3 million) was recognised directly in other comprehensive income.

29.7 Capital management

The objective of capital management at Galenica is to ensure the continuity of operations, increase enterprise value on a sustainable basis, provide an adequate return to investors, provide the financial resources to enable investments in areas that deliver future benefits for patients and customers and further returns to investors.

Galenica defines the capital that it manages as invested interest-bearing liabilities and equity. Galenica uses a system of financial control based on various key performance indicators. Capital is monitored based on the gearing, for example, which expresses net debt as a percentage of shareholders’ equity including non-controlling interests and is communicated regularly to management as part of internal reporting.

Net debt, shareholders’ equity and gearing are shown in the table below.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current financial liabilities</td>
<td>1,795,417</td>
<td>135,992</td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>217,928</td>
<td>518,722</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(180,914)</td>
<td>(422,196)</td>
</tr>
<tr>
<td>Securities</td>
<td>(2,141)</td>
<td>(246)</td>
</tr>
<tr>
<td>Interest-bearing receivables</td>
<td>(9,541)</td>
<td>(8,167)</td>
</tr>
<tr>
<td>Financial assets</td>
<td>(87,279)</td>
<td>(64,971)</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>1,733,470</td>
<td>159,134</td>
</tr>
<tr>
<td>Equity attributable to shareholders of Galenica Ltd.</td>
<td>2,124,353</td>
<td>1,879,093</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>176,677</td>
<td>97,069</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td>2,301,030</td>
<td>1,976,162</td>
</tr>
<tr>
<td><strong>Gearing</strong></td>
<td>75.3 %</td>
<td>8.1 %</td>
</tr>
</tbody>
</table>

1) Excluding non-interest-bearing financial liabilities

Galenica has no covenants requiring a minimum level of equity, nor is it subject to any externally regulated capital requirements as seen in the financial services sector.
30. Share-based payments

Share plan for the Executive Chairman
For his service in the period from 1 January 2012 to 31 December 2016, Etienne Jornod has received a share-based payment in the form of 40,000 registered shares of Galenica Ltd. The shares were measured at fair value at the time of signing the contract (CHF 528.00).

Remuneration for members of the Board of Directors
The members of the Board of Directors receive annual remuneration. The remuneration is a fixed amount which the members can choose to receive in full (100%) or in part (50%) as registered shares of Galenica Ltd. The amount settled in shares is paid out with a discount of 25%. The shares may not be traded for the first five years for tax reasons.

The fair value of the shares granted is equivalent to the amount to be paid out in shares plus the discount of 25%.

Share plan for members of senior management
According to the participation plan, members of senior management receive their performance-related bonus partly in cash and partly in registered shares of Galenica Ltd. The proportion of cash to shares is set out in the regulations and is based on the salary grade of the recipient. In addition, all members of senior management are obliged to hold a number of shares of Galenica Ltd. The amount to be settled in shares is paid out in spring in the form of registered shares of Galenica Ltd. with a discount of 25%. The shares may not be traded for the first five years for tax reasons.

The fair value of the shares granted is equivalent to the amount to be paid out in shares plus the discount of 25%.

Long-term incentive plan (LTI)
Members of the Corporate Executive Committee and certain members of senior management participate in a LTI plan for the allocation of performance units. The number of these performance units is based on the extent to which defined long-term performance targets are attained. A LTI plan always runs for a vesting period of 3 years. At the beginning of each financial year a new LTI plan with a new vesting period of 3 years is issued. At the start of the vesting period a defined number of performance units are individually allocated. The number of performance units allocated is dependent on the defined percentage of the annual salary incorporated into the LTI plan as well as the effective share price at the time of the allocation. At the end of the vesting period performance units are paid out to eligible beneficiaries in the form of registered shares of Galenica Ltd.

1,420 performance units (previous year: 4,357 performance units) were granted to beneficiaries at an average price of CHF 1,473.00 (previous year: CHF 744.50) at the beginning of the reporting period for the 2016 LTI plan.

Employee share plan
Employees of Galenica are entitled to buy a fixed number of registered shares of Galenica Ltd. at a preferential price. All employees who, at the time of the purchase offer, are not under notice and have an employment contract of unlimited duration are entitled to acquire shares.

The purchase price for the registered shares is calculated at the time of the purchase offer based on the average price for the previous month less a 30% discount. The price discount is borne by the employer. The shares may not be traded for the first three years for tax reasons.

In the reporting period, employees purchased 4,894 registered shares of Galenica Ltd. (previous year: 9,478 registered shares) at a price of CHF 913.15 (previous year: CHF 728.60). This includes a price discount of CHF 391.35 (previous year: CHF 312.25) per registered share.
Share-based payment expense

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share plan for the Executive Chairman</td>
<td>3,670</td>
<td>3,670</td>
</tr>
<tr>
<td>Remuneration for members of the Board of Directors</td>
<td>1,600</td>
<td>1,156</td>
</tr>
<tr>
<td>Share plan for members of senior management</td>
<td>7,808</td>
<td>5,712</td>
</tr>
<tr>
<td>Long-term incentive plan (LTI)</td>
<td>4,453</td>
<td>3,357</td>
</tr>
<tr>
<td>Employee share plan</td>
<td>1,915</td>
<td>2,960</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,446</strong></td>
<td><strong>16,855</strong></td>
</tr>
</tbody>
</table>

31. Related party transactions

Related parties include associates, joint ventures, pension funds, members of the Board of Directors of Galenica Ltd., members of the Corporate Executive Committee and major shareholders, as well as the companies controlled by them.

As at the reporting date trade receivables and loans concerning associates and joint ventures amounted to CHF 13.9 million (previous year: CHF 8.6 million). The receivables and loans primarily relate to Coop Vitality. The trade payables to associates and joint ventures amounted to CHF 0.3 million (previous year: CHF 3.5 million) and those to pension funds amounted to CHF 38.0 million (previous year: CHF 5.4 million).

The transactions with associates and joint ventures shown in the table below largely concern transactions with Coop Vitality.

### Related party transactions

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Associates and joint ventures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of goods</td>
<td>120,639</td>
<td>110,177</td>
</tr>
<tr>
<td>Income from services</td>
<td>74</td>
<td>461</td>
</tr>
<tr>
<td>Other income</td>
<td>9,810</td>
<td>3,841</td>
</tr>
<tr>
<td>Purchase of goods</td>
<td>797</td>
<td>598</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>1,432</td>
<td>2,798</td>
</tr>
<tr>
<td>Financial income</td>
<td>159</td>
<td>221</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120,639</strong></td>
<td><strong>110,177</strong></td>
</tr>
<tr>
<td><strong>Other related parties</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of goods</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Income from services</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other income</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of goods</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>78</td>
<td>82</td>
</tr>
<tr>
<td>Financial income</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>78</strong></td>
<td><strong>82</strong></td>
</tr>
</tbody>
</table>

### Remuneration of the Board of Directors and the Corporate Executive Committee

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration</td>
<td>4,582</td>
<td>4,153</td>
</tr>
<tr>
<td>Social security costs and pension expenses</td>
<td>1,603</td>
<td>1,501</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>6,521</td>
<td>6,323</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,706</strong></td>
<td><strong>11,977</strong></td>
</tr>
</tbody>
</table>

During the reporting period, Galenica acquired 936 unrestricted Galenica shares from members of the Board of Directors and the Corporate Executive Committee for a total of CHF 1.4 million (previous year: 228 shares for a total of CHF 0.2 million).
32. Lease liabilities

The table below summarises the maturity profile of lease payments (undiscounted).

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating leases</td>
<td>Finance leases</td>
</tr>
<tr>
<td>Within 1 year</td>
<td>60,490</td>
<td>55</td>
</tr>
<tr>
<td>In 2 to 5 years</td>
<td>169,973</td>
<td>66</td>
</tr>
<tr>
<td>In more than 5 years</td>
<td>45,460</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>275,923</td>
<td>121</td>
</tr>
<tr>
<td>Interest</td>
<td>(6)</td>
<td>–</td>
</tr>
<tr>
<td>Liabilities from finance leases</td>
<td>115</td>
<td>–</td>
</tr>
</tbody>
</table>

Operating leases essentially consist of payment obligations under rental contracts.

33. Contingent liabilities and commitments

Galenica entered into various obligations regarding the purchase of services, goods, and equipment as part of its ordinary business operations.

Galenica has signed purchase agreements to acquire pharmacies in the next few years. The purchase prices will be fixed at the time of transfer of ownership on the basis of net asset value and discounted cash flow. The unrecognised commitments are expected to involve payments of CHF 20.5 million (previous year: CHF 20.1 million) at the most. The purchase rights have an estimated volume of CHF 20.9 million (previous year: CHF 20.5 million). These purchase rights or obligations fall due in 2017.

Galenica signed purchase agreements to acquire property, plant and equipment totalling CHF 1.8 million (previous year: CHF 7.8 million). The payments under these purchase commitments become due in 2017.

Galenica has entered into strategic arrangements with various companies in order to gain access to potential new products. Potential future payments may become due to certain collaboration partners achieving certain milestones as defined in the collaboration agreements. The maximum amount of future commitments for such payments is disclosed in note 18.

Prior to the acquisition by Galenica, Relypsa has signed non-cancelable purchase commitments with contract manufacturers or service providers which serve as commercial manufacturers and suppliers of the active pharmaceutical ingredient for Veltassa and provide manufacturing services in relation to Veltassa. The purchase commitments as at 31 December 2016 amount to USD 241.3 million and fall due in the years 2017 to 2020.

Galenica is subject to a variety of risks depending on the countries in which it operates. These risks include, but are not limited to, risks regarding product liability, patent law, tax law, competition laws and anti-trust laws. A number of Group companies are currently involved in administrative proceedings, legal disputes and investigations relating to their business activities. The results of ongoing proceedings cannot be predicted with certainty. Management has established appropriate provisions for any expenses likely to be incurred. These projections, however, are also subject to uncertainty. Galenica does not expect the results of these proceedings to have a significant impact on the consolidated financial statements.

Furthermore, there are guarantees to third parties of CHF 6.1 million (previous year: CHF 7.7 million). Galenica entered into payment obligations for the purchase of securities available for sale up to a maximum of CHF 19.8 million (previous year: CHF 19.7 million).

There are no unusual pending transactions or risks to be disclosed.
34. Assets pledged to secure own liabilities

No assets were pledged to secure own liabilities (previous year: none).

35. Subsequent events

The following transactions occurred between 31 December 2016 and the date the consolidated financial statements were authorised for publication.

Galenica Santé business unit
Health & Beauty segment

Acquisition of pharmacies. Retail acquired 100% of the interests in pharmacies at various locations in Switzerland. The net assets of these acquisitions will be consolidated for financial year 2017 from the date control was obtained. The purchase consideration amounted to CHF 16.0 million, the fair value of the provisional net assets resulting from these additions was estimated at CHF 5.6 million on the acquisition date.

Services segment

Acquisition of Pharmapool Ltd. On 10 January 2017 Galexis acquired 100% of the shares in the Swiss company Pharmapool Ltd. Pharmapool is a physicians wholesale who supplies and supports medical practices with medicines, consumables, laboratory products and furnishings. The company also manages the Pharmapool central pharmacy.

The purchase consideration amounted to CHF 27.9 million was settled in cash. The fair value of the provisional net assets was estimated at CHF 14.7 million on the acquisition date.

There were no further significant events after the reporting date.
### 36. Group companies

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Registered office</th>
<th>Capital in thousand</th>
<th>Voting rights</th>
<th>Method of consolidation</th>
<th>Share capital in thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspreva International Ltd.</td>
<td>CDN-Victoria</td>
<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
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<td>CH-Bern</td>
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<td>100%&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>Aspreva Pharmaceuticals Inc.</td>
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<td>Cophar Ltd.</td>
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<td>CH-Meyrin</td>
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<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>full</td>
<td>CHF 200</td>
</tr>
<tr>
<td>Fresenius Medical Care Nephrologica Deutschland GmbH</td>
<td>D-Bad Homburg</td>
<td>55%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>55%&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
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<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
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<td>55%&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>Vifor Fresenius Medical Care Renal Pharma België NV</td>
<td>B-Antwerp</td>
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<td>55%&lt;sup&gt;2&lt;/sup&gt;</td>
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<tr>
<td>Vifor Fresenius Medical Care Renal Pharma España SL</td>
<td>E-Palau-Solità i Plegamans</td>
<td>55%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>55%&lt;sup&gt;2&lt;/sup&gt;</td>
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<tr>
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<td>55%&lt;sup&gt;2&lt;/sup&gt;</td>
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<tr>
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<td>55%&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>EUR 10</td>
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<td>55%&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>GBP 1</td>
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<tr>
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<td>100%&lt;sup&gt;2&lt;/sup&gt;</td>
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<tr>
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<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>100%&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>EUR 61</td>
</tr>
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<td>100%&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>EUR 50</td>
</tr>
<tr>
<td>Vifor Pharma España SL</td>
<td>E-Palau-Solità i Plegamans</td>
<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>100%&lt;sup&gt;2&lt;/sup&gt;</td>
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<tr>
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<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
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<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>100%&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>SEK 200</td>
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<tr>
<td>Vifor Pharma Österreich GmbH</td>
<td>A-Vienna</td>
<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>100%&lt;sup&gt;2&lt;/sup&gt;</td>
<td>full</td>
<td>EUR 100</td>
</tr>
<tr>
<td>Vifor Pharma Participations Ltd.</td>
<td>CH-Bern</td>
<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>100%&lt;sup&gt;2&lt;/sup&gt;</td>
<td>full</td>
<td>CHF 1,000</td>
</tr>
<tr>
<td>Vifor Pharma Participations 2 Ltd.</td>
<td>CH-St. Gallen</td>
<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
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<td>full</td>
<td>CHF 1,000</td>
</tr>
<tr>
<td>Vifor Pharma US Participations Inc.</td>
<td>USA-Delaware</td>
<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>100%&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>USD 0</td>
</tr>
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<td>100%&lt;sup&gt;1&lt;/sup&gt;</td>
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<td>RON 258</td>
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<td>100%&lt;sup&gt;2&lt;/sup&gt;</td>
<td>full</td>
<td>GBP 36</td>
</tr>
</tbody>
</table>

<sup>1</sup> Directly held by Galenica Ltd.
<sup>2</sup> Indirectly held by Galenica Ltd.
## Galenica Santé

### Products & Brands

<table>
<thead>
<tr>
<th>Company</th>
<th>Registered office</th>
<th>Capital</th>
<th>Voting rights</th>
<th>Method of consolidation</th>
<th>Share capital in thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>G-Pharma AG</td>
<td>CH-Niederbipp</td>
<td>100%</td>
<td>100%</td>
<td>full</td>
<td>CHF 100</td>
</tr>
<tr>
<td>Swiss Pharma GmbH</td>
<td>D-Rützheim</td>
<td>100%</td>
<td>100%</td>
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<td>EUR 51</td>
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<td>Vifor Consumer Health Ltd.</td>
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<td>100%</td>
<td>100%</td>
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<td>CHF 100</td>
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</table>

### Retail

<table>
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<tr>
<th>Company</th>
<th>Registered office</th>
<th>Capital</th>
<th>Voting rights</th>
<th>Method of consolidation</th>
<th>Share capital in thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amavita GmbH</td>
<td>CH-Bern</td>
<td>100%</td>
<td>100%</td>
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<tr>
<td>Amavita Health Care Ltd.</td>
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<tr>
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<td>100%</td>
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<tr>
<td>Bahnhof Apotheken Thun AG</td>
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<td>50%</td>
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<td>49%</td>
<td>49%</td>
<td>at equity</td>
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<tr>
<td>Coop Vitality Health Care GmbH</td>
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<td>49%</td>
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<td>Coop Vitality Management AG</td>
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<td>49%</td>
<td>at equity</td>
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<td>Distripharm SA</td>
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<td>Grosse Apotheke Dr. G. Bichsel AG</td>
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### Services

<table>
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<tr>
<th>Company</th>
<th>Registered office</th>
<th>Capital</th>
<th>Voting rights</th>
<th>Method of consolidation</th>
<th>Share capital in thousand</th>
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<tbody>
<tr>
<td>1L Logistics AG</td>
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<td>Dauf SA</td>
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<td>88.8%</td>
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<tr>
<td>e-prica AG</td>
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<td>100%</td>
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<td>Medifilm Ltd.</td>
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<td>100%</td>
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<td>Triamed Ltd.</td>
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### Corporate

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<th>Share capital in thousand</th>
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<tr>
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<td>GB-British Virgin Islands</td>
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### Pension funds

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<tr>
<td>GaleniCare Pension Fund</td>
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1 Directly held by Galenica Ltd.
2 Indirectly held by Galenica Ltd.
Statutory auditor’s report on the audit of the consolidated financial statements to the General Meeting of Galenica Ltd., Bern

Opinion
We have audited the consolidated financial statements of Galenica Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 103 to 166) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Impairment risk of goodwill and other intangibles

Risk
As disclosed in note 18, goodwill amounts to CHF 1,749.9 million as at 31 December 2016 and represents a major asset of Galenica. In addition, Galenica recorded intangible assets with indefinite useful lives with a carrying amount of CHF 125.7 million. According to note 18, both goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually.

Procedures over management’s annual impairment test were significant to our audit, because the assessment process is complex and the test requires estimates. Galenica makes assumptions in respect of future market and economic conditions, such as economic growth, expected inflation rates, demographic developments, expected market share, revenue and margin development.
Our audit response
We assessed and tested, amongst others, the assumptions, weighted average cost of capital (WACC), methodologies and technical input parameters used by Galenica. We involved our internal valuation specialists to assist us with these audit procedures. In addition, we assessed the cash flow projections for all cash generating units (CGUs). These procedures included an assessment of the historical accuracy of management’s estimates and evaluation of business plans. In particular, we focused on the sensitivity in the available headroom of CGUs and whether changes in assumptions as described in note 18 could cause the carrying amount to exceed its recoverable amount.

Complexity in recognition of intangible assets

Risk
As explained in note 18, Galenica entered into various in-licensing agreements to obtain the marketing and commercialisation rights of specific pharmaceutical products. Some of the licenced products are still in the clinical development phase and therefore do not yet have the regulatory approvals for prescription.

Procedures over the recognition of intangible assets were significant to our audit due to the complexity of the licence contracts. The underlying contracts include deferred payment terms for licence payments as well as milestone payments that are contingent on future developments. The total amount of licence payments recognised as intangible assets in 2016 was CHF 218.6 million.

Our audit response
We analysed the relevant licence contracts and assessed the recognition criteria. In particular, we tested whether Galenica’s accounting policy regarding the recognition of intangible assets was applied consistently. In case of deferred payment terms, we evaluated the computation of the net present value of the payments. For milestone payments that are contingent on future developments, we compared the consistency of Galenica’s estimates with forecasts and other planning figures.

Significance and volatility of employee benefits

Risk
As outlined in note 25, the vast majority of Galenica’s employees work in Switzerland. In accordance with the legal provisions, they are insured with pension funds that are financed by Galenica and the employees (funded plans). The pension plans cover the risks of the economic consequences of old age, disability and death in accordance with the Swiss Federal Act of Occupational Old Age, Survivors’ and Invalidity Pension Fund (BVG/LPP).

Procedures over defined benefit plans and related costs were significant to our audit due to the significance of the net defined benefit obligation combined with the subjectivity and sensitivity of the key parameters used in the pension plan calculations.

The defined benefit plans in Switzerland give rise to a net defined benefit obligation of CHF 65.9 million as at 31 December 2016. Key actuarial parameters used in the calculation of the pension plan obligation are the discount rate, inflation rate and the applied indexation.

Our audit response
Our procedures included, amongst others, evaluating the actuarial and demographic assumptions and valuation methodologies used by the Group to assess Galenica’s pension obligations. We compared these assumptions with underlying data from Galenica and external sources. We assessed whether the assumptions were applied consistently and involved our internal pension experts to assist us in these procedures. We tested management’s controls over payroll data and compared the basic data used in the actuarial models to the payroll data of the Group.
Acquisition of Relypsa, Inc.

Risk
As outlined in note 6, Galenica acquired 100% of the issued share capital and control of Relypsa, Inc. for an overall purchase consideration of USD 1,483.5 million.

The acquisition of Relypsa was significant to our audit due to the financial magnitude of the transaction and due to significant judgments and assumptions involved in the recognition and measurement of the acquired assets and assumed liabilities for Relypsa. As a result of the acquisition of Relypsa, goodwill of USD 631.1 million and other intangibles (product Veltassa) of USD 1,050.0 million were recognised. The goodwill was allocated to the CGU Vifor Pharma.

Our audit response
We audited the purchase price allocation (PPA) with regard to the acquisition of Relypsa. This included an analysis of the fair value of the identifiable assets acquired and liabilities assumed supporting the purchase price allocation as at the acquisition date.

We assessed, amongst others, the valuation and accounting for the purchase consideration, audited the identification and valuation of the assets and liabilities acquired, assessed the valuation of Veltassa, including the underlying assumptions such as discount and growth rates, and assessed the accounting treatment and the disclosures made. We involved our internal valuation specialists to assist us with the valuation of other intangibles to evaluate the methods used (recoverable amount determined based on value-in-use calculations) and assumptions made by management, such as discount and growth rates. We included internal tax specialists on our team for the assessment of deferred taxes. In addition, we visited Relypsa in the United States, where we met with local management, as part of our audit procedures. Furthermore, we evaluated Galenica’s disclosure in Note 6.

Other information in the annual report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the compensation report and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Auditor’s responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements
In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Bern, 10 March 2017

Ernst & Young Ltd.

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Julian Fiessinger
Licensed audit expert
**Financial statements 2016**

<table>
<thead>
<tr>
<th>Page</th>
<th>Description</th>
</tr>
</thead>
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<td>172</td>
<td>Statement of income of Galenica Ltd.</td>
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<tr>
<td>173</td>
<td>Statement of financial position of Galenica Ltd.</td>
</tr>
<tr>
<td>174</td>
<td>Notes to the financial statements of Galenica Ltd.</td>
</tr>
<tr>
<td>178</td>
<td>Report of the statutory auditor on the financial statements to the General Meeting of Galenica Ltd., Bern</td>
</tr>
</tbody>
</table>
### Statement of income of Galenica Ltd.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>138,900</td>
<td>192,028</td>
</tr>
<tr>
<td>Financial income</td>
<td>281,474</td>
<td>138,776</td>
</tr>
<tr>
<td>Other income</td>
<td>34,669</td>
<td>40,778</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td>455,043</td>
<td>371,582</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>(22,686)</td>
<td>(24,173)</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>(19,741)</td>
<td>(32,695)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(16,118)</td>
<td>(2,251)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(9,506)</td>
<td>(7,562)</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>(68,051)</td>
<td>(66,681)</td>
</tr>
<tr>
<td><strong>Profit for the year before taxes</strong></td>
<td>386,992</td>
<td>304,901</td>
</tr>
<tr>
<td>Direct taxes</td>
<td>(123)</td>
<td>(123)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>386,869</td>
<td>304,778</td>
</tr>
</tbody>
</table>
Statement of financial position of Galenica Ltd.

**Assets**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>91,730</td>
<td>329,110</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Third parties</td>
<td>4,366</td>
<td>295</td>
</tr>
<tr>
<td>- Group companies</td>
<td>306,358</td>
<td>17,287</td>
</tr>
<tr>
<td>Prepaid expenses and accrued income</td>
<td>2,190</td>
<td>5,531</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>23%</td>
<td>404,644</td>
</tr>
<tr>
<td>Financial assets</td>
<td>874,992</td>
<td>905,117</td>
</tr>
<tr>
<td>Investments</td>
<td>469,214</td>
<td>347,757</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>32</td>
<td>40</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>168</td>
<td>71</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td>77%</td>
<td>1,344,406</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td>100%</td>
<td>1,749,050</td>
</tr>
</tbody>
</table>

**Liabilities and shareholders’ equity**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term interest-bearing liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Third parties</td>
<td>300,000</td>
<td>51,718</td>
</tr>
<tr>
<td>- Group companies</td>
<td>15,468</td>
<td>91,042</td>
</tr>
<tr>
<td>Other short-term liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Third parties</td>
<td>3,925</td>
<td>810</td>
</tr>
<tr>
<td>- Group companies</td>
<td>7</td>
<td>1,252</td>
</tr>
<tr>
<td>Accrued expenses and deferred income</td>
<td>11,070</td>
<td>11,575</td>
</tr>
<tr>
<td><strong>Short-term liabilities</strong></td>
<td>19%</td>
<td>330,470</td>
</tr>
<tr>
<td>Long-term interest-bearing liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Third parties</td>
<td>214,058</td>
<td>514,158</td>
</tr>
<tr>
<td><strong>Long-term liabilities</strong></td>
<td>12%</td>
<td>214,058</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>31%</td>
<td>544,528</td>
</tr>
<tr>
<td>Share capital</td>
<td>650</td>
<td>650</td>
</tr>
<tr>
<td>Legal retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- General legal retained earnings</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>- Reserve for treasury shares</td>
<td>7,100</td>
<td>12,200</td>
</tr>
<tr>
<td>Voluntary retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Free reserve</td>
<td>768,900</td>
<td>576,800</td>
</tr>
<tr>
<td>- Profit brought forward</td>
<td>1,003</td>
<td>225</td>
</tr>
<tr>
<td>- Profit for the year</td>
<td>386,869</td>
<td>304,778</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td>69%</td>
<td>1,204,522</td>
</tr>
<tr>
<td><strong>Liabilities and shareholders’ equity</strong></td>
<td>100%</td>
<td>1,749,050</td>
</tr>
</tbody>
</table>
Notes to the financial statements of Galenica Ltd.

Principles
The financial statements of Galenica Ltd. with registered office in Bern, Switzerland have been prepared in accordance with Article 957 et seqq. of Title 32 of the revised Accounting law based on the Swiss Code of Obligations. Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Financial income
Financial income was positively affected by the revaluation of investments and intercompany loans of CHF 244.1 million (previous year: CHF 83.5 million).

Investments in subsidiaries and associates
The list of the investments is shown on pages 165 and 166.

Financial assets
Financial assets include long-term loans to Group companies of CHF 873.2 million (previous year: CHF 903.3 million) and other financial assets of CHF 1.8 million (previous year: CHF 1.8 million).

Long-term interest-bearing liabilities
The interest-bearing liabilities are recognised at nominal value.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank debts</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Bond 2.5% (27 October 2010–27 October 2017) ISIN CH0118480059[^1]</td>
<td>—</td>
<td>300,000</td>
</tr>
<tr>
<td>Private placement (notes)</td>
<td>114,058</td>
<td>114,058</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>—</td>
<td>100</td>
</tr>
<tr>
<td><strong>Long-term interest-bearing liabilities</strong></td>
<td><strong>214,058</strong></td>
<td><strong>514,158</strong></td>
</tr>
</tbody>
</table>

[^1]: Reclassified to short-term interest-bearing liabilities

Derivative financial instruments
Galenica selectively hedges liabilities and expected cash flows in USD against foreign currency risks by means of foreign exchange forwards. The contract volume amounted to CHF 32.6 million (previous year: CHF 147.0 million) as at 31 December 2016 with a positive fair value of CHF 2.1 million (previous year: negative fair value of CHF 0.5 million).

Galenica entered into cross currency interest rate swaps to hedge foreign currency risks and interest rate risks in connection with the private placement notes issued in USD and GBP. The contract volume amounted to CHF 91.5 million (previous year: CHF 94.6 million) as at 31 December 2016 with a negative fair value of CHF 25.9 million (previous year: negative fair value of CHF 24.6 million).

Share capital
At 31 December 2016, the share capital of Galenica amounted to CHF 650,000, divided into 6,500,000 publicly listed registered shares with nominal value of CHF 0.10 each.

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 28 April 2018 by issuing not more than 650,000 registered shares.

Subordinated loans
At the end of 2016, subordinated loans to Group companies amounted to CHF 232.9 million (previous year: CHF 97.4 million).
Contingent liabilities
At the end of 2016, total contingent liabilities amounted to CHF 2,815.8 million (previous year: CHF 368.6 million), including a guarantee of CHF 1,450.0 million related to the bridge loan for the acquisition of Relypsa and CHF 5.6 million (previous year: CHF 7.7 million) for guarantees to other third parties. In addition, Galenica issued guarantees to Group companies of CHF 1,175.8 million (previous year: CHF 176.6 million) as well as CHF 184.4 million (previous year: CHF 184.3 million) for guarantees to secure intraday transactions in connection with the zero balance cash pooling.

Treasury shares
Galenica registered shares owned by subsidiaries:

<table>
<thead>
<tr>
<th>As at 31 December 2014</th>
<th>Number in CHF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in CHF</td>
</tr>
<tr>
<td>1st quarter 2015</td>
<td></td>
</tr>
<tr>
<td>– Bought</td>
<td>2,907</td>
</tr>
<tr>
<td>– Sold</td>
<td>(4,531)</td>
</tr>
<tr>
<td>2nd quarter 2015</td>
<td></td>
</tr>
<tr>
<td>– Bought</td>
<td>4,797</td>
</tr>
<tr>
<td>– Sold</td>
<td>(4,297)</td>
</tr>
<tr>
<td>3rd quarter 2015</td>
<td></td>
</tr>
<tr>
<td>– Bought</td>
<td>2,588</td>
</tr>
<tr>
<td>– Sold</td>
<td>(744)</td>
</tr>
<tr>
<td>4th quarter 2015</td>
<td></td>
</tr>
<tr>
<td>– Bought</td>
<td>10,151</td>
</tr>
<tr>
<td>– Sold</td>
<td>(10,133)</td>
</tr>
<tr>
<td></td>
<td>22,398</td>
</tr>
<tr>
<td></td>
<td>10,085,645</td>
</tr>
<tr>
<td>As at 31 December 2015</td>
<td></td>
</tr>
<tr>
<td>1st quarter 2016</td>
<td></td>
</tr>
<tr>
<td>– Bought</td>
<td>9,850</td>
</tr>
<tr>
<td>– Sold</td>
<td>(6,762)</td>
</tr>
<tr>
<td>2nd quarter 2016</td>
<td></td>
</tr>
<tr>
<td>– Bought</td>
<td>2,723</td>
</tr>
<tr>
<td>– Sold</td>
<td>(4,422)</td>
</tr>
<tr>
<td>3rd quarter 2016</td>
<td></td>
</tr>
<tr>
<td>– Bought</td>
<td>959</td>
</tr>
<tr>
<td>– Sold</td>
<td>(5,322)</td>
</tr>
<tr>
<td>4th quarter 2016</td>
<td></td>
</tr>
<tr>
<td>– Bought</td>
<td>2,804</td>
</tr>
<tr>
<td>– Sold</td>
<td>—</td>
</tr>
<tr>
<td>As at 31 December 2016</td>
<td></td>
</tr>
<tr>
<td></td>
<td>23,136</td>
</tr>
<tr>
<td></td>
<td>12,123,095</td>
</tr>
</tbody>
</table>

The treasury shares are reserved for share-based payments to employees.

Major shareholders

<table>
<thead>
<tr>
<th>As at 31 December 2016</th>
<th>Number of registered shares</th>
<th>% of share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patinex AG, Switzerland and BZ Bank Aktiengesellschaft, Switzerland(^1)((^2))</td>
<td>1,122,351</td>
<td>17.3</td>
</tr>
<tr>
<td>– of which with voting rights</td>
<td>325,000</td>
<td>5.0</td>
</tr>
<tr>
<td>Sprint Investments 2 GmbH, Switzerland(^7)</td>
<td>626,172</td>
<td>9.6</td>
</tr>
<tr>
<td>Priora Projekt AG, Switzerland(^4)</td>
<td>534,500</td>
<td>8.2</td>
</tr>
<tr>
<td>BNP PARIBAS SA, France</td>
<td>215,249</td>
<td>3.3</td>
</tr>
<tr>
<td>Alecta pensionsförsäkring, Sweden</td>
<td>210,000</td>
<td>3.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As at 31 December 2015</th>
<th>Number of registered shares</th>
<th>% of share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sprint Investments 2 GmbH, Switzerland(^7)</td>
<td>1,656,172</td>
<td>25.5</td>
</tr>
<tr>
<td>– of which with voting rights</td>
<td>1,300,000</td>
<td>20.0</td>
</tr>
<tr>
<td>Patinex AG, Switzerland and BZ Bank Aktiengesellschaft, Switzerland(^1)((^2))</td>
<td>1,065,369</td>
<td>16.4</td>
</tr>
<tr>
<td>– of which with voting rights</td>
<td>325,000</td>
<td>5.0</td>
</tr>
<tr>
<td>Alecta pensionsförsäkring, Sweden</td>
<td>210,000</td>
<td>3.2</td>
</tr>
<tr>
<td>BNP PARIBAS SA, France</td>
<td>205,284</td>
<td>3.2</td>
</tr>
</tbody>
</table>

\(^1\) Options not considered
\(^2\) Beneficial owners: Martin and Rosmarie Ebner, Switzerland
\(^3\) Beneficial owners: Stefano Pessina, Monaco and Kohlberg Kravis Roberts & Co. L.P., USA
\(^4\) Beneficial owners: Remo and Manuela Stoffel, Switzerland

No other shareholder has announced a crossing of the 3\% threshold of registered shares.
Full-time equivalents
The average number of full-time equivalents for the reporting period amounted to 40 (previous year: 41).

Net release of hidden reserves
The group-internal restructuring due to the preparation of Galenica Santé’s IPO as for example the revaluation of intercompany loans resulted in a net release of hidden reserves of CHF 177.6 million (previous year: none).

Shareholdings of the members of the Board of Directors and the members of the Corporate Executive Committee

Shareholdings of the members of the Board of Directors

| Number of registered shares | Registered shares | | Registered shares | |
|----------------------------|-------------------|------------------|-------------------|
| Etienne Jornod, Executive Chairman | 20,050 | 8,000 | 20,518 | — |

| Shares of the executive member of the Board of Directors | 20,050 | 8,000 | 20,518 | — |

| Daniela Bosshardt-Hengartner | 1,008 | 191 | 937 | 71 |
| Michel Burnier | 542 | 90 | 616 | 63 |
| Romeo Cerutti | 38 | 155 | — | 38 |
| Marc de Garidel | 71 | 179 | — | 71 |
| Hans Peter Frick (until Annual General Meeting 2016) | — | 24 | 963 | 62 |
| Sylvie Grégoire | 293 | 72 | 231 | 62 |
| Fritz Hirbrunner | 6,448 | 155 | 6,333 | 115 |
| Stefano Pessina | 1,975 | 131 | 1,878 | 97 |
| This E. Schneider | 3,670 | 203 | 3,520 | 150 |

Shares of the non-executive members of the Board of Directors

| Shares of the non-executive members of the Board of Directors | 14,045 | 1,200 | 14,478 | 729 |

| Shares of the members of the Board of Directors | 34,095 | 9,200 | 34,996 | 729 |

Registered shares held by related parties of members of the Board of Directors are included in the declaration of the number of shares they hold.

Shareholdings of the members of the Corporate Executive Committee

<table>
<thead>
<tr>
<th>Number of registered shares</th>
<th>Held as at 31.12.2016</th>
<th>Held as at 31.12.2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Felix Burkharder</td>
<td>911</td>
<td>843</td>
</tr>
<tr>
<td>Jean-Claude Clémençon</td>
<td>488</td>
<td>549</td>
</tr>
<tr>
<td>Jörg Kneubühler</td>
<td>672</td>
<td>826</td>
</tr>
<tr>
<td>Gianni Zampieri</td>
<td>3,598</td>
<td>4,376</td>
</tr>
</tbody>
</table>

Registered shares held by related parties of members of the Corporate Executive Committee are included in the disclosed numbers.

Information relating to the number and value of participations rights of the members of the Board of Directors and the members of the Corporate Executive Committee are disclosed in the Remuneration Report (pages 85 to 88). In 2016, 226 performance share units with fair value at grant date of CHF 332,456 have been allocated to other employees of Galenica Ltd.
Shareholders’ equity

Shareholders’ equity developed as follows:

<table>
<thead>
<tr>
<th>in thousand CHF</th>
<th>Share capital</th>
<th>General legal retained earnings</th>
<th>Reserve for treasury shares</th>
<th>Free reserve</th>
<th>Available earnings</th>
<th>Shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 31 December 2014</td>
<td>650</td>
<td>40,000</td>
<td>10,100</td>
<td>485,900</td>
<td>(93,000)</td>
<td>727,375</td>
</tr>
<tr>
<td>Transfer to free reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>93,000</td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(97,500) (97,500)</td>
</tr>
<tr>
<td>Adjustment to the reserve for treasury shares</td>
<td>2,100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(2,100)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>304,778</td>
</tr>
<tr>
<td>As at 31 December 2015</td>
<td>650</td>
<td>40,000</td>
<td>12,200</td>
<td>576,800</td>
<td>305,003</td>
<td>934,653</td>
</tr>
<tr>
<td>Transfer to free reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>187,000</td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(117,000) (117,000)</td>
</tr>
<tr>
<td>Adjustment to the reserve for treasury shares</td>
<td>(5,100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,100</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>386,869</td>
</tr>
<tr>
<td>As at 31 December 2016</td>
<td>650</td>
<td>40,000</td>
<td>7,100</td>
<td>768,900</td>
<td>387,872</td>
<td>1,204,522</td>
</tr>
</tbody>
</table>

Appropriation of available earnings for the year ending 31 December

At the Annual General Meeting of shareholders as at 11 May 2017, the Board of Directors will propose the following appropriation of available earnings:

<table>
<thead>
<tr>
<th>in CHF</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance brought forward</td>
<td>1,002,846</td>
<td>224,874</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>386,868,616</td>
<td>304,777,972</td>
</tr>
<tr>
<td>Available earnings</td>
<td>387,871,462</td>
<td>305,002,846</td>
</tr>
</tbody>
</table>

Appropriation of available earnings

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer to free reserve</td>
<td>(257,000,000)</td>
<td>(187,000,000)</td>
</tr>
<tr>
<td>Dividends per share CHF 20.00 (2015: CHF 18.00)</td>
<td>(130,000,000)</td>
<td>(117,000,000)</td>
</tr>
<tr>
<td>Balance to be carried forward</td>
<td>871,462</td>
<td>1,002,846</td>
</tr>
</tbody>
</table>
Report of the statutory auditor on the financial statements
to the General Meeting of Galenica Ltd., Bern

As statutory auditor, we have audited the financial statements of Galenica Ltd., which comprise the balance sheet, income statement and notes (pages 172 to 177), for the year ended 31 December 2016.

Board of Directors’ responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company’s articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the company’s articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.
Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company’s articles of incorporation.

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

Bern, 10 March 2017

Ernst & Young Ltd.

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Julian Fiessinger
Licensed audit expert
Glossary – Specialised terms and expressions used by Galenica

A

A-Derma
Innovative, plant-based dermo-cosmetic brand based on the unique active substance Rhealba® oat.

AFFIRM
Vifor Pharma’s study to compare Ferric Carboxymaltose with placebo in patients with acute heart failure and iron deficiency (Affirm-AHF).

AHA (American Heart Association)
Annual conference of the American Heart Association.

AIPS – Drug information publication system
Official Swissmedic drug information publication platform (Arzneimittelinformation Publikationsplattform Swissmedic).

Algfor®
The leading ibuprofen-based OTC analgesic in Switzerland; developed and sold by Vifor Pharma.

AllergyCheck
Service provided by Amavita and Coop Vitality: in just 20 minutes, customers receive a personal allergy profile for the ten most common respiratory allergy triggers.

ALOX®
An anti-nausea therapeutic medicine for the prevention of acute nausea and vomiting associated with highly emetogenic cancer chemotherapy and the prevention of nausea and vomiting associated with moderately emetogenic cancer chemotherapy, in paediatric patients one month of age and older.

Amavita partnership
Franchise system developed by GaleniCare for pharmacists wishing to enjoy the benefits of the Amavita network while retaining their independence.

Anaemia, anaemic
A deficiency of red blood cells or haemoglobin in the bloodstream, frequently caused by iron deficiency.

Anti-Brumm®
The leading insect repellent spray and lotion in Switzerland, also widely sold in other European countries; a proprietary product of Vifor Pharma.

Audit
Investigation of processes with regard to compliance with requirements and guidelines. The examination is carried out by an external expert such as an FDA inspector or by a representative of an accredited auditing company such as SGS.

Autoimmune disease
The general term for diseases caused by an over-reaction of the immune system to the body’s own tissues. In such conditions, the immune system mistakenly perceives the body’s own tissues to be foreign bodies that need to be attacked. This leads to acute inflammation reactions that result in damage to the affected organs.

B

Blister pack
A type of packaging that allows the customer to see the packaged product (see-through packaging).

Blister packaging
Packaging of medications in portions arranged in rows – like a rolled film strip; service offered by Medifilm to care homes. Increases safety in taking medications, improves therapy compliance and decreases the workload of staff in care homes.

Broncho-Vaxom®
Biotech drug for the prevention and alleviation of respiratory tract infections; developed and marketed by OM Pharma.

C

Carbon Disclosure Project (CDP)
An international, non-profit organisation providing companies and cities with the aim of CDP is to encourage as many companies as possible to publish data on their impact on the environment and natural resources.

Cardiology
The branch of medicine dealing with the heart and cardiovascular diseases.

CardioSnip
Patch worn on the body to measure physical and mental stress. The measurement is then evaluated by an app.

CardioTest®
A cardiovascular check-up and individual risk profile (heart passport) offered by GaleniCare in its pharmacies in cooperation with the Swiss Heart Foundation.

Care management
A form of organised assistance given to employees to meet their individual needs in the event of inability to work due to illness or injury.

CCX140
An orally-administered inhibitor of the chemokine receptor known as CCR2, for renal diseases. CCX140 has previously completed a successful Phase II clinical trial in patients with diabetic kidney disease.

CCX168
A complement 5α inhibitor ready for Phase III development for orphan and rare renal diseases.

CellCept®
A drug developed by Roche for the treatment of rejection reactions following organ transplants. Vifor Pharma holds the global rights (excluding Japan) to develop and market this drug for all applications involving autoimmune diseases.

Certified general pharmacist
Pharmacist who manages or works in a dispensary.

Change management
All tasks, actions and activities designed to bring about comprehensive and radical change in a company in order to implement new strategies, structures, etc.

Chronic kidney disease (CKD)
A slow, progressive loss of renal function, over months or years.

Chronic obstructive pulmonary disease (COPD)
Collective term for a group of pulmonary diseases. Sometimes referred to colloquially as “smoker’s lung”.

CIS
Clinical Information System: a module that supports electronic drug prescription in hospitals on the basis of hospINDEX® data.

Climate disclosure scoring
Indicates the completeness of reporting to the Carbon Disclosure Project and the usefulness of the data.

Clinical development/clinical studies
Trials carried out as part of the development process for new drugs in which the drugs are extensively tested as to their efficacy and safety. The clinical study programme is broken down into several phases.

CMS (content management system)
The development and digital management of content from initial creation to archiving or deletion.

Code of Conduct
A collection of the principles of conduct that are to be followed in specific situations and consequently promote uniform conduct by groups of individuals within the corporation.

Cognitive disorder
Disruption of the processing of sensory impressions (as in hyperactivity) that may lead to learning difficulties, inattentiveness, etc.

COMCO
The Swiss Competition Commission.
Comité des Jeunes
A Galenica advisory committee composed of young staff members from the Galenica Group.

Committee for Medicinal Products for Human Use (CHMP)
Committee for Medicinal Products for Human Use (CHMP) at the European Medicines Agency (EMA). The CHMP prepares the opinions of the EMA and deals with the approval and risk assessment of medicines that are used to treat humans and that require EU-wide approval.

CompendiumPORTAL
New editorial system for the Swiss Drug Compendium (Arzneimittel-Kompendium der Schweiz®); developed and distributed by HCI Solutions.

Compliance
The willingness of patients to follow medical instructions. With regard to taking medications, following a diet or making lifestyle changes, compliance is particularly important for individuals suffering from chronic diseases or psychological disorders.

Consumer Healthcare Products
Non-pharmaceutical healthcare products sold directly to the consumer in pharmacies and drugstores (OTC), for example Anti-Brum®.

Corporate Management Development (CMD)
CMD includes all the staff development activities that Galenica offers to employees and managerial staff.

Cystic fibrosis
Also known as mucoviscidosis, this is a congenital metabolic disease that causes chronic coughing and frequent lung infections due to viscous mucus in the bronchial tubes.

Cytostatics
Naturally occurring or artificially produced substances that inhibit cell growth and division. Used primarily in the treatment of cancer (chemotherapy) or autoimmune diseases.

Dicynone®
Synthetic drug for the prevention and treatment of capillary haemorrhages, a circulatory disorder; developed and marketed by OM Pharma.

Direct Healthcare Professional Communication (DHPC)
Risk information provided to medical professionals.

Docupass
Docupass is a care dossier containing details of personal preferences, needs, requirements and requests covering illness, healthcare, dying and death, offered by Coop Vitality in collaboration with Pro Senectute.

Doxium®
Synthetic drug to normalise capillary permeability and improve venous blood flow; developed and marketed by OM Pharma.

DRG (Diagnosis Related Groups)
Economic and medical classification system used to determine flat-rate payments for hospital treatment.

E

ECCO (European Crohn’s and Colitis Organisation)
European organisation for Crohn’s disease and ulcerative colitis (inflammation of the colon).

EDI
Federal Department of Home Affairs (Eidgenössisches Departement des Innern).

EFFECT study Ferinject®
Study of the effects of intravenously administered iron on the mobility and quality of life of patients with chronic heart failure and iron deficiency.

eHealth
A general term for IT-supported networking efforts in the healthcare industry.

EMA (European Medicines Agency)
Agency responsible for the assessment and monitoring of medications in the European Union. Plays a central role in the authorisation of medications in the European Union and the member states of the European Economic Area. The European Commission approves or rejects marketing authorisation applications based on the EMA’s scientific evaluation.

eMedication
Electronic access for doctors, pharmacies and hospitals to a platform containing information on medication for patients.

EPO (erythropoietin)
A hormone that promotes the formation of red blood cells. Classified as an erythropoiesis-stimulating agent (ESA).

ERA-EDTA (European Renal Association and European Dialysis and Transplant Association)
The association of European kidney specialists, thus an association of physicians with over 7,000 members.

ERP (Enterprise Resource Planning)
Planning and managing resources such as capital, personnel, equipment, material, information and communication technology and IT systems in a timely and appropriate manner, in line with the company’s purpose. SAP is one example of such an ERP system.

ERS (European Respiratory Society)
Society which researches respiratory diseases and promotes lung health.

Erythropoiesis
Process by which red blood cells (erythrocytes) are produced.

ESA (erythropoiesis-stimulating agents)
Group of hormones that promote the formation of red blood cells, the most important of which is EPO (erythropoietin).

E-vaccination card
The Coop Vitality digital vaccination card provides secure access to your own vaccination data and can be programmed to inform the holder when vaccinations need to be renewed.

EVE (EVEnts)
A series of professional development events for members of the senior management (MDI) of the Galenica Group, organised within the framework of the company’s Corporate Management Development (CMD) programme.

Excilor®
Liquid/roller to treat fungal nail infections. Excilor® is available as a handy applicator pen and in a solution bottle with brush.

Extended-release form
A dosage form in which the pharmaceutical substance is released slowly over an extended period.

F

FAB (management training)
A series of management-based professional development courses for members of the Galenica Group’s senior management (MDI) and management (MKA), offered within the framework of the company’s Corporate Management Development (CMD) programme.
FAIR-HF study
Ferinject® Assessment in patients with Iron deficiency and chronic Heart Failure; a major, multi-centre, randomised, double-blind, placebo-controlled study that examined whether correction of iron deficiency with Ferinject® could improve patient health.

FCOS (Federal Coordination Commission for Occupational Safety)
Central information and coordination authority for occupational safety and health. Coordinates preventive measures, responsible for enforcement and the uniform application of regulations in Switzerland.

FDA (Food and Drug Administration)
US food supervision and drug regulation authority, responsible for protecting public health in the USA.

Ferinject®/Ferric carboxymaltose (FCM)
An innovative iron replacement product for the intravenous treatment of iron deficiency; developed and produced by Vifor Pharma. FCM: Ferric carboxymaltose (Ferinject®), a novel iron complex that consists of a ferric hydroxide core stabilised by a carbohydrate shell, allows for controlled delivery of iron to target tissues. Administered intravenously, it is effective in the treatment of iron-deficiency anaemia, delivering a replenishment dose of up to 1,000 mg of iron during a minimum administration time of 15 minutes.

Film-coated tablet
A tablet coated with only a single thin film. Unlike a sugar-coated tablet, a film-coated tablet is coated with a polymer rather than sugar.

FPH
FPH, which stands for Foederatio Pharmaceutica Helvetiae (Swiss Association of Pharmacists), is also a professional title used in general and clinical pharmacy in Switzerland that is analogous to the FMH title for physicians.

FPL
galdat®
A commercial and scientific database of around 200,000 pharmaceutical and non-pharmaceutical products. It includes reference data in a standardised and uniform structure for all IT systems in the Swiss healthcare industry for pharmacies, physicians, hospitals and health insurers; galdat® forms the basis of all Index products. Developed and sold by HCI Solutions.

GALecoline®
The brand name of a line of products from Galexis.

Galenics
Pharmaceutical technology for preparing the dosage form of medications (e.g., tablets or injection solutions).

Gastroenterology
The branch of internal medicine that deals with the gastrointestinal tract or digestive system.

Generic
A drug that contains the same active ingredient as a brand-name pharmaceutical product (originator product) already on the market. Generics can differ from the originator products with respect to non-active ingredients and manufacturing technologies.

GEP (Galenica Economic Profit)
An internally defined parameter used in capital management and capital employment based on income components, free cash flow components and invested capital. The goal of the Galenica Group is to achieve a sustainable increase in GEP in all Business sectors.

Ginsana®
Ginsana® is the completely natural energy source to combat tiredness, weakness and exhaustion. Ginsana® products contain only G115® standardised ginseng extract obtained from the roots of panax ginseng.

GlutenCheck
Rapid blood test for gluten intolerance.

Good Distribution Practice (GDP)
Guidelines for good logistics practice followed by Switzerland, the EU and the FDA for quality assurance in the storage, handling and shipment of pharmaceuticals, active substances and other medicinal products.

Good Manufacturing Practice (GMP)
Guidelines issued by the EU and the FDA for quality assurance in the production of pharmaceuticals, active substances and other medicinal products.

Green Code of Conduct
Internal guidelines aimed at promoting ecological behaviour (Code of Conduct).

Gynaecology
The branch of medicine concerned with women’s health issues.

Haematology
The branch of medicine concerned with the physiology, pathophysiology and diseases of the blood and blood-forming organs. It includes, for example, malignant blood diseases and diseases of the bone marrow.

Haemodialysis
A blood cleansing process used in the treatment of kidney diseases.

Haemoglobin
Iron-rich protein that transports oxygen; found in the red blood cells.

Heart failure
Heart failure can lead to impaired performance in persons affected due to a lack of oxygen and blood supply to the organs.

HMO
Health Maintenance Organization.

Home nurses
Qualified nursing professionals with specific additional training in home nursing; a form of patient care offered by MediService in conjunction with Pharma Care.

hospINDEX®
A medical database for all processes such as logistics, invoicing and prescription that replaces galdat® in hospitals; developed and distributed by HCI Solutions.

Hyperactivity
Excessively active behaviour that cannot be adequately controlled by the person affected. Also referred to as attention deficit disorder (ADD).

Hyperkalaemia
Potentially life-threatening condition defined as abnormally elevated levels of potassium in the blood. Hyperkalaemia occurs most frequently in chronic kidney disease patients (CKD), heart failure patients (HF) and patients who suffer from hypertension or diabetes.

Hyperphosphataemia
An abnormally high serum phosphate level.

Hypertension
High blood pressure.

Hypotension
Low blood pressure.

I

IAS 19
Accounting requirements for employee benefits.

Ibuprofen
An active ingredient that relieves pain, reduces fever and is anti-inflammatory.

IFRS
International Financial Reporting Standards.

Immunology
The science concerned with the biological and biochemical principles of the body’s defence against pathogens, such as bacteria, viruses and fungi, and other foreign substances such as biological poisons.

Iodothroid
A hormonal equivalent that replaces thyroid hormones.

Iodothyronine
A hormonal equivalent that replaces thyroid hormones.
Intravenous iron sucrose is used to treat iron deficiency, paleness and brittle nails.

**Annex**

**Galenica annual report 2016**

**Immunomodulators**

Biological products based on bacterial lysates to strengthen the body’s immune system against recurring respiratory or urinary tract infections.

**Immunophylaxis**

The prevention of infectious diseases via the stimulation of the immune system.

**IMS Health**

An international consulting and market research company based in Hergiswil, Switzerland, that is active in the pharmaceutical sector.

**Indication**

A reason for a medical treatment or procedure.

**Injectafer®**

Brand name of Ferinject® in the USA and Belgium.

**insureINDEX®**

A database for cost units in the healthcare sector that replaces galdat® in health insurance companies; developed and distributed by HCI Solutions.

**Intravenous (i.v.)**

A term referring to the administration of a medication or a liquid directly into a blood vessel.

**Iron deficiency anaemia**

Anaemia due to iron deficiency: the production of haemoglobin, the red pigment in the blood, is disrupted by the lack of iron. Iron deficiency anaemia is the most common form of anaemia throughout the world. According to the World Health Organization (WHO), two billion people suffer from iron deficiency anaemia worldwide.

**Iron deficiency syndrome**

A mild form of iron deficiency characterised by symptoms such as fatigue and exhaustion, irritability, paleness and brittle nails.

**ISS (iron sucrose similar)**

Intravenous iron sucrose is used to treat iron deficiency. Copies of the complex structure of iron sucrose are called iron sucrose similars.

**L**

**Lierac**

Skincare brand of the Alès Group.

**Life cycle management**

Refers to a strategic concept for managing a product throughout its entire life cycle.

**logINDEX®**

Database for wholesalers in the Swiss healthcare industry which contains information on approximately 180,000 items. Developed by, and available through, HCI Solutions.

**LTI Programme (Long-term Incentive Programme)**

Share-based profit-sharing bonus programme for members of the Corporate Executive Committee and certain members of management.

**M**

**Magnesium® Vital**

A magnesium replacement product for cramps in the calf muscles; developed and distributed by Vifor Pharma.

**Maltofer®**

An oral iron replacement product for the treatment of iron deficiency that is sold worldwide; developed and produced by Vifor Pharma.

**Managed Care**

A healthcare management model. The Managed Care model incorporated into the revision of the Swiss Federal Health Insurance Act is intended to promote integrated healthcare networks and improve ability to offset risk.

**Marketing Authorisation Application (MAA)**

Marketing authorisation application submitted to the European Medicines Agency (EMA).

**MDI**

Member of senior management of the Galenica Group.

**Medical affairs**

A general term covering the following activities: contact with physicians who are opinion leaders, planning and coordination of clinical trials, interface between marketing and medicine, medical-scientific training and continuing education for sales representatives.

**Medical technology**

Equipment and technical procedures used in medical practices and laboratories.

**Medication check**

A service provided by pharmacists under the service-based remuneration (SBR) agreement; includes remuneration for checking prescriptions, checking for interactions (compatibility with other medications), writing instructions for use, etc.

**medINDEX®**

A medical database that replaces galdat® in medical practices; developed and sold by HCI Solutions.

**mediVISTA.ch**

Web-based information platform for doctors in private practice and those working in hospitals which complements medINDEX®.

**Mg5®**

An oral magnesium replacement product for the treatment of magnesium deficiency; distributed by Vifor Pharma.

**MHRA (Medicines and Healthcare Products Regulatory Agency)**

Licensing and regulatory body for medicines in the UK.

**Mircera®**

Mircera® is a prescription medicine used to treat symptomatic anaemia associated with chronic kidney disease (CKD) in adult patients. Galenica and Roche have entered into an exclusive licensing agreement for the marketing and distribution of the Roche product Mircera® in the USA and Puerto Rico.

**MKA**

Member of the management of the Galenica Group.

**Mutual recognition procedure**

Procedure that allows member states of the European Union to approve decisions about a medicinal product, such as a marketing authorisation, that have been decided by another EU country.

**my-eDossier**

Pharmaceutical database with information about a patient’s drug therapy which is part of the pharmacy management tool TriaPharm®.

**N**

**Nasmer®**

A moisturising nasal spray produced and distributed by Vifor Pharma.

**NDA (New Drug Application)**

The NDA is the official means by which manufacturers of pharmaceutical products in the USA apply to the FDA for approval to market a drug in the USA.

**ND-CKD**

Non-dialysis-dependent chronic kidney disease.

**Nephrology**

The branch of medicine dealing with the kidney and with the diagnosis and treatment of kidney diseases.
An invoicing system for Galexis customers.

OPEX
When implementing OPEX, companies apply it to their entire strategy, continually and dynamically optimising all processes and systems along the value chain.

Ophthalmology
The branch of medicine concerned with the anatomy, functions, pathology and treatment of the eye.

Oncology
The branch of medicine that deals with cancer.

Operational Excellence (OPEX)
A general term for the activities that are required to optimise the value creation chain. The stages of OPEX are: prewholesale, logistics, mediation tool, and prepayment, and are aimed at improving the latter three stages, and at aligning the prewholesale with the processes in the mediarisation tool and the prepayment system. The prewholesaler operates the warehouse logistics, which is among the core processes of the Galenica Group.

Ophthalmology
The branch of medicine concerned with the anatomy, functions, pathology and treatment of the eye.

OPINIO
The Galenica Group employee survey.

Osmocodrin®
Oral iron replacement product.

Osmophos®
Phosphate binder for the treatment of elevated phosphate levels in patients with chronic kidney disease who are undergoing dialysis (haemodialysis or peritoneal dialysis). Marketed by Vifor Fresenius Medical Care Renal Pharma.

Osmosence®
Oral phosphate binders.

Osmotic delivery system
A delivery system that uses the concentration gradient to transport the medication into the systemic circulation.

Osmovent®
Oral phosphate binders.

Outsource
The outsourcing of services and processes which is not considered part of the core business, and which do not contribute to the success of the company, to another organisation.

Osteoporosis
A disease (of old age) involving a greater vulnerability to bone fracture due to an overly rapid reduction in bone mass; often associated with calcium deficiency.

Ovaren®
A product for the treatment of earache and inflammation of the eardrum; produced and distributed by Vifor Pharma.

Oxalate
An organic acid which is the major component of the mineral calcium oxalate. It is a by-product of the metabolism of certain foods and of most plants. When the amount of oxalate present is higher than the body’s ability to process it, oxalate builds up in the body, causing toxicity. In cases of severe oxalate overload, oxalate stones develop in the kidneys.

Otalgan®
A product line that provides relief from aching ears and temporary hearing loss.

OxyPhos®
An Internet-based product information platform and data warehouse for independent pharmacies. Promologistics is the Logistics system for Pharmaceutical companies’. waveform; developed and commercialised by Vifor Pharma.

Oxymetazoline hydrochloride
A medication that constricts the blood vessels in the nose. Oxymetazoline hydrochloride is used to treat hay fever, allergic rhinitis and seasonal rhinitis.

Oxystim®
Oral iron replacement product.

Oxytetracycline
An antibiotic that is active against a wide range of bacteria.

Ozythra®
Oral iron replacement product.

Ozoral®
Oral iron replacement product.

Oxysol®
Oral iron replacement product.

Over-the-counter products
A term used to describe a product that can be purchased without a prescription. The three categories are: over-the-counter drugs, over-the-counter products and over-the-counter laboratory products.

Ozoplanet®
Oral iron replacement product.

Oxosorb®
Oral iron replacement product.

Oxytun®
Oral iron replacement product.

Ozostat®
Oral iron replacement product.

Ozymet®
Oral iron replacement product.

Over-the-counter products
A term used to refer to medicines available without a prescription (Consumer Healthcare Products).

Oxytetracycline
An antibiotic that is active against a wide range of bacteria.

Oxystim®
Oral iron replacement product.

Ozoral®
Oral iron replacement product.

Oxytun®
Oral iron replacement product.

Ozostat®
Oral iron replacement product.

Ozymet®
Oral iron replacement product.

Oxysol®
Oral iron replacement product.

Oxytun®
Oral iron replacement product.

Ozostat®
Oral iron replacement product.

Ozymet®
Oral iron replacement product.

Oxysol®
Oral iron replacement product.

Oxytun®
Oral iron replacement product.

Ozostat®
Oral iron replacement product.

Ozymet®
Oral iron replacement product.

Oxysol®
Oral iron replacement product.

Ozytun®
Oral iron replacement product.

Ozythra®
Oral iron replacement product.

Oxysol®
Oral iron replacement product.

Ozytun®
Oral iron replacement product.

Ozythra®
Oral iron replacement product.

Oxysol®
Oral iron replacement product.

Ozytun®
Oral iron replacement product.

Ozythra®
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Renegy®
Brand name of Ferinject® in Latin American countries.

Retacrit™
Epoetin alfa biosimilar by Pfizer.

Rheumatology
The branch of medicine dealing with the diagnosis and treatment of chronic diseases which mostly become evident through musculoskeletal pain.

Roll-out
The market launch of a product or service. The term refers primarily to technical applications.

Rx
A designation for prescription drugs or medicines.

S
SAM (special staff training)
A series of training seminars for new employees focused on processes and personal development, offered within the framework of the Corporate Management Development (CMD) programme.

Schuessler salts
Schuessler salts are alternative medical products made from mineral salts in homeopathic doses (potentiation).

SECO (State Secretariat for Economic Affairs)
The State Secretariat for Economic Affairs is responsible for creating the regulatory and economic policy conditions for sustainable economic growth. SECO is an office of the Federal Department of Economic Affairs.

Self-dispensation
Direct dispensation of medicines by physicians.

Serum ferritin
Iron content in the blood.

Serum phosphorus level
Concentration of phosphorus in the blood.

Service-based remuneration (SBR)
The agreement between santé suisse (the Swiss Association of Health Insurers) and pharmaSuisse (formerly the Schweizerische Apothekerverband – the Swiss Association of Pharmacists), under which a pharmacy’s income is no longer linked to the product price.

Sevelamer
An active ingredient from the phosphate binder group, which is used in dialysis patients with hyperphosphataemia to bind dietary phosphates.

Sorbisterit®
Sorbisterit® is a preparation that can be administered orally or rectally in the event of an increase in blood potassium levels in acute or chronic kidney failure. Marketed by Vifor Fresenius Medical Care Renal Pharma.

Specialty Pharma, a strategic area
The strategic focus by the Galenica Group on the development, production and sale of its own medicines in international markets, particularly products for iron deficiency, as well as its own infectious diseases/OTX and OTC products.

Surgery
The branch of medicine that uses operative manual or instrumental techniques on a patient to treat diseases and injuries.

SwissDocu®
A service that provides information on products and on scientific and non-scientific questions from pharmacies and drugstores; operated by HCI Solutions.

Swiss Drug Compendium (Arzneimittel-Kompendium der Schweiz®)
A standard reference work for medical professionals that contains extensive technical product information; developed and marketed by HCI Solutions.

Swiss HealthCare Services, a strategic area
The focus by the Galenica Group on a business model providing services for the Swiss healthcare market. This model integrates the Amavita, Sun Store, Coop Vitality, MediService and Winconcept pharmacy formats, logistics services and information management.

Swissmedic
The Swiss Agency for Therapeutic Products; the regulatory agency for medicines and medical devices based in Bern. No pharmaceutical products for humans or animals may be marketed in Switzerland until they have been licensed by Swissmedic. All clinical studies in Switzerland must also be approved by Swissmedic.

Symfona®
A gingko-based product for the treatment of age-related impaired cerebral blood flow, for enhancing the power of concentration and for increasing memory retention; developed and distributed by Vifor Pharma.

T
Tattoo-Med®
Skincare products for tattooed skin.

Telemedicine
Medical diagnosis and therapy via telecommunications.

Third-party logistics service
Extensive offering that enables customers and suppliers to transfer their logistics (both bulk and dispersion) to the Logistics Business sector.

Top Homecare
A sales and consulting concept in the homecare area for pharmacies and drugstores; developed and marketed by Galexis.

TriaFact®
Platform developed by HCI Solutions for direct invoicing between pharmacies and health insurers.

TriaMed®
A management software solution for medical practices; developed and marketed by HCI Solutions.

TriaMed® Box
A small computer, fully preconfigured with TriaMed®. An entry product launched by HCI Solutions.

TriaMed TS®
Management software for medical practices which runs via an external server of HCI Solutions; developed and sold by HCI Solutions.

TriaOne®
Integrated administrative solution with complete coverage of all necessary functionalities of a company (ERP); based on the former product Arizona, developed by BMC.

TriaPharm®
A management software solution for pharmacies; developed and marketed by HCI Solutions.

TriaScan®
Expansion software from TriaPharm® to scan in and digitise prescriptions; developed and marketed by HCI Solutions.

Triofan®
Nasal spray for colds, the leading product of its type in Switzerland; produced and sold by Vifor Pharma.
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U

Uro-Vaxom®
Biotech drug for the prevention and alleviation of urinary tract infections; developed and marketed by OM Pharma.

V

Value-based management
A management approach that ensures that companies are focused on improving enterprise value (corporate value).

Vascular check
The Galexis vascular check allows pharmacists to give customers important information about the condition of their blood vessels within five minutes.

Velphoro® (PA21)
Iron-based phosphate binder used to control serum phosphorus levels in patients with dialysis-dependent chronic kidney disease (CKD). Developed and produced by Vifor Pharma; distributed by Vifor Fresenius Medical Care Renal Pharma.

Veltassa® (Patiromer FOS)
Investigational medicinal product from Relypsa Inc., for the treatment of hyperkalaemia, which occurs most frequently in chronic kidney disease and heart failure patients.

Venofer®
An intravenous product for the treatment of iron deficiency; developed and produced by Vifor Pharma and sold worldwide.

VERIFIE
The VERIFIE (Phase IV) programme was initiated in 2016 and will allow monitoring of the use of Velphoro® in real life in Europe.

Vial
A small bottle with various types of closure (e.g. capsule closure with a membrane for piercing).

Vitafor® probi-immun®
Swedish probiotic prevention treatment against colds. Marketed by Vifor Consumer Health.

W

WHO
The World Health Organization of the United Nations, based in Geneva, Switzerland.

Wholesale
Link between the various stages of distribution; purchases goods that it does not generally process or manufacture itself (merchandise) and distributes these to processing, retail, industrial or other commercial companies, etc. For example, Galexis and Unione Farmaceutica Distribuzione in the Galenica Group.

WTO
The World Trade Organization is an international organisation headquartered in Geneva that regulates trade and economic relations.
Unione Farmaceutica Distribuzione is the only pharmaceutical wholesaler and full-range supplier in Ticino. It supplies pharmacies, drugstores, nursing homes and hospitals.
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