

Short Version

# Annual report 2017

of the Galenica Group and Galenica Ltd.



 **GALENICA**

Galenica – the first choice for health, beauty and wellbeing

## Milestones 2017

## January

**Offering expanded**

Galenica acquires physicians' wholesaler Pharmapool through its pharma wholesaler Galexis and expands its offering for self-dispensing physicians.

## February

**Minerals**

Adler Schüssler mineral salts become available in Amavita and Sun Store pharmacies; in May, they are stocked by selected Coop Vitality pharmacies too.

## March

**IPO announced**

The former Galenica Group announces its plans for the IPO of Galenica Santé, with shares sold at prices ranging from CHF 37 to CHF 39 each.

## April

**The bell rings**

On 7 April, Galenica Santé (renamed Galenica Ltd. in May 2017) is listed on the stock exchange as an independent company.

## May

**Wound healing**

Having taken over the iconic brands Merfen® and Vita-Merfen®, Vifor Consumer Health officially distributes Merfen® in Switzerland as of May.

## June

**Walk-in**

Following the launch of the pilot at Amavita in Adliswil (ZH) in January, the second Aprioris walk-in clinic opens at Sun Store in Lausanne.

## July

**180 years of anniversaries**

2017 is a year of anniversaries: 10 years of Medifilm, 20 years of Mediservice, 60 years of Alloga and 90 years of Galenica.

## August

**Objective confirmed**

Four months on from its IPO, Galenica publishes its first half-year report and can confirm its objectives for 2017.

## September

**Online ordering**

Following its launch at Coop Vitality in April, Amavita and Sun Store launch the online ordering platform Click & Collect as well.

## October

**Pretty in pink**

Perskindol® Active launches a limited pink edition, donating CHF 1 per tube sold to "Pink Ribbon Switzerland" for breast cancer prevention.

## November

**Your opinion counts**

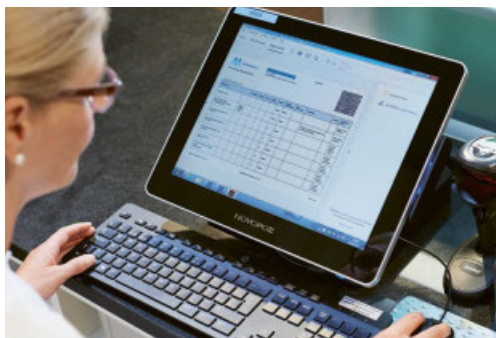
In autumn, Galenica conducts the "Opinio" employee survey. Employee motivation comes in at 75 out of 100 possible points – a very encouraging result.

## December

**Uninterrupted**

Alloga puts its third cold room into operation. It has a direct docking system for lorries and guarantees an intact transport chain at 2–8°C.

## Annual Report 2017



### Improved patient safety thanks to Documedis®

Currently in Switzerland, medication errors result in between 1,500 and 3,000 deaths every year and entail high additional healthcare costs. The Documedis® eMedication solution from HCI Solutions combats this by increasing transparency when dispensing medications and improving collaboration between the various service providers.

28

### Information regarding the Sustainability Report

As definitive sustainability data are not yet available during the drafting of the annual report, the Sustainability Report is published in the second quarter of the following year. Accordingly, it does not form part of the annual report and is published on the website at the appropriate time: [www.galenica.com](http://www.galenica.com). There is, however, one coverage on a selected sustainability topic in this annual report 2017.

4	Key figures 2017
6	Foreword
10	What we offer
12	Ambition and Strategy
14	Health & Beauty Segment
16	Retail Business sector
20	Products & Brands Business sector
22	Services Segment
24	Services Business sector
28	Sustainability coverage
	Documedis®: improved patient safety
32	Human Resources
42	Seven misconceptions about health
44	Corporate Governance
62	Remuneration Report
74	Financial statements 2017 Galenica Group
	The full financial statements are available at <a href="http://www.galenica.com">www.galenica.com</a>
80	Addresses of companies of the Galenica Group

# Key figures 2017

## Net sales<sup>1)</sup>

in million CHF



Health & Beauty	1,483.5
Services	2,501.8

## EBIT adjusted<sup>1)2)</sup>

in million CHF



Health & Beauty	99.7
Services	50.6

## Number of employees

as at 31 December 2017



Galenica Ltd.	38
Health & Beauty	4,741
Services	1,619

in million CHF	2017	2016	Change
<b>Net sales<sup>1)</sup></b>	<b>3,214.2</b>	<b>3,008.9</b>	<b>+6.8%</b>
Health & Beauty	1,483.5	1,437.0	+3.2%
Services	2,501.8	2,328.9	+7.4%
<b>EBITDA adjusted<sup>1)2)</sup></b>	<b>188.4</b>	<b>176.0</b>	<b>+7.1%</b>
in % of net sales	5.9%	5.8%	
<b>EBITDA<sup>1)</sup></b>	<b>182.0</b>	<b>165.6</b>	<b>+9.9%</b>
Health & Beauty	120.2	116.0	+3.7%
Services	70.7	60.1	+17.6%
<b>EBIT adjusted<sup>1)2)</sup></b>	<b>148.2</b>	<b>134.2</b>	<b>+10.5%</b>
in % of net sales	4.6%	4.5%	
<b>EBIT<sup>1)</sup></b>	<b>141.8</b>	<b>123.8</b>	<b>+14.5%</b>
Health & Beauty	99.7	93.5	+6.7%
Services	50.6	39.9	+26.7%
<b>Net profit adjusted<sup>2)</sup></b>	<b>124.4</b>	<b>92.1</b>	<b>+35.0%</b>
<b>Net profit</b>	<b>118.9</b>	<b>83.4</b>	<b>+42.6%</b>
<b>Investment in property, plant and equipment and intangible assets</b>	<b>55.8</b>	<b>35.0</b>	<b>+59.4%</b>
<b>Employees at reporting date (FTE)</b>	<b>4,944</b>	<b>4,657</b>	<b>+6.2%</b>

in million CHF	31.12.2017	1.1.2017 <sup>3)</sup>	Change
Total assets	1,798.2	1,658.6	+8.4%
<b>Shareholders' equity</b>	<b>861.5</b>	<b>745.3</b>	<b>+15.6%</b>
Equity ratio	47.9%	44.9%	
Capital contribution reserves	560.9	560.9	—
<b>Net debt</b>	<b>301.3</b>	<b>350.3</b>	<b>-14.0%</b>
Debt coverage <sup>2)4)</sup>	1.6	2.0	
Gearing	35.0%	47.0%	

<sup>1)</sup> Reported for each Segment not taking into account Corporate and eliminations

<sup>2)</sup> Excluding the effects of IAS 19

<sup>3)</sup> Pro-forma balance sheet as at 1 January 2017 Galenica Ltd.

<sup>4)</sup> Net debt / EBITDA adjusted



## Share price performance in percent



**+16.4 %** **14,000**

cumulative growth in the share price  
since the IPO of 7 April 2017

new shareholders

## Share information

in CHF	2017
Share price at reporting date	50.05
Highest share price for the year	50.05
Lowest share price for the year	41.80
Stock exchange capitalisation at reporting date in million CHF	2,452.8
Earnings per share <sup>1)</sup>	2.43
Earnings per share (excluding effects due to IAS 19) <sup>1)</sup>	2.54
Shareholders' equity per share <sup>1)</sup>	17.50
Gross dividend per share <sup>2)</sup>	1.65
Pay-out ratio <sup>3)</sup>	67.9 %
Price-earnings ratio <sup>4)</sup>	20.60

<sup>1)</sup> Attributable to shareholders of Galenica Ltd.

<sup>2)</sup> According to Board of Directors' proposal to Annual General Meeting of 9 May 2018

<sup>3)</sup> Gross dividend in % of earnings per share

<sup>4)</sup> Share price at reporting date in relation to earnings per share

**1.65**

gross dividend per share in CHF

**67.9 %**

pay-out ratio

**2.43**

earnings per share in CHF

# Thank you for placing your trust in us!



Jörg Kneubühler, Chairman of the Board of Directors, Jean-Claude Cléménçon, CEO

Dear Shareholders,  
Ladies and Gentlemen,

Since the IPO in April 2017, we have been able to welcome around 14,000 private and institutional shareholders in Switzerland and abroad. The execution of our long-term strategy is supported by this wide investor base just as it is by our robust balance sheet, strong market position and clear focus on the Swiss market as well as our experienced management team.

Continuing drug price reductions, ongoing shopping tourism, generally stagnant development in Swiss retail: there is no shortage of challenges for the Swiss healthcare market. Nevertheless, we successfully achieved our ambitious objectives for 2017, and the Board of Directors will propose a dividend payment of around CHF 80 million to the 2018 Annual General Meeting, as already announced during the IPO.

## Expansion, innovation and efficiency

The execution of our strategy is based on three development axes, by which we aim to create added value and generate growth. These are expansion, innovation and efficiency. We have seen encouraging development in all areas in 2017.

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## Key figures 2017

- Net sales: CHF 3,214.2 million
  - EBIT: CHF 141.8 million
  - Net profit: CHF 118.9 million
  - Investments: CHF 55.8 million
  - Employees: 6,398 (4,944 full-time equivalents)
-

### Growth both organically and through acquisitions

We have expanded our pharmacy network, for example, adding eight branches to bring the total number up to 337. With around 500 own and partner pharmacies, we offer an attractive point-of-sale network that is garnering ever increasing interest within the industry. This is evidenced by the new, often exclusive product representation agreements with partners abroad which were taken over by Vifor Consumer Health. Our own product portfolio has been expanded by the acquisition of iconic Swiss brands Merfen® and Vita-Merfen®, with Merfen® being distributed by Vifor Consumer Health on the Swiss market since May 2017.

Galexis has also widened its reach. With the acquisition of physicians' wholesaler Pharmapool, it has significantly expanded its offering for self-dispensing physicians.

### Helping to shape the Swiss healthcare market through innovation

We have also made pleasing progress on the innovation axis. Since autumn 2017, all pharmacy formats – Amavita, Sun Store and Coop Vitality – have been offering the Click & Collect service. Customers can now conveniently order products from across the range at the click of a mouse, including non-prescription (OTC) medications, and collect them from the pharmacy of their choice.

With the pilot project Aprioris, we launched an initiative that aims to shape the Swiss healthcare market and to contain costs. The object of a scientific study, this walk-in clinic concept offers immediate medical assistance with simple health issues and is currently operating at two pilot locations in Switzerland.

Alloga and Galexis now ensure an uninterrupted cold chain for the storage and transportation of medications, with temperatures as low as -80°C at Alloga – a requirement for the latest generation of medications.

Documedis® has also been developed to increase safety when dispensing medications. This software module from HCI Solutions provides healthcare professionals with all the information they need during this process.

### Efficiency through standardised, end-to-end processes

To improve efficiency, the whole Group has worked on simplifying and consistently standardising processes. Back-office functions for all pharmacy formats have been

### Key figures 2017

- The Galenica Group increased consolidated net sales by 6.8% to CHF 3,214.2 million in financial year 2017.
- The operating result (EBIT) rose by 14.5% to CHF 141.8 million and, on a comparable basis (excluding the effects of IAS 19), grew by 10.5% to CHF 148.2 million. Included in this are one-off effects totalling CHF 7.0 million.
- Galenica posted a net profit of CHF 118.9 million for 2017. On a comparable basis (excluding the effects of IAS 19), net profit was CHF 124.4 million. The net profit includes one-off effects of CHF 10.6 million. In addition to the CHF 6.3 million effect on net profit from the sale of Triamed® and a non-operational building in Schönbühl, there was a one-time tax gain of CHF 4.3 million from the revaluation of the provision for deferred taxes especially due to the decision to reduce the tax rate in the canton of Vaud from 2019.
- Investments increased by 59.4% to CHF 55.8 million.
- At the end of 2017, the Galenica Group had a strong and sustainable balance sheet; as a result, the equity ratio was 47.9% and the net debt coverage ratio 1.6 x EBITDA (excluding the effects of IAS 19).

# +10.5 %

EBIT growth  
(on a comparable basis)

centralised at the head office in Bern, for example, and the Triapharm® software from HCI Solutions, which, among other benefits, features direct invoicing to health insurers, is being used by all pharmacy formats of the Galenica Group as of the end of 2017.

### Outlook

We aim to press ahead systematically with the initiatives and projects launched in 2017. At the same time, the three development axes – expansion, innovation and efficiency – need to be developed further.

This is why we acquired Careproduct at the beginning of 2018. The company supplies walking frames, wheelchairs, incontinence products and other aids both online and offline. The range is geared in particular to older people and people with a disability who want to maintain or improve their mobility level. With Careproduct, the Retail Business sector can expand its customer offering and strengthen its market position with respect to online sales. The further development and positioning of e-shops, as well as further growth with existing and new pharmacies, are additional drivers for expansion in Retail.

For Products & Brands, the focus is on the life cycle management of own products and partner brands, as well as the expansion of these portfolios through acquisitions and new product representations. As part of the separation process, Galenica and Vifor Pharma agreed that Vifor Consumer Health would change its name. The company will appear on the market under the name Verfora® from mid-2018. Doing so will clearly signal the separation of Vifor Pharma to the market, and with the new name, Verfora® will be able to even better position itself as an independent, strong retail partner with its well-known brands and products.

Implementing the new enterprise resource planning (ERP) solution, optimising the distribution concept in the areas of pre-wholesale and wholesale, and consistently improving processes in Retail will help to increase efficiency even further. And finally, we also want to shape the healthcare market in future and make an active contribution towards containing costs, for example by increasing generics substitution and through projects such as Aprioris.

### Strengthening the Corporate Executive Committee and the Board of Directors

In December 2017, as has already been announced, Daniele Madonna, former Head of Coop Vitality pharmacies, assumed responsibility for the Retail Business sector, taking over from Jean-Claude Cléménçon who is now able to focus fully on his duties as CEO Galenica Group. As Head Retail, Daniele Madonna is a member of the Corporate Executive Committee.

In addition, the Board of Directors of the Galenica Group will propose that Bertrand Jungo be elected to the Board of Directors at the 2018 Annual General Meeting. With over 26 years at department store Manor, 11 years of which as CEO, Bertrand Jungo's expertise will strengthen the Board of Directors' retail know-how.

### Thank you to our employees and shareholders

The gratifying outcome of this historic first financial year 2017 is also the result of the considerable trust we have enjoyed. First, from all our employees, who commit themselves to supporting our customers and partners on a daily basis. Also from private and institutional investors, who back our long-term strategy. And finally, from all of our customers and partners, who count on our competence, quality and reliability. We would like to sincerely thank you for your support and for placing your trust in us!

Bern, 13 March 2018



Jörg Kneubühler  
Chairman  
of the Board of Directors



Jean-Claude Cléménçon  
CEO





What we offer

# What we offer

Galenica is the leading fully integrated health-care provider in Switzerland and plays its part within the country's diverse healthcare system by ensuring that medications, healthcare products and cosmetics are in the right place at the right time: in pharmacies and drugstores, medical practices, hospitals and nursing homes, or even customers' own homes. To this end, Galenica operates the largest pharmacy network in Switzerland, four logistics centres and specific IT platforms.

More than

## 800

 apprentices

Around

## 14,000

 shareholders


## Retail Business sector

Through the **Galenicare** company, Retail operates Switzerland's largest pharmacy network, with around 500 own, joint venture and partner pharmacies. These include the **Amavita** and **Sun Store** pharmacies as well as the **Coop Vitality** pharmacies, which are operated under a joint venture. In addition, the company **Winconcept** supports independent pharmacies operating under the **Feelgood's** brand. Together they serve around 100,000 customers daily, offering them a wide range of medications, toiletries and beauty products as well as various on-site healthcare services and tests. They also offer a number of online services, including **Click & Collect**.

The range of services is complemented by specialty pharmacy **Mediservice**, which specialises in dealing with people suffering from chronic and rare illnesses, and by **Careproduct**, a company focusing its operations on the provision of mobility aids such as wheelchairs as well as incontinence products for the elderly and people with a disability.

Innovations – among them such pilot projects as the **Aprioris** walk-in clinic in two Swiss pharmacies – are introduced to the market to test customer acceptance for new models.

A total of

## 32

 services in the pharmacy formats

### Companies and formats

- Amavita pharmacies, [www.amavita.com](http://www.amavita.com)
- Aprioris Ltd., [www.aprioris.ch](http://www.aprioris.ch)
- Careproduct Ltd., [www.careproduct.ch](http://www.careproduct.ch)
- Coop Vitality Ltd., [www.coopvitality.ch](http://www.coopvitality.ch)
- Galenicare Management Ltd., [www.galenicare.com](http://www.galenicare.com)
- Mediservice Ltd., [www.mediservice.ch](http://www.mediservice.ch)
- Sun Store pharmacies, [www.sunstore.ch](http://www.sunstore.ch)
- Winconcept Ltd., [www.winconcept.ch](http://www.winconcept.ch)



## Products & Brands Business sector

Through Products & Brands, Galenica develops and markets own brands and products as well as exclusive brands and partner products.

Around

**40** own brands

Around

**25** partner brands

Products & Brands manages a portfolio of strong brands, among them **Perskindol®**, **Anti-Brumm®**, **Algifor®**, **Triofan®** and **Merfen®**. The Business sector also launches and distributes pharmaceutical and parapharmaceutical products for own brands and products and brands of partners. In addition, Products & Brands markets exclusive health and beauty brands of international companies, such as **Schüssler mineral salts** from Adler, **A-Derma** from Pierre Fabre and **Lierac** and **Phyto** from Alès Groupe.

### Companies

- G-Pharma Ltd.
- Vifor Consumer Health Ltd.<sup>1)</sup>, [www.viforconsumerhealth.ch](http://www.viforconsumerhealth.ch)

<sup>1)</sup> As of mid-2018, change of name to Verfora Ltd.

An average of

**7,000** products on site in a pharmacy

and up to

**100,000** products available on order

## Services Business sector

Services offers logistics and database solutions for the Swiss healthcare market.

**Alloga** is the largest Swiss pre-wholesale company and provides a broad range of specialised logistics services for around 80 pharmaceutical and healthcare companies. Every second pack dispensed to a patient in Switzerland was previously in the Alloga warehouse.

**Galexis** is a leading pharmaceutical wholesaler, supplying Swiss pharmacies, drugstores, nursing homes and hospitals, as well as over 4,000 self-dispensing medical practices, with over 85,000 referenced healthcare products. **Unione Farmaceutica Distribuzione** and **Pharmapool** strengthen the Galexis wholesale offering in Ticino and for self-dispensing doctors, respectively.

**Medifilm** is the Swiss pioneer in customised blister packaging and packs of medicines and nutritional supplements on behalf of pharmacies for chronic and long-term patients.

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

**50,000** **90,000**

visitors a day  
to compendium.ch

medications put into Medifilm  
blister packs a day

### Companies

- Alloga Ltd., [www.alloga.ch](http://www.alloga.ch)
- Galexis Ltd., [www.galexis.ch](http://www.galexis.ch)
- HCI Solutions Ltd., [www.hcisolutions.ch](http://www.hcisolutions.ch)
- Medifilm Ltd., [www.medifilm.ch](http://www.medifilm.ch)
- Pharmapool Ltd., [www.pharmapool.ch](http://www.pharmapool.ch)
- Unione Farmaceutica Distribuzione Ltd., [www.ufd.swiss](http://www.ufd.swiss)

# Our ambition

The first choice  
for health, beauty  
and wellbeing



# Our strategy

Galenica 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.

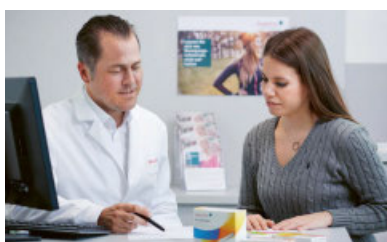
# Our self-perception

Galenica is 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.





# Strategy of the three Business sectors

## 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.

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

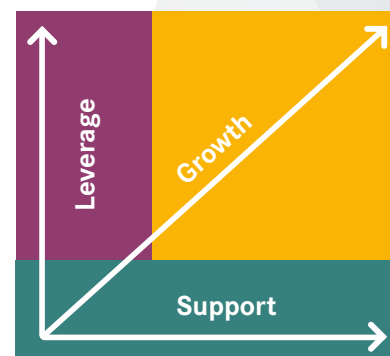
### Best possible use of synergies

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.

## The team is the star

The business model of Galenica with its three growth vectors **Retail**, **Products & Brands** and **Services** constitutes a unique basis for shaping the Swiss healthcare market of the future with innovation and agility.



# Health & Beauty Segment



## Keeping up with customers' needs

The Health & Beauty segment comprises the Retail and Products & Brands Business sectors. In the Retail Business sector, Galenica operates the largest pharmacy network in Switzerland, giving it an excellent distribution network that offers unique potential for the sale of own, exclusive and partner brands. Through its Products & Brands Business sector, Galenica develops and markets own brands and products as well as exclusive brands and products of its business partners.

## Net sales and operating result

In 2017, the Health & Beauty segment generated net sales of CHF 1,483.5 million, CHF 1,390.1 million of which was accounted for by the Retail Business sector and CHF 94.7 million by the Products & Brands Business sector. The 3.2% increase in sales in the Health & Beauty segment compared with the previous year was primarily attributable to the strengthened pharmacy network, the strong growth of specialty pharmacy Mediservice and product portfolio expansion.

The operating result (EBIT) grew by 6.7% to CHF 99.7 million, thanks to continuing improvements in efficiency. Return on sales (ROS) for the Health & Beauty segment increased to 6.7% in 2017 (previous year: 6.5%) due, among other factors, to the acquisition and in-licensing of several brands. Investments totalled CHF 28.9 million in 2017 (previous year: CHF 15.2 million) and were principally used for the acquisition of the brands Merfen® and Vita-Merfen®, development and launch of new products and services, and for the rebuilding and renovation of pharmacies.

### Key figures 2017

- Net sales: CHF 1,483.5 million
- EBIT: CHF 99.7 million
- ROS: 6.7%
- Investments: CHF 28.9 million
- Employees: 4,741  
(3,575 full-time equivalents)

# 1,483.5

Net sales  
in million CHF

Galenica Group CHF 3,214.2 million

# 99.7

EBIT  
in million CHF

Galenica Group CHF 141.8 million



# Retail

## Business sector

### Innovation strengthens market leadership

#### Net sales development

The Retail Business sector increased net sales in 2017 by 3.1% year-on-year to CHF 1,390.1 million (excluding Coop Vitality). By way of comparison, sales of medications (Rx and OTC products) in the Swiss pharmacy market as a whole rose by 2.3% in 2017 (IQVIA, Swissmedic therapeutic products lists A, B, C, D). By contrast, sales of other products (non-medications) declined by 3.5% (IQVIA, personal, patient care and nutrition). Although the volume of high-priced medications increased further, the pharmacy market posted slowed growth compared to other segments. Contributing factors were ongoing shopping tourism in neighbouring countries, the switch to online shopping and frequency decline in many shopping centres.

The number of own pharmacies increased during the year under review to a total of 337 locations (previous year: 329). Together with the Amavita and Winconcept partner pharmacies, the Galenica pharmacy network comprised some 500 points of sale throughout Switzerland as of the end of 2017. The increase in the number of pharmacies accounted for 1.1% of the sales increase. On a comparable basis, sales increased by a total of 2.0%.

#### Simpler and more uniform processes

Processes within all of the Galenicare pharmacy formats were further standardised in 2017. An example is the Triapharm® in-house pharmacy software, which had previously been implemented only at Amavita and Sun Store, and was also rolled out in all Coop Vitality pharmacies during 2017. Another example is direct invoicing to health insurers, which had been successfully introduced at Sun Store and Amavita pharmacies and started to be used at Coop Vitality as well in 2017.

The “Unité” project pooled all pharmacy formats’ back office administrative functions, such as HR, marketing, finance and IT, at the head office in Bern.

### Strategic priorities

- 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 to compensate for the price reductions mandated by the Federal Office of Public Health (FOPH) from the start of 2018.
- Promote growth: organically and inorganically by expanding the network through the acquisition of own and independent partner pharmacies.



### New offerings and services

In 2017, the Retail Business sector started to offer new services, thereby enhancing service quality and expanding the range. Click & Collect allows customers to order products conveniently at the click of a mouse and collect them from the pharmacy of their choice. Around 10,000 products were available through Click & Collect by the end of 2017. The range available is constantly being expanded, the aim being to make it possible to offer the full pharmacy range online. Amavita and Sun Store pharmacies introduced the Diabetes Check in 2017, and Coop Vitality branches are now offering the Ear Check. The first Derma-Center was set up in cooperation with L'Oréal Cosmétique Active at the Amavita pharmacy in the Metro shopping centre in Geneva. Galenica has also energised the support stockings market through collaboration with Bauerfeind, a company specialising in support stockings, which has enabled Amavita, Sun Store and Coop Vitality pharmacies to offer their customers high-quality compression stockings at the price specified in the Federal Office of Public Health (FOPH) list of services and equipment delivered to patients (MiGeL); customers previously had to pay the difference from the list price themselves.

At the same time, as the leader in the Swiss pharmacy market, Galenica broke new ground in 2017 in the medical treatment of simple health issues with the Aprioris walk-in clinic pilot project. At Aprioris, a care expert provides immediate medical assistance in a room specially set up for this purpose inside the pharmacy. In 2017, this new service was made available in the Amavita pharmacy in Adliswil near Zurich and in the Sun Store Métropole pharmacy in Lausanne. The concept gives customers quick and easy access to an initial consultation if they are suffering from minor complaints that a care expert can treat. Aprioris is an affirmative response to the wish of the Swiss government to give more powers to pharmacies and to strengthen their position as the first point of contact for people with minor health problems.

The pilot project Health Maintenance Organisation Insurance Plus (HMO Plus), which was launched in 2017, has a similar purpose. The health insurer CSS, the physician network Medix, and Galenica together offer an integrated care model in and around Zurich. Customers who are insured with CSS under the alternative insurance model HMO Plus can go to a doctor and now also to a pharmacy as the first point of contact in the event of a health problem. By the end of 2017, some 20 Amavita and Coop Vitality pharmacies were participating in this project.

“With the Aprioris walk-in clinic, Galenica as the pharmacy market leader is breaking new ground in emergency medical assistance.”

### Companies and formats

- Amavita pharmacies, [www.amavita.com](http://www.amavita.com)
- Aprioris Ltd., [www.aprioris.ch](http://www.aprioris.ch)
- Careproduct Ltd.<sup>1)</sup>, [www.careproduct.ch](http://www.careproduct.ch)
- Coop Vitality Ltd.<sup>2)</sup>, [www.coopvitality.ch](http://www.coopvitality.ch)
- Galenicare Management Ltd., [www.galenicare.com](http://www.galenicare.com)
- Mediservice Ltd., [www.mediservice.ch](http://www.mediservice.ch)
- Sun Store pharmacies, [www.sunstore.ch](http://www.sunstore.ch)
- Winconcept Ltd., [www.winconcept.ch](http://www.winconcept.ch)

<sup>1)</sup> Since January 2018

<sup>2)</sup> Consolidated at equity level

1,390.1

Net sales

in million CHF

Galenica Group CHF 3,214.2 million



4,614

Number  
of employees

Galenica Group 6,398

### “Cardiosnip<sup>®</sup>, a new concept from Mediservice for the early detection of mental and physical overload, was ready for market launch in 2017.”

#### New offers at Winconcept

Winconcept, the Galenica Group's service provider for independent pharmacies, carried out initial audits during the year under review via the in-house quality management system Process One. In collaboration with health insurer CSS, a joint quality label is awarded if 70% of the audit objectives are met, which enables Winconcept partners to improve their position in the eyes of their customers. Since 2017, Winconcept partner pharmacies have also benefited from a new continuing education offer on a range of safety topics including medical emergencies, break-ins or outbreaks of fire. The partner pharmacies also benefit from staff scheduling software available in all three of Switzerland's national languages. The number of Winconcept partner pharmacies decreased slightly to 152 in 2017, notably as some partners sought successors and sold their pharmacies.

#### Mediservice cooperates with a variety of partners

Mediservice celebrated its 20<sup>th</sup> anniversary in 2017. The company, which specialises in medication provision and treatment support for patients with chronic and rare illnesses, grew by more than 20% in 2017. This outstanding performance was spurred by the growing proportion of high-priced medications dispensed more and more centrally by Mediservice within the Retail Business sector, as well as by the general increase in demand for the services it offers. During the year under review, Mediservice was certified according to ISO 9011:2015, which includes new and stricter quality regulations.

In 2017, Mediservice in Zuchwil was the venue for the launch of the Med-Center pilot project – a high-tech system with a dispensing machine from which patients can get prescription medications. Using video telephony and an interactive screen, customers can contact the pharmacist who supervises and monitors dispensing of the medication.

It is the Federal Council's intention that pharmacies should also play a key role in health prevention and the treatment of chronic diseases. Cardiosnip<sup>®</sup> is a small device with a new system for the early detection of mental and physical overload. It was developed in cooperation with partners in Switzerland and abroad and launched by Mediservice at the end of 2017, having already been used in various companies, schools and hospitals. Mediservice has exclusive sales rights for the device in Switzerland.

A molecular genetic testing project run successfully over the course of four years in cooperation with Myriad Genetics and Helsana became current practice in 2017. Molecular genetic testing provides physicians and patients with important information on which to base a decision in favour of or against either a medical or surgical approach when prostate cancer is diagnosed, thus enabling substantial cost reductions.

#### Own pharmacies and shareholdings

	31.12.2017	31.12.2016	Change
Amavita pharmacies <sup>1)</sup>	157	150	+7
Sun Store pharmacies <sup>1)</sup>	97	99	-2
Coop Vitality pharmacies <sup>2)</sup> (joint venture with Coop)	75	69	+6
Mediservice specialty pharmacy <sup>1)</sup>	1	1	—
Majority holdings in other pharmacies <sup>1)</sup>	5	8	-3
Minority holdings in other pharmacies <sup>2)</sup>	2	2	—
<b>Total own points of sale</b>	<b>337</b>	<b>329</b>	<b>+8</b>

<sup>1)</sup> Fully consolidated

<sup>2)</sup> Consolidated at equity level

#### Independent partners

	31.12.2017	31.12.2016	Change
Amavita partnerships	8	9	-1
Winconcept partner pharmacies	152	158	-6
<b>Total independent partners</b>	<b>160</b>	<b>167</b>	<b>-7</b>

## Outlook

### Acquisition of Careproduct

At the beginning of 2018, Galenica took over Careproduct. The company supplies walking frames, wheelchairs, incontinence products and other aids both online and offline. The range is geared in particular to older people and people with a disability who want to maintain or improve their mobility level. With Careproduct, the Retail Business sector can expand its customer offering and strengthen its market position with respect to online sales.

### Innovations that add value for customers and pharmacies

Galenica is seeking to progressively build on its leading position in the Swiss pharmacy market. One way it intends to do this is by launching new services and products that add value for its customers and for all affiliated pharmacies. Another is for the Amavita, Sun Store and Coop Vitality pharmacy formats to cooperate even more closely – for example, through the automated processing of accounts payable invoices.

The further development and positioning of e-shops, as well as further growth with existing and new pharmacies, are additional drivers for expansion in Retail. The product offering on the Click & Collect platform at Amavita, Sun Store and Coop Vitality will therefore be continually expanded during the course of 2018.

The results of the Aprioris walk-in clinic pilot project should also be available in 2018. This project is being monitored and overseen by a committee of experts as part of an independent study.

Mediservice plans to continue to prepare its organisation for the next stages of development in 2018, principally in the field of distance healthcare. This includes offering centrally provided services such as video nursing to chronically ill patients in their homes. Treatment of chronically ill patients beyond in- and out-patient care at hospitals and medical institutions is becoming increasingly important.

### Click & Collect – order online and collect from the pharmacy

Order an item online, choose a pharmacy, collect the product: it is easy to use Click & Collect, the new offering in e-shops of Amavita, Sun Store and Coop Vitality, launched in 2017. Click & Collect covers around 10,000 products (as of the end of 2017) – including non-prescription (OTC) medications as well as perfumes, cosmetics and healthcare products. Additionally, prescription medications can be ordered via Prescription Upload. The range available is constantly being expanded, the aim being to sell online the full pharmacy range.

Click & Collect is a response by pharmacies to the growing need for flexible shopping options. People increasingly want to order outside of opening hours and decide themselves when and where they want to collect their goods. Click & Collect also enables customers to order products that are not in stock in their pharmacy of choice; payment is only made when products are collected. The required products can be ordered easily online from home, the office or on the move and collected during the desired time slot from one of the more than 330 Amavita, Sun Store or Coop Vitality pharmacies – including specialist advice in store, as the pharmacist is still the customer contact on health topics even with the new digital services and offerings.





# Products & Brands

## Business sector

The partner of choice for services, advice and training

### Net sales development

Despite challenging market conditions in 2017, the Products & Brands Business sector, mainly comprising the business activities of Vifor Consumer Health, achieved net sales of CHF 94.7 million (+6.0%). Thanks to the launch of new beauty products and higher sales of brands such as Triofan®, Products & Brands was able to increase net sales in Switzerland by 4.0% to CHF 76.4 million in a flat OTC market (-0.4%, IQVIA, Swissmedic OTC therapeutic product lists C and D). Export sales increased by 15.6% to CHF 18.3 million, with Anti-Brumm® in particular experiencing dynamic growth in Germany and a successful relaunch in Italy.

### Strong OTC portfolio further expanded

The OTC portfolio was further expanded with the acquisition of the iconic Swiss brands Merfen® and Vita-Merfen® at the beginning of 2017. Vifor Consumer Health has been distributing Merfen® on the Swiss market since May 2017, thereby assuming a leading position in wound disinfection, one of the most important categories in consumer healthcare.

Despite a short flu season in 2017, the systemic pain relief market leader Algifor® performed well in the market and built on the successful launch in 2016 of Algifor® Liquid capsules 400 mg Ibuprofen with the launch of Algifor® Dolo Forte. Triofan® also maintained its strong market position as the number one nasal decongestant in Switzerland, thanks to additional sales growth in 2017 compared to the previous year.

### Reinforcing global brands

As of 2017, a new Business unit called “Global Brands” has been leading the two well-known and internationally commercialised brands Perskindol® and Anti-Brumm®. This team is also responsible for all other Vifor Consumer Health brands outside of Switzerland. Anti-Brumm® was relaunched in Italy, and three new innovative Anti-Brumm® two-in-one products (combining insect repellent and sun cream) were launched in Switzerland and Germany.

### Strategic priorities

- Sustain leadership of the top OTC categories, with focus on pain, cough, cold and respiratory, minerals, and wound treatment.
- Consolidate and further grow share of the consumer health market in pharmacies and drugstores throughout Switzerland, building on the solid partnerships and added-value services offered by Vifor Consumer Health.
- Expand the branded business into new areas and develop related skills.



“With the acquisition of the leading Merfen® brand, a strong presence has been established in the market for wound disinfection.”

#### Growth with international health and beauty brands

Vifor Consumer Health also offers marketing, sales and distribution services in the Swiss market to both Swiss and international health and beauty brands. Strong global brands like Clearblue®, Oral B® and Ginsana® enjoy successful exclusive partnerships with the company.

In 2017, Adler Schüssler mineral salts were launched exclusively in Switzerland, and Vifor Consumer Health also took over the distribution of Excilor®, a leading brand in anti-fungal nail medication, and launched a new three-in-one protection spray.

The A-Derma skincare line has been a great success since its exclusive Swiss launch in 2016, and in 2017 the product range was extended to include a new range of suncare products. The exclusive distribution in Switzerland of the global brands Lierac (skincare) and Phyto (haircare), both from the French Alès Groupe, was taken over and the brands were successfully relaunched. Pharmacies and drugstores are a trusted source of advice for skin-health products and are recognised by consumers as having the best selection of expert “derma” products.

All international brands contributed strongly to the success of Products & Brands in the reporting year, and all of these brands benefited from a very active dialogue with opinion leaders in the Swiss market.

#### Educational efforts

Vifor Consumer Health is clearly committed to being the partner of choice for services, advice and training – not only for its business partners, but also for all Swiss pharmacies and drugstores. Therefore, significant investments were made in 2017 to continue the company’s leading programme of education and training at the point of sale.

#### Companies

- G-Pharma Ltd.
- Vifor Consumer Health Ltd.<sup>1)</sup>,  
[www.viforconsumerhealth.ch](http://www.viforconsumerhealth.ch)

<sup>1)</sup> As of mid-2018, change of name to Verfora Ltd.

#### Outlook

##### Rebranding: from Vifor Consumer Health to Verfora®

Vifor Consumer Health will further strengthen its position by introducing a new and distinct identity for itself in the second half of 2018, and will continue to invest in product innovation, product improvement and new exclusive partnerships. From then on, the company will be present with the brand name Verfora® on the market.

It is planned to enter new international markets with Perskindol® and Anti-Brumm® in 2018, based on the proven demand for “Swissness” abroad, especially in the area of consumer healthcare.

94.7

Net sales

in million CHF

Galenica Group CHF 3,214.2 million



127

Number  
of employees

Galenica Group 6,398

# Services Segment



## Specific solutions for the healthcare market

The Services segment comprises logistics services for the Swiss healthcare market from Alloga (pre-wholesale), Galexis, Unione Farmaceutica Distribuzione and Pharmapool (wholesale), as well as Medifilm, which is active in drug blister packaging. These are complemented by services from HCI Solutions, which provides master data for the Swiss healthcare market and offers management software solutions for pharmacies. HCI Solutions also develops tools to securely manage, communicate and distribute sensitive health data and improve patient safety.

## Net sales and operating result

The Services segment generated net sales of CHF 2,501.8 million in 2017. Sales growth of 7.4% was due in particular to the successful integration of Pharmapool, which accounted for 6.3%. This was achieved in an overall market whose growth (+4.2%, IQVIA) was driven especially by the sales performance of hospitals (hospitals: +8.1%, IQVIA) as well as by high-priced special medications that are for the most part not supplied via wholesale but directly to specialist doctors (doctors: +4.9%, IQVIA).

The operating result (EBIT) improved by 26.7% to CHF 50.6 million. Included in EBIT are one-off positive effects from the sale of the rights of the Triamed® medical practice software to Swisscom and the sale of a non-operational building in Schönbühl (canton of Bern), which totalled CHF 7.0 million. Return on sales (ROS) was 2.0%. Excluding the one-off effects mentioned, ROS remained unchanged from the previous year at 1.7%.

Investments in 2017 amounted to CHF 27.0 million (previous year: CHF 20.2 million). The increase on the previous year was used notably to finance the new ERP software that will progressively be rolled out at Alloga and Galexis over the next few years.

[“The new ERP system will be swiftly phased in at Alloga, with deployment at pilot customer locations scheduled for the second half of 2018.”](#)

## Key figures 2017

- Net sales: CHF 2,501.8 million
- EBIT: CHF 50.6 million
- ROS: 2.0%
- Investments: CHF 27.0 million
- Employees: 1,619 (1,335 full-time equivalents)

# 2,501.8

Net sales  
in million CHF

Galenica Group CHF 3,214.2 million

# 50.6

EBIT  
in million CHF

Galenica Group CHF 141.8 million





# Services

## Business sector

### Investments in the market, software and infrastructure

In 2017, pre-wholesaler Alloga celebrated its 60<sup>th</sup> anniversary as a qualified partner for the pharma industry. In the middle of 2017, the “Modulo” project was initiated to switch to SAP’s new ERP (enterprise resource planning) system. In response to growing customer requirements, internal capacity for refrigerated storage at 2–8 °C was expanded by around a third. In addition, with the realisation of direct docking to the cold room, lorries can now deliver and collect their goods via direct access to the refrigerated zone. Finally, long-term investments were made in the technical infrastructure of the Burgdorf site (canton of Bern), and the roof renovated to prepare for a solar power station to be installed and put into operation in 2018.

Legal requirements are increasingly stringent, for example with respect to temperature compliance when transporting medications. Alloga and Galexis both offer their customers an end-to-end supply chain for temperature-controlled transport. At Alloga, since autumn 2017, this also applies to so-called ultra-deep freeze logistics, in other words storage and dispatch at –80 °C, the required temperature for a new generation of cancer drug.

### Successful acquisition of Pharmapool

With the acquisition of physicians’ wholesaler Pharmapool at the start of 2017, Galexis expanded its offering for self-dispensing physicians. Thanks to its successful integration, Pharmapool also contributed to the growth of Services in the second half of the year.

Furthermore, in the spring, Galexis concluded exclusive agreements for the Swiss market with well-known providers of beauty products such as Clarins and Coty.

Demand for logistics services in Ticino has increased and Unione Farmaceutica Distribuzione (UFD) is able to support an increasing number of webshops for pharmacies and other business partners throughout Switzerland thanks to its E-box logistics solution.

### Strategic priorities

- Reinforce customer competitiveness with high-quality services and innovative, tailored offerings.
- Bundle the competences as a pre-wholesaler and wholesaler for customers and suppliers.
- Develop trend-setting eHealth offerings for the Swiss healthcare market.
- Improve efficiency by further optimising processes.
- Promote growth: organically and with expansion of the customer portfolio through own and independent pharmacies, development of the physician segment and resuming direct deliveries from the manufacturer.

“The Clinical Decision Support functions of Documedis® allow a detailed, patient-specific risk assessment of medications.”

#### Medifilm expands its capacity

As of the end of 2017, Medifilm served around 8,000 patients throughout Switzerland, thus increasingly easing the burden of carers responsible for administering medications. The company continues to grow and moved into a new building on its 10<sup>th</sup> anniversary, tripling the size of its production area. With groundwater cooling and heat pumps, the new site also takes environmental aspects into consideration. Demand from pharmacies and care homes for blister packaging of medications and food supplements remains high. Direct connection to nursing homes through the Mediproc software platform is proving effective. Furthermore, Medifilm participated in the foundation of the Swiss Blistering Association (see box “Combating counterfeit drugs”).

#### Trend-setting eHealth offerings

Triapharm® pharmacy software from HCI Solutions features, among other benefits, direct invoicing to health insurers. It was introduced at Coop Vitality in 2017. Consequently, all pharmacy formats of Galenica now operate on the same system, generating synergies. Beginning in the fourth quarter of 2017, the Documedis® eMedication solution was gradually introduced to hospitals in St. Gallen, while further systems and service providers are currently trialling its integration (see coverage on Documedis® from page 28).

#### Outlook

##### Broader offering, greater efficiency and sustainability

At Alloga, on the roof of the Burgdorf site, a solar power station will be installed and go into operation in 2018. Designed to provide 1 megawatt, it can be expanded to double the capacity in the future. The new installation will not only generate electricity for the company, but in summer, shade provided by the solar panels will reduce the energy required to cool the building. Lastly, the new ERP system will be swiftly phased in, with deployment at pilot customer locations scheduled for the second half of 2018 followed by complete rollout by the end of 2019.

#### Companies

- Alloga Ltd., [www.alloga.ch](http://www.alloga.ch)
- Galexis Ltd., [www.galexis.com](http://www.galexis.com)
- HCI Solutions Ltd., [www.hcisolutions.ch](http://www.hcisolutions.ch)
- Medifilm Ltd., [www.medifilm.ch](http://www.medifilm.ch)
- Pharmapool Ltd., [www.pharmapool.ch](http://www.pharmapool.ch)
- Unione Farmaceutica Distribuzione Ltd., [www.ufd.swiss](http://www.ufd.swiss)

2,501.8

Net sales  
in million CHF

Galenica Group CHF 3,214.2 million



1,619

Number  
of employees

Galenica Group 6,398



## Services Segment – Services Business sector

Galexis will expand the offering for its business partners with specific solutions. A modular service package will enable pharmacies to launch own brands easily and efficiently under the name Felan®, while a new “dispatch buffer” is planned for the Niederbipp site. This interim depot for boxes ready for dispatch increases the flexibility of the preparation process and allows more delivery runs to be completed with the same number of dispatch areas. A new generation of refrigerated boxes will also be launched to ensure 24-hour GDP conformity (Good Distribution Practice). In addition, the distribution centre at the Ecublens site will be extensively renovated and modernised in order to prepare it for the future and ensure operations in accordance with GDP guidelines. An analysis and concept phase has already been initiated, and construction will begin in 2019 at the earliest.

Thanks to the pleasing growth, Medifilm will expand capacity in 2018 and commission a new generation of blistering machines. The new machines double the number of blistered units per hour, are more precise than the current equipment and can produce trilingual Medifilm® sachets, into which the medications are packed for patients.

The Clinical Decision Support (CDS) functions of Documedis® allow a detailed, patient-specific risk assessment of a medication, and will in future be supplemented with indications for adjusting drug therapy. This functionality will mean that Documedis® is classified as a Class I medical device and should be certified with the applicable norms as such in 2018.

All companies of the Services Business sector will press ahead with projects related to the upcoming serialisation in 2018 (see box “Combating counterfeit drugs”).

### Combating counterfeit drugs

The EU requires all pharma manufacturers to implement the Falsified Medicines Directive from 2019. In addition to the introduction of a tamper verification feature, medicine packs in the affected categories will be assigned a unique serial number to ensure better protection against drug counterfeiting. These European regulations will be adopted in Switzerland, too, from 2019.

A special, two-dimensional, machine-readable code must be assigned to each individual pack, containing the item number, batch number, expiry date and a serial number.



In addition, packaging must be equipped with an anti-tampering device such as a seal. No more than six years may pass from the time the packaging is “checked in” on the production line to when it is “checked out”, i.e. delivered to the patient.

A further important aspect is data protection. Manufacturers, for example, will not be permitted to access patient information or pharmacy sales figures. Instead, each actor in the manufacturing and distribution chain will only be able to access the data they generate themselves.

The stipulated serialisation procedure presupposes the perfect exchange of data between a shared data platform and various data servers at national and manufacturer level. It will necessitate a number of changes to pharma logistics, including at Galenica. Wholesalers such as Galexis and Pharmapool will have to check the intactness of all individual packs with a tamper verification feature and encoded identifier. In the case of customer returns, they will also have to check each individual pack and, if necessary, decommission it before destroying the medication.

“On its 10<sup>th</sup> anniversary, Medifilm moved into a new building, tripling the size of its production area.”

All dispensing entities – pharmacies and physicians first and foremost – will in future have to check individual packs before dispensing them to customers and patients and scan them so that they are checked out of the national database of Switzerland. Pharmacies and physicians will therefore need to be connected to the data platform via a data interface.

The companies of the Services Business sector began preparations for the introduction of serialisation in 2017. In addition, Medifilm participated in the foundation of the Swiss Blistering Association, the aim of which is to effectively address the specific needs and interests of companies active in drug blister packaging in light of the upcoming serialisation process.

#### Key figures wholesale/pre-wholesale 2017

	Wholesale: Galaxis, Unione Farmaceutica Distribuzione	Pre-wholesale: Alloga
<b>Storage</b>		
– Number of prepared boxes	> 8,528,000	–
– Number of delivered order lines	> 38,442,000	> 1,777,000
– Number of prepared packages	> 118,588,000	> 85,200,000
<b>Distribution</b>		
– Annual tonnage	> 15,127	> 7,350
– Number of packages	> 150,200	> 505,000
– Number of pallets	–	> 64,200
<b>Structure</b>		
– Number of items in stock	> 45,000	> 9,400
– Number of suppliers/partners	> 1,200	> 75
– Number of points of sale supplied	> 10,200	> 11,600
<b>Technology</b>		
– Degree of automation in Niederbipp	66%	–
– Degree of automation in Lausanne-Ecublens	29%	–
– Degree of automation in Barbengo-Lugano	46%	–
– Degree of automation in Burgdorf	–	35%



# Documedis<sup>®</sup>: improved patient safety



Digitisation is enabling new, innovative ways to improve patient safety. The Documedis® eMedication solution from HCI Solutions increases transparency when dispensing medications, improves collaboration between the various service providers and thereby prevents medication errors. With Documedis®, Galenica is making an important contribution to promoting a safer, more efficient healthcare sector in Switzerland.

Currently in Switzerland, medication errors result in between 1,500 and 3,000 deaths every year and entail high additional healthcare costs<sup>1)</sup>. It is often difficult for medical service providers to have a global view of the potential interactions and side effects of medications being taken. "Although the summaries of product characteristics for the various medications include all of this information, there is no time to read these long texts in detail", explains Ulrich Schaefer, Head HCI Solutions. He goes on to say: "Patients are increasingly treated by several different service providers. In addition to their general practitioner, patients also have various specialist physicians, nursing staff, the pharmacist

or a physician working in a hospital looking after their well-being. Problems therefore often arise at the points where health services overlap. Due to the number of service providers and medications, entering and completing patient and medication data is taking an increasing amount of time. In light of this, HCI Solutions developed the Documedis® software module.

#### Life-saving warning symbols

A fictitious example demonstrates the specific benefits of Documedis® for both physician and patient: 54-year-old Petra Müller has been allergic to penicillin since she was a child. When she suddenly develops severe bronchitis, she is admitted to hospital as an emergency. The physician wants to prescribe her an antipyretic and a penicillin antibiotic. He enters both in her electronic patient dossier in the hospital IT system, which activates the Documedis® Clinical Decision Support Check (CDS Check, see image below). The patient characteristics are matched to the medication and violations of limits and other alerts are shown in the form of warning symbols. The treating physician sees immediately that the patient is allergic to penicillin, meaning that the intended antibiotic is contraindicated and harmful to her health. Medication errors and negative consequences for health can therefore be avoided. The Documedis® CDS Check tool should be available on the Swiss healthcare market from 2018 as the first system certified throughout Switzerland.

<sup>1)</sup> OECD country comparison of avoidable mortality, Gay, J. G. et al.

#### Overview of all Documedis® CDS Checks

The Clinical Decision Support Check (CDS Check) is a set of 13 checks which rapidly and efficiently check medication being taken or planned.



Allergy  
to active  
ingredients



Allergy  
to non-active  
ingredients



Doping



Dosage



Double  
dosage



Old age



Driving



Liver disease



Food interaction



Kidney disease



Reproduction



Drug interaction



Flycycle CH  
(only hosp.)

### Various service providers – one medication plan

“Documedis® helps physicians obtain a simple, rapid overview of the most significant risks for their patients and helps them to choose the right drug therapy, thereby preventing medication errors such as overdose, intolerance or dangerous interactions”, explains Regina Andenmatten, Head Medical Data at HCI Solutions. Documedis® can be used by hospitals, medical practices, care homes, Spitex organisations, pharmacies and blister packaging centres, and therefore helps to network these players. The software module is targeted at the needs of the healthcare market and can be integrated into existing local IT systems. Documedis® is also available as a web application for electronic tablets.


Moreover, using Documedis®, an electronic medication plan (eMediplan, see image below) can be created, printed and given to the patient. This eMediplan summarises all of the

patient’s medication-relevant data, and can be read using the QR code and added to at each further treatment session, without the data having to be stored centrally.

Ulrich Schaefer notes that, thanks to Documedis®, collaboration between the various service providers can be improved and efficiency increased at points of overlap. He gives the example of an elderly patient in a nursing home: “The patient has a rash and goes to see a specialist who prescribes him a medication. The nursing home staff enter the medication in the facility’s software, which has all the patient’s medications recorded, and forwards the medication plan to the pharmacy. The pharmacist only has to scan in the QR code on the medication plan to gain immediate access to all relevant information to check the medication. The order could also be sent to a blister packaging centre, such as Medifilm, which packages medications in a patient-friendly way.”

### eMediplan

The eMediplan clearly summarises all of a patient’s current medications. Patients can see at a glance what medication they need to take in what quantity, at what time and for how long. The QR code enables healthcare professionals to scan in the information from the eMediplan, thereby transferring it to their own IT system without additional effort.




**Swiss Medication Plan**

**Doris Muster**  
 23.03.1950 (F)  
 Rue Chante, 1200 Genf / +41 79 123 45 67

Size / Weight : 165 cm / 71 kg  
 Renal insufficiency : Light  
 Allergy/Allergies : Penicillin-Allergie

Printed by :

Dr. Hans Kauf  
 Effingerstrasse  
 3011 Bern



Latest state: 04.11.2017 15:11

Medication	Morning	Noon	Evening	Nocte	Quantity (qty)	Type of medication	From Up to and including	Instructions	Reason	Prescribed by
CIPROXIN Lacktabi 500 mg <small>Ciprofloxacin</small>	1	-	1	-	tab	Daily	24.06.2017 02.09.2017	After meals	Infection	Dr. Hans Kauf, Bern
CO-DIOVAN Filmtabli 160/12.5 mg <small>Valisartan, Hydrochlorothiazid</small>	1	-	-	-	tab	Daily			Hypertension	Dr. Eric Dubois, Genf
SORTIS Filmtabli 20 mg <small>Atorvastatin</small>	-	-	1	-	tab	Daily			Cholesterol reduction	Dr. Eric Dubois, Genf
SERESTA Tabli 15 mg <small>Oxazepam</small>	-	-	-	1	tab	Daily			Tranquilizer	Dr. Eric Dubois, Genf

**Medications in reserve**

PANADOL S Filmtabli 500 mg <small>Paracetamol</small>	Show instructions			take one tablet max. 4 times a day	Pain	Self medication
--	-------------------	--	--	------------------------------------	------	-----------------

**Remark :**

Fictitious example of an eMediplan



Physicians can also create, send or print out an electronic prescription (ePrescription) directly from Documedis®. The patient and drug information are automatically transferred from the eMediplan. ePrescriptions make it easier to enter medications in the pharmacy, improving patient safety at point of supply. Electronic prescriptions make illegible prescriptions and transfer errors a thing of the past. Documedis® is also integrated in Triapharm®, the Galenica management software solution for pharmacies.

#### Practitioners give a positive verdict

Med. pract. Alexander von Kameke, Specialist in Pharmaceutical Medicine at the Cantonal Hospital of St. Gallen, took part in the pilot project. He is convinced: “The Documedis® CDS Check will be used in the nine hospitals serving our four regions and in the St. Gallen Geriatric Clinic. It will enable us to check drug prescriptions even as they are being entered. The introduction of standardised drug master data and the Documedis® CDS Check has sustainably increased drug treatment safety, thereby making a considerable contribution to improving patient care.”

#### A further step towards eHealth

Looking to the future, Regina Andenmatten says: “Over the next few years, we will further expand the functionality of the software module and patient’s health information with additional elements, such as their risk of diabetes.” Documedis® is another step towards the digitisation of the Swiss healthcare industry and supports the vision of eHealth Switzerland 2.0, which aims to improve the quality, safety and efficiency of the healthcare system using digital solutions. “Our simple, intelligent, networked solutions are making a major contribution to achieving this”, summarises Ulrich Schaefer.



#### Top priority for data protection

Data protection is becoming increasingly important when designing an IT system. Patient data are particularly sensitive in the healthcare industry. Care was therefore taken from the outset to maintain the highest security standards in the Documedis® project. For example, all data traffic uses encrypted connections in accordance with the latest industry standards. Care is also taken to ensure that data are anonymised and are not saved anywhere as far as possible. The IT platform used is the reliable, fully secured Galexis IT infrastructure at the data centre in Niederbipp (canton of Bern).

# Human Resources



## Culture and values

### Great things achieved together

The Galenica Group can look back on an eventful financial year 2017, characterised in particular by the IPO of the former Business unit Galenica Santé and the associated division of the Galenica Group into two independent listed companies: Galenica and Vifor Pharma. All employees contributed to this successful step towards independence, as well as all further progress achieved in the year under review. Together they achieved great things, and are motivated and well-equipped to continue doing so in future. As of the end of 2017, Galenica employed 6,398 people.

“The employees see themselves as responsible for customer satisfaction.”

## Number of employees



● Galenica Ltd.	38
● Retail	4,614
● Products & Brands	127
● Services	1,619

## Training and development

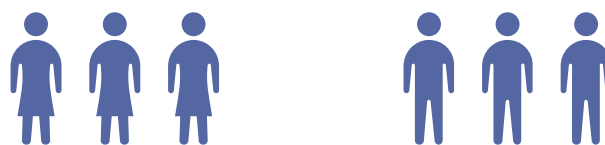
### Employee development

Productive cooperation requires regular exchange of knowledge between employees, 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 (UME), consisting of events (EVE), special staff training (SAM) and management training (FAB). By mid-2018, the personnel development measures on offer will be analysed with a view to updating specific areas of the programme by 2019.



6,398 Number of employees

## Number of women and men



4,997 Women (78%) 1,401 Men (22%)

### Events

EVE 1 is a management platform for communicating strategic objectives. At the first EVE 1 event in spring 2017, internal speakers informed 265 participants about the planned IPO and the forthcoming division of the Group into two independent listed companies. At the first EVE 2 event after the IPO of Galenica in summer 2017, a total of 450 members of Senior Management and members of Management came together with local pharmacy managers. The main issue was “Galenica 2.0”, which was presented with short, informative examples of new projects and services from everyday practice, such as customer commitment at Sun Store, the new Docu-medix® platform from HCI Solutions, the Aprioris pilot project and the online “Click & Collect” platforms of Amavita, Sun Store and Coop Vitality. The event was also used as an opportunity to bid farewell to former Executive Chairman Etienne Jornod, who led the Galenica Group for 22 years and who, in relation to the IPO, was made Honorary Chairman.

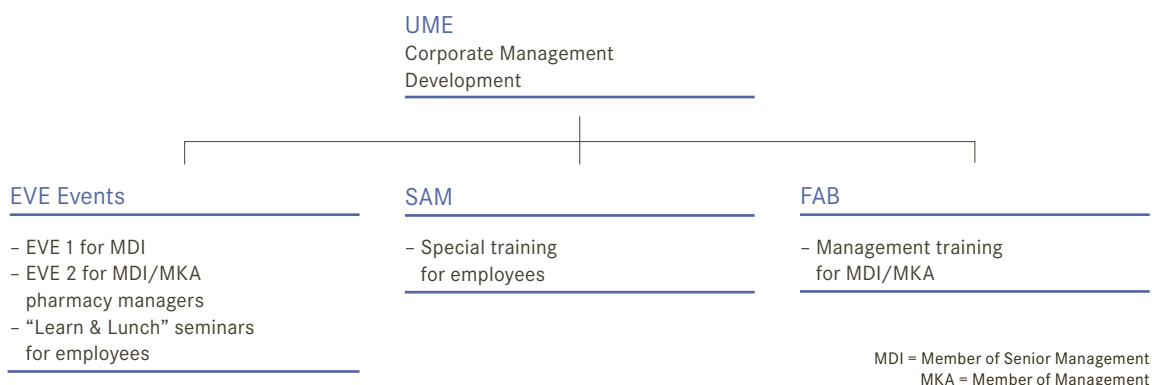
### Modular training formats for employees

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 210 employees took part in induction days in 2017.

### Management training

The FAB 1 management training consists of modules, and focuses on three areas: “Self-management and management tools”, “Employee management and communication skills” and “Management and development of teams”. The FAB 2 seminars subsequently address “Performance” and “Health” and were conducted in collaboration with health insurer Helsana for the first time in the year under review. The “Corporate management” and “Change management” modules, which were previously consolidated under the FAB 3 seminar, have been offered individually as of 2017. 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 100 managers participated in the courses in 2017. A strong corporate culture depends upon the five key values of Galenica being fully realised in daily life, so they form an integral part of all FAB modules.

## Corporate Management Development



UME includes all activities offered throughout the Galenica Group for the further development of staff and management.

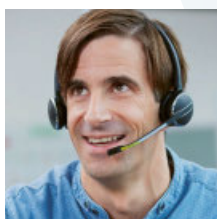
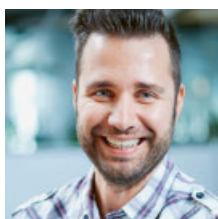


## The five key values of Galenica

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**.



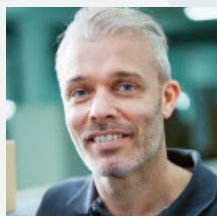
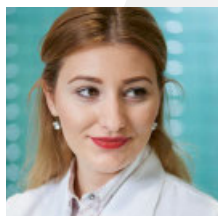
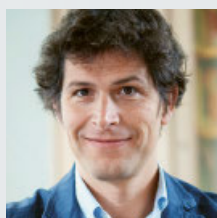
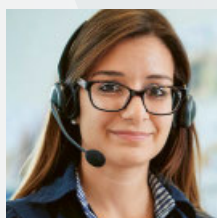
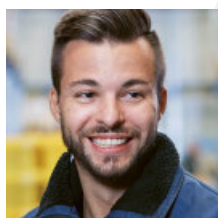
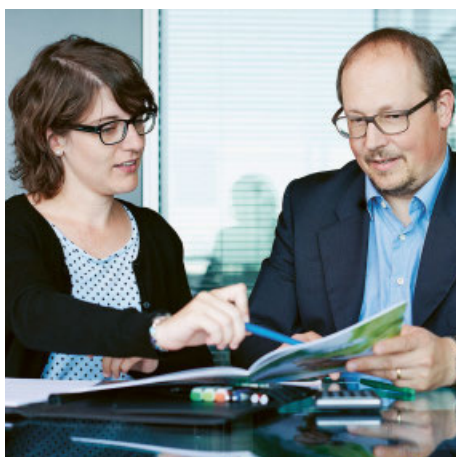
## 2017 employee survey

Every three years, the Galenica Group conducts the “Opinio” employee survey in partnership with an external provider. In autumn 2017, staff were asked about their satisfaction, motivation and commitment; 64% responded, and the evaluation of the 4,116 questionnaires revealed the following:

- Employees are generally satisfied with their work situation (75 out of 100 possible points), and 60% of them identify strongly with the company and with their work.
- The survey’s main focus was on motivation, which was measured in terms of the extent to which employees’ needs were met and of their commitment. More than half (57%) of all employees say they are very highly motivated, and almost a third (30%) describe themselves as well motivated, while 13% expressed critical views.

- Most employees are convinced that they are working in a customer-focused environment. They see themselves as responsible for customer satisfaction and demonstrate a strong willingness to provide service support (81 points).
- The score of 64 points for the assessment of employees’ own prospects and development opportunities shows that expectations in this regard are high.

On the basis of the insights gained from the survey, improvement measures are being worked out and implemented by each Business sector and company. The “Opinio” employee survey is next scheduled to be conducted in 2020.





## Investing in employees

Galenica offers its employees a range of fringe benefits, with special emphasis on structured training and development. CHF 3.7 million was invested in further training in 2017 (previous year: CHF 3.3 million).

### Developing talented individuals

The two-year Talent Mentoring Programme has been very positively received. Participants (mentees) are given a platform through which to exchange views and experience 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 ten mentees on the programme in 2017, which, for the first time, did not include participants from Vifor Pharma due to the division of the Group.

### Attracting employees

In 2017, the Health & Beauty segment launched a pilot project to centralise internal and external employee recruitment. It covers the entire recruitment process as well as concept development for online presence, in particular for job advertisements and the inclusion of social media. These activities have significantly reduced recruitment time, lowered costs and exploited synergies. 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 2017, the Group companies trained 771 apprentices – 719 young women and 52 young men. Of these, 236 completed their apprenticeships, many with flying colours. Having qualified, 99 apprentices have since become Group employees.

## Headcount trends

	Number of employees	
	2017	2016 <sup>1)</sup>
Galenica Ltd.	38	—
Retail	4,614	4,530
Products & Brands	127	107
Services	1,619	1,494
<b>Total</b>	<b>6,398</b>	<b>6,131</b>
Total employees in %		

of which part-time employees <90 %	
2017	2016 <sup>1)</sup>
9	—
2,128	2,073
50	38
380	344
<b>2,567</b>	<b>2,455</b>
40.1 %	40.0 %

Full-time equivalents	
2017	2016 <sup>1)</sup>
34	—
3,465	3,330
110	93
1,335	1,234
<b>4,944</b>	<b>4,657</b>

## Number of managerial employees

	Total number of managerial employees	
	2017	2016 <sup>1)</sup>
Galenica Ltd.	27	—
Retail	361	375
Products & Brands	48	37
Services	161	141
<b>Total</b>	<b>597</b>	<b>553</b>
Total employees in %	9.3 %	9.0 %

of which women	
2017	2016 <sup>1)</sup>
13	—
202	210
22	17
52	45
<b>289</b>	<b>272</b>
4.5 %	4.4 %

of which men	
2017	2016 <sup>1)</sup>
14	—
159	165
26	20
109	96
<b>308</b>	<b>281</b>
4.8 %	4.6 %

<sup>1)</sup> Owing to the IPO of 7 April 2017, the data as from 2014 have been restated as if the former Business unit Galenica Santé, now Galenica, had been a standalone entity (combined financial statements 2014–2016). These combined financial statements form the basis for comparison with the figures for the previous year. The current Galenica Ltd. has also only been exercising its holding functions in this form since the IPO; there are therefore no data for the previous year.

“The 2018 motto ‘Together, let’s seize our chances’  
is an expression of determination and optimism.”

#### Various communication platforms

Personal and direct exchanges between all employees from a total of 77 countries are extremely important. In addition, the intranet is used to inform employees quickly and comprehensively about changes and developments throughout all areas of the company. Issues affecting the Group are also covered in detail in the employee magazine Spot, which employees receive in printed form at home. The January 2017 issue focused on appreciation, while the July 2017 issue addressed the annual motto “Keep it simple and stay focused!” and the topic of working together to achieve great things. The July issue also appeared in a new, revised layout.

#### Reconciling work with family life

At the beginning of 2017, Galenica joined Swiss association Profawo, which is dedicated to reconciling work with family life across the country. Based on its key value “respect”, the Galenica Group endeavours to respect and support the various life plans of its employees and reconcile these with the interests of the company to the greatest extent possible. This may be through part-time work, taking employees’ wishes into account when scheduling work and now through the services offered by Profawo. These include, for example, organising child care, day kindergartens and care for family members. Its membership of Profawo also supports Galenica in its efforts to ensure that all employees remain healthy, motivated and productive over the long term.

### Creative thinkers

#### Comité des Jeunes

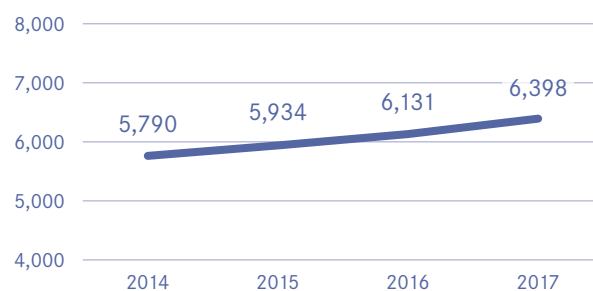
Galenica encourages exchanges of views between promising young employees and corporate management in an internal think tank, the “Comité des Jeunes”. The more than 20 employees from various Group companies help to firmly anchor and further shape the corporate culture. The last joint meeting with the members of Vifor Pharma took place in spring 2017 and focused on the forthcoming IPO of Galenica Santé and the communication activities associated with this transaction.

The Comité des Jeunes continues to exist after the IPO of Galenica, but this new beginning is being used as an opportunity to discuss the role and duties of the committee. This is a process which was started at the meeting at the Galexis site in Niederbipp in autumn 2017 under the guidance of CEO Jean-Claude Cléménçon. Further topics discussed at this meeting included the changes in society in light of digital transformation and its impact on the Galenica Group.

#### Motto for 2017: 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, a team-building box was set up and line managers were encouraged to engage in various smaller-scale activities with their teams to promote team solidarity. Such activities included complex tasks that teams had to solve in a short space of time, thus also reflecting the key value “Together, we are stronger”. The solutions could then be documented and submitted, and the most creative and best approaches were rewarded with a prize.

### Headcount development 2014–2017<sup>1)</sup>



<sup>1)</sup> Owing to the IPO of 7 April 2017, the data as from 2014 have been restated as if the former Business unit Galenica Santé, now Galenica, had been a standalone entity (combined financial statements 2014–2016). These combined financial statements form the basis for comparison with the figures for the previous years.

### Motto for 2018: Together, let's seize our chances

Building on the key value "Together, we are stronger", the motto "Together, let's seize our chances" will guide the Galenica Group through 2018 and 2019.

The motto is an expression of determination and optimism. It is intended to encourage all employees to have a positive attitude towards the future and make the most of changes and the opportunities associated with them together, not only with other teams within the Group but also with partners and customers. As in past years, the Comité des Jeunes will be staging various activities to encourage employees to put the motto into practice.

## Health and safety

### Health

The health of its employees is important to Galenica. Regular information events are held on the subject: for example, a series of accident prevention training courses organised by the Services Business sector in collaboration with the Swiss National Accident Insurance Fund (Suva). Galenica also puts in place measures to protect employee health and maintain safety in the workplace in line with the directives of the Federal Coordination Commission for Occupational Safety (FCOS).

### Illnesses

Employees were once again able to take advantage of Galenica Care Management in 2017. Ill employees are given support as well as employees who are at risk before having to take sick leave. Following illness or an accident, the aim is to facilitate a rapid return to work. In 2017, 462 new cases of illnesses were recorded.

### Accidents

Based on data from Suva and private insurers, the Galenica accident statistics show an increase in occupational accidents. In 2017, 146 accidents were reported.

## Employee profit-sharing programme

All employees were once again paid a profit-sharing bonus in 2017. The bonus is calculated based on the Group result compared with the previous year.

Every year, employees of Galenica living in Switzerland have the opportunity to purchase between 20 and 80 shares at a preferential price, regardless of their employment level. In 2017, 17.3% of employees participated in this programme. In 2016, nearly 10% of eligible employees participated in the share purchase programme. These shares are blocked for three years after the date of purchase. Following the initial public offering (IPO) of Galenica, employees were also given the opportunity in 2017 to exchange their employee shares in the former Galenica Group for shares in the newly listed Galenica.

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

The share-based remuneration programme LTI (see from page 67 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. These plans and foundations are legally, organisationally and financially independent of Galenica.

### Employee benefit plans according to Swiss BVG

Galenica employees are insured in Switzerland through the Galenica Pension Fund or the Galenicare Pension Fund. 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). The division of the Galenica Group did not result in any changes being made to the occupational pension schemes for active and former employees of Galenica Santé and Vifor Pharma. The existing affiliation agreements in place with the former Galenica Group companies remain unchanged even after the division. In the medium term,

however, Galenica and Vifor Pharma will provide independent pension schemes. The relevant work began in summer 2017 and should result in separate pension funds, mirroring the division of the Group, by 2019.

#### Defined contribution plan principle

The Galenica 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.

#### Pension fund reporting

The financial statements of the pension funds of the Galenica Group 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.

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

The recording and assessment of benefit obligations in the consolidated financial statements of the Galenica Group is in accordance with International Financial Reporting Standards (IFRS). Contrary to the defined contribution plan principle under Swiss BVG, the pension funds of Galenica are classed here as defined benefit plans under IFRS. 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 under IFRS generally result in a lower coverage ratio (ratio of pension fund assets to liabilities). These technical results have no impact on the benefits the pension funds pay under their regulations under BVV2 for the employees of Galenica. Further information on reporting under IFRS and the current coverage ratio can be found in the notes to the consolidated financial statements (from page 104).



## Works committee

In 2017, 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 and which gathers the presidents of all the staff committees, to discuss issues that go beyond matters addressed by staff committees in the individual Business sectors. In the year under review, discussions were held notably on fringe benefits for employees and the approval of the revised Appendix to the Personnel Regulations "Protection of Personal Integrity".

The staff committees meet several times a year. Due to its size, the number of staff committees in the Retail Business sector was increased from one to four in 2017, which from now on reflect the three linguistic regions in Switzerland and central services at the head office. Accordingly, four new representatives from the Retail Business sector now sit on the works committee. As part of the division of the Galenica Group, the staff committee for the Products & Brands Business sector was also reconstituted in the second half of 2017.

## 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 provide treatment to around 6,000 of the poorest HIV patients and train 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 one million children orphaned as a result of the illness and 40,000 AIDS-related deaths per year.

**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 2017.** The Galenica Group supported the "Sternschnuppe" organisation with its Christmas and New Year card for 2017. 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.

**Gewa.** The Gewa foundation for workplace integration is a social organisation 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.



**Associazione Malattie Genetiche Rare.** The “Associazione Malattie Genetiche Rare” (association for rare genetic diseases) assists individuals suffering from genetic diseases and their families over an extended period, and offers them advice, support and financial assistance. Unione Farmaceutica Distribuzione (UFD) supported this organisation by sourcing its Christmas gifts for customers via the “Leo Club Lugano”, which supported the “Associazione Malattie Genetiche Rare” in 2017.

**Pink Ribbon Switzerland.** Breast cancer is the most commonly diagnosed form of cancer in women: one in eight women in Switzerland will face this disease during her life, and 1,400 women die of breast cancer every year in Switzerland. Since physical activity can be beneficial in both breast cancer prevention as well as during and after cancer treatment, Perskindol® launched a pink limited edition version in October 2017. For every pink tube purchased, CHF 1 was donated to “Pink Ribbon Switzerland”. The organisation aims to generate greater public awareness of this cause and has been collecting donations for ten years to support non-profit organisations such as the “Swiss Cancer League” and “Europa Donna” in their fight against breast cancer.

**Healthcare products for people in need.** In 2017, Unione Farmaceutica Distribuzione (UFD) sent healthcare products in the form of dressings and gloves to the earthquake zones Amatrice and Norcia in Italy. The association “Angeli di Ilanivato” also received materials including plasters, gauze, compresses, etc. from UFD in the year under review. It runs a school managed by nuns and a clinic close to Antananarivo in Madagascar.



# Seven misconceptions about health

**The flu** is an infectious disease triggered by influenza viruses and transmitted by droplets. Only the relevant antibodies in the body can prevent it, and the best way to stock up on these is to get a flu vaccination. Vitamin C, though, can help the body defend itself and aid recovery from colds and flu, when greater quantities of vitamin C are needed.

To alleviate the symptoms of colds and flu, we recommend Algifor® and Demogripal® C. Moreover, a number of Amavita, Sun Store and Coop Vitality pharmacies offer flu vaccinations.

**Prescribing** bed rest for back pain is nowadays regarded as out of date. Regular exercise, appropriate sporting activity and normal everyday activities are recommended. All these stimulate the circulation of blood, reduce tension, help to make the spine more stable and prevent muscle atrophy. The flexibility of the intervertebral discs also benefits. Adopting a relieving posture, though, is the wrong option, as it damages other parts of the back in the longer term.

Various Adler Schüssler mineral salts can help alleviate back pain by strengthening the back and nerves (No. 2 and No. 5), reducing cramps and relaxing the muscles (No. 7).

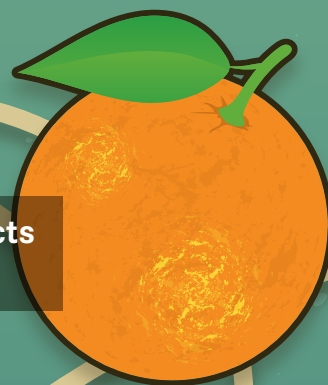
1

**Coffee raises blood pressure**



2

**Vitamin C protects against flu**



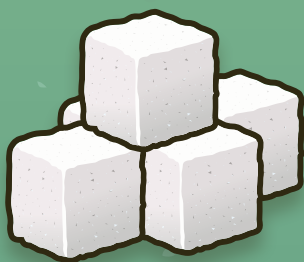
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**Direct contact with air is the best way to heal wounds**



**Not always.** Type 1 diabetics need insulin, but Type 2 diabetics can greatly improve their blood sugar levels by taking regular exercise and, if necessary, losing excess weight. For many of them it is also sufficient to take medicines to reduce their blood glucose. Insulin therapy may become necessary at a later date, but it is not the only possible treatment option for them as it is for their Type 1 counterparts.

The information platform Vitavista from HCI Solutions shows which pharmacies offer the Diabetes Check.



3

**Diabetics have to inject themselves with insulin**

**The caffeine** in coffee causes short-term increases in blood pressure that vary from one person to another. However, regular coffee drinking does not raise blood pressure. Short-term increases in blood pressure following the drinking of a cup of coffee also become less marked after a few weeks, as the body gets used to the caffeine.

The vascular check, in which blood pressure and pulse wave velocity are measured, is available in a number of pharmacies. To carry it out, the pharmacies use a sphygmomanometer borrowed from Galexis.

7

**In case of sore muscles, training should be continued**



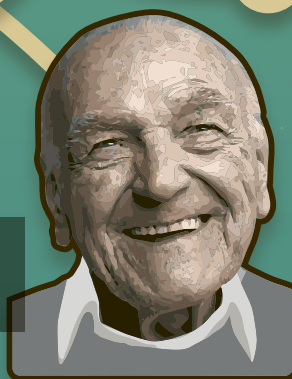
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**Bed rest is best for back pain**



4

**Wrinkles are all in the genes**



**Genes** have a comparatively minor influence on skin ageing. The biological clock and especially the ageing effects of environment and lifestyle have much more of an impact. It's ultra-violet (UV) radiation – the Sun – that does most to make the skin look old. Prematurely aged skin can be prevented with a healthy diet, adequate sun protection and the right skincare products.

Lierac Sunissime sun protection prevents wrinkles, loss of elasticity and pigmentation spots, and protects against UVB/UVA rays, and A-Derma Protect After Sun soothes, repairs and adds moisture to the skin.

**Any muscle** that aches is damaged and care needs to be taken of it to enable the damage to repair itself. Those who continue training despite muscle pain risk further damage and very painful injuries such as tears to muscle fibres. In case of sore muscles, training should be paused and any stretching should be avoided.

Perskindol Classic products provide additional help with muscle pain. Because they reduce the pain and promote circulation, they are good for the targeted and localised treatment of muscle strains and movement pain in sport and in everyday life.

**Wounds heal** best if they stay moist. Contact with air dries the wound out, so scabs are created and healing impeded. Putting something on a wound, though – a sticking plaster, for example – allows secretions from the wound to flow unhindered, taking away dirt and bacteria while also allowing antibodies to find their way in to the injured area. New tissue can thus form undisturbed. Dressings also protect wounds from external influences and germs.

Merfen® disinfects abrasions and small wounds, helping them heal.



# Corporate Governance





The Corporate Governance Report outlines the structures, processes and regulations on which well-functioning corporate governance at Galenica is based. Galenica meets the requirements of Swiss law and those stated in the SIX Swiss Exchange Directive on Information Relating to Corporate Governance (Directive Corporate Governance). It also follows the recommendations of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse. The structure of this Corporate Governance Report is based on the SIX Swiss Exchange Directive Corporate Governance. The remuneration and profit-sharing for top management are disclosed in a separate Remuneration Report (starting on page 62).

## Group structure and shareholders

### Structure of the Group

Galenica Ltd. is headquartered at Untermattweg 8, 3027 Bern, Switzerland. It is a corporation under Swiss law and, as a holding company, owns all the companies in the Galenica Group directly or indirectly. As part of the former Galenica Group, Galenica Ltd. was listed as an independent company on the SIX Swiss Exchange on 7 April 2017 via an initial public offering (IPO). Shares in Group companies are not publicly traded.

The Group's structure and the consolidated subsidiaries and associates are shown in the financial statements 2017 on page 120. The addresses of the main Group companies are listed on pages 80 and 81. The Articles of Association of Galenica Ltd., the Organisational Regulations as well as the charters of the committees of the Board of Directors can be accessed at [www.galenica.com](http://www.galenica.com) (see further links on page 60).

### Shareholders

On 31 December 2017, Galenica had 13,801 shareholders, seven of which, according to documents submitted to Galenica Ltd. and the SIX Swiss Exchange, were major shareholders holding 3% or more of the voting rights in Galenica Ltd.:

- Alecta Pensionsförsäkring, Ömsesidigt, Stockholm, Sweden, with 2,000,000 shares
- BlackRock Inc., New York, USA, with 2,787,758 shares
- Capital Research and Management Company, Los Angeles, USA (beneficial owners: The Capital Group Companies, Inc., Los Angeles, USA) with 1,600,000 shares

- Pictet Asset Management SA (fund management), Geneva, Switzerland, with 1,524,569 shares
- Rudolf Maag, Binningen, Switzerland, with 1,500,000 shares
- UBS Fund Management (Switzerland) AG, Basel, Switzerland, with 1,522,408 shares
- Credit Suisse Funds AG, Zurich, Switzerland, with 1,626,752 shares

No other shareholder has announced a crossing of the 3% threshold of shares.

The transactions disclosed to the stock exchange Disclosure Office pursuant to Art. 120 of the Financial Market Infrastructure Act (FMIA) can be viewed on the Disclosure Office website of the SIX Swiss Exchange:

[www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=GALSAN](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=GALSAN)

As of 31 December 2017, the pension funds were registered with 0.47 %.

### Cross shareholdings

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

### Events after the balance sheet date

Since the balance sheet date and until 28 February 2018 there are no further disclosures of shareholdings pursuant to Art. 120 of the FMIA.

## Structure of the share capital

### Share capital

On 31 December 2017, the fully paid share capital of Galenica amounted to CHF 5,000,000, divided into 50,000,000 shares with a nominal value of CHF 0.10 each. Galenica shares (securities no. 36 067 446, ISIN CH036 067 446 6) have been listed on the SIX Swiss Exchange since 7 April 2017. As of 31 December 2017, 49,007,357 shares were outstanding (not including treasury shares). The market capitalisation amounted to CHF 2,452.8 million.

### Authorised capital

According to Art. 3a of the Articles of Association, the Board of Directors is authorised to increase the share capital of CHF 5,000,000 by a maximum of CHF 500,000 at any time up to and including 10 March 2019 by issuing no more than 5,000,000 fully paid shares.

## Structure of the Galenica Group

Status: January 2018

**Conditional capital**

According to Art. 3b of the Articles of Association, the share capital may be increased by a maximum of CHF 500,000 by exercising conversion rights or option rights. As of 31 December 2017, Galenica had no conditional capital.

**Changes in the capital**

Information about changes in the share capital, reserves and distributable profit can be found on pages 127 and 131 of the financial statements 2017.

**Participation and dividend certificates**

Galenica has no participation or dividend certificates.

**Registration of shareholders**

Buyers of shares are entered in the shareholders' register upon request as shareholders with voting rights if they declare explicitly that they have acquired the shares in their own name and for their own account.

**Registration and voting rights**

Each registered share entitles the holder to one vote at the Annual General Meeting. Pursuant to Art. 13 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 to cancel any entries in the shareholders' register that came about on the basis of incorrect information or to change these into entries without voting rights, and vice versa.

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 did not exercise this right in the year under review.

#### **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 2017, an agreement of this nature was signed with one nominee.

#### **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 ensures a balanced relationship between management and control.

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 (see related links on page 60). Pursuant to the Articles of Association, the Board of Directors consists of five to nine members. It consisted of six members as of the end of 2017.

In selecting the members of the Board of Directors, care is taken to ensure that competency for each significant area of the Galenica Group's activities is represented and that the necessary specialised expertise is also available. The Board of Directors reviews its functional effectiveness once a year. Following the IPO in April 2017, an initial assessment of the new Board of Directors will be performed in 2018 with external support.

The Articles of Association of Galenica Ltd. restrict the ability of its directors to act in the highest management and administrative bodies of other legal entities outside of the

Group (Art. 17 (3) of the Articles of Association). This includes, in particular, limiting such outside activity to five mandates in listed and seven mandates in profit-oriented non-listed legal entities. None of the members has reached the limit.

With the exception of the Chairman of the Board of Directors, Jörg Kneubühler, 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. Philippe Nussbaumer is a pharmacist in Neuchâtel and is a customer of Galexis and a Winconcept partner.

#### **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 until they reach the age of 70 years. Elections are held separately for each Board member being elected.

#### **Internal organisation**

The Chairman calls a meeting of the Board of Directors at least four times a year, prepares and leads the meetings. The individual agenda items are set by the 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 request that the Chairman call a meeting of the Board of Directors and that items be included in the agenda. The members of the Board receive the documentation they need to prepare for the agenda items in a timely manner, normally ten days before the meeting in question. The Board of Directors constitutes a quorum when the majority of its members are present. Minutes are kept, recording all discussions and resolutions.

In 2017, the Board of Directors held six meetings. The Board of Directors is also informed on a regular basis about the current state and general development of the Business sectors.

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. This is provided when circumstances require it, but at least once a year. Further information on this topic can be found on page 58.

### Committees

The Board of Directors forms the following committees from its members:

- Governance and Nomination Committee (ad hoc)
- Remuneration Committee
- Audit and Risk Committee

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. 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.

Each committee has its own duties and responsibilities, which are stipulated in a charter. The charters of the committees are published on the Galenica website (see related links on page 60).

### Governance and Nomination Committee

The Governance and Nomination Committee is convened when necessary (ad hoc). Accordingly, the members are also determined ad hoc when needed. This committee supports the Chairman and the Board of Directors in the ultimate management and monitoring of the company (corporate governance). It also evaluates the appointment of and changes to members of the Board of Directors and its committees, the CEO and members of the Corporate Executive Committee, and makes appropriate suggestions to the Board of Directors.

### Remuneration Committee

The Remuneration Committee is made up of three members, the majority of whom must be independent. The Remuneration Committee carries out the following duties in particular:



Members of the Board of Directors (from left): Fritz Hirsbrunner, Andreas Walde, Jörg Kneubühler, Daniela Bosshardt-Hengartner, Michel Burnier, Philippe Nussbaumer



## Committees of the Board of Directors and their chairmen and members 2017

	Name	Board member since	Remuneration Committee	Audit and Risk Committee
Board of Directors	Jörg Kneubühler, Chairman of the Board of Directors	2017		
	Daniela Bosshardt-Hengartner	2017	Chairman	Member
	Michel Burnier	2017	Member	
	Fritz Hirsbrunner	2017	Member	Member
	Philippe Nussbaumer	2017		
	Andreas Walde	2017		Chairman
Number of meetings 2017		6	2	4
Honorary Chairman	Etienne Jornod			
General Secretary	Markus Dill			

The Governance and Nomination Committee did not hold any meetings in 2017.

- Proposes a remuneration strategy and objectives 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, the Chairman, the CEO and the Corporate Executive Committee as a whole;
- Approves the remuneration for the members of the Corporate Executive Committee (excluding the CEO) according to the proposal of the CEO and in agreement with the Chairman of the Board of Directors.

For the regulations in the Articles of Association governing remuneration, see page 57, and Remuneration Report from page 62.

#### Audit and Risk Committee

The Audit and Risk Committee comprises three members and supports the Board of Directors in fulfilling its duties with regard to accounting, financial reporting, risk management, compliance, as well as internal and external audits.

The Audit and Risk Committee carries out the following duties in particular:

- Audits reports by the Corporate Executive Committee using the company's compliance and risk management process;
- Monitors measures taken by the Corporate Executive Committee for compliance with internal and external regulations;

- Evaluates the effectiveness of the external auditor and approves its fees;
- Evaluates the internal audit programme, accepts reports from Internal Audit and checks whether the Corporate Executive Committee has used appropriate measures to implement Internal Audit's recommendations;
- Submits recommendations to the Board of Directors on the Group's capital structure, financing of investments and acquisitions, and setting long-term objectives.

#### Frequency of meetings of the Board of Directors and its committees in 2017

In 2017, the Board of Directors held six meetings, together with members of the Corporate Executive Committee. The Remuneration Committee met twice and the Audit and Risk Committee four times. In principle all the members participate in all the meetings of the Board of Directors.

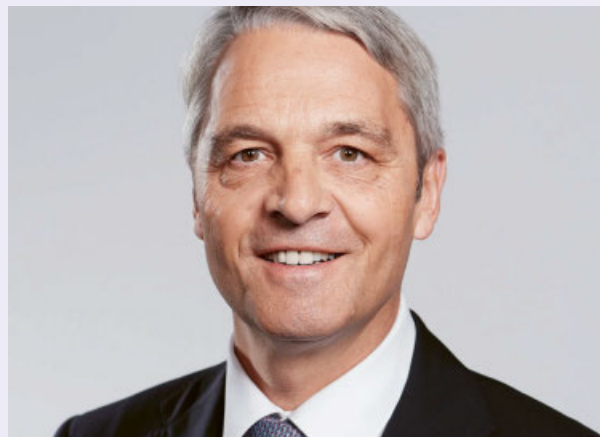
Report continued on page 52 ►

# Members of the Board of Directors

## Dr. Jörg Kneubühler,

Chairman of the Board of Directors, elected since 2017

- Born 1960, Swiss citizen
- Dr. rer. pol., University of Bern
- Held various positions in finance at the Swatch Group before joining Galenica
- Joined the former Galenica 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 from 2009; CFO from 2012 to 2016; and CEO Galenica Santé from 2014 to Q1 2017



## Prof. Dr. Michel Burnier, elected since 2017

- Born 1953, Swiss citizen
- Swiss-registered Doctor of Internal Medicine and Nephrology
- University Lecturer, University of Lausanne
- Member of the following organisations: Swiss Society of Nephrology (former President), European Society of Hypertension (council member and Treasurer) and Swiss Society of Hypertension (former President)
- Formerly a member of the Medicines Committee of the Swiss Association of Pharmacists (until 2001) and the Board of Swissmedic (2002–2010)
- Member of the Board of Directors of Speedel Holding Ltd. (Basel) from 2007 to 2009
- Member of the Board of Directors of Vifor Pharma Ltd. (Zurich)



## Fritz Hirsbrunner, elected since 2017

- Born 1949, Swiss citizen
- Lic. oec., HEC University of Lausanne / Senior Executive Program, IMD, Lausanne
- 1972–1977 Controller at Ciba-Geigy
- Joined the former 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 2014
- Member of the Board of Trustees of IST Investmentstiftung für Personalvorsorge (Zurich)
- Member of the Board of Directors of Berlac AG (Sissach), IVF Hartmann Holding AG (Neuhausen), VenCap 6 Ltd. (Jersey) and Vifor Pharma Ltd. (Zurich)

**Daniela Bosshardt-Hengartner,**  
elected since 2017

- Born 1972, Swiss citizen
- Pharmacist, Federal Diploma in Pharmacy, Federal Institute of Technology, Zurich (ETHZ)
- Financial analyst at Bank am Bellevue (1998–2002) and M2 Capital (2003–2004)
- Management consultant in the pharmaceutical, medical technology and biotechnology sectors since 2004
- Member of the Board of Directors of RepRisk AG (Zurich), Vifor Pharma Ltd. (Zurich) and investiere.ch (Baar)



**Dr. Philippe Nussbaumer,**  
elected since 2017

- Born 1969, Swiss citizen
- FPH Pharmacist, Federal Diploma / PhD in Pharmaceutical Sciences, University of Geneva / dipl. oec. HEC, University of Lausanne
- Federal Ski Instructor Diploma and Federal Expert J+S; since 2004, Vice-President of the Swiss Snowsports School of Neuchâtel / Les Bugnens
- Owner and president of the Pharmacie Centrale and the Pharmacie de la Gare in La Chaux-de-Fonds
- Since 2007, founder and administrator of Ecopharma pharmacy brand
- Since 2014, owner and president of the Medi-Centre Ltd. medical centre in La Chaux-de-Fonds
- Since 2012, Member of the Board of Directors of Veripharm Ltd.

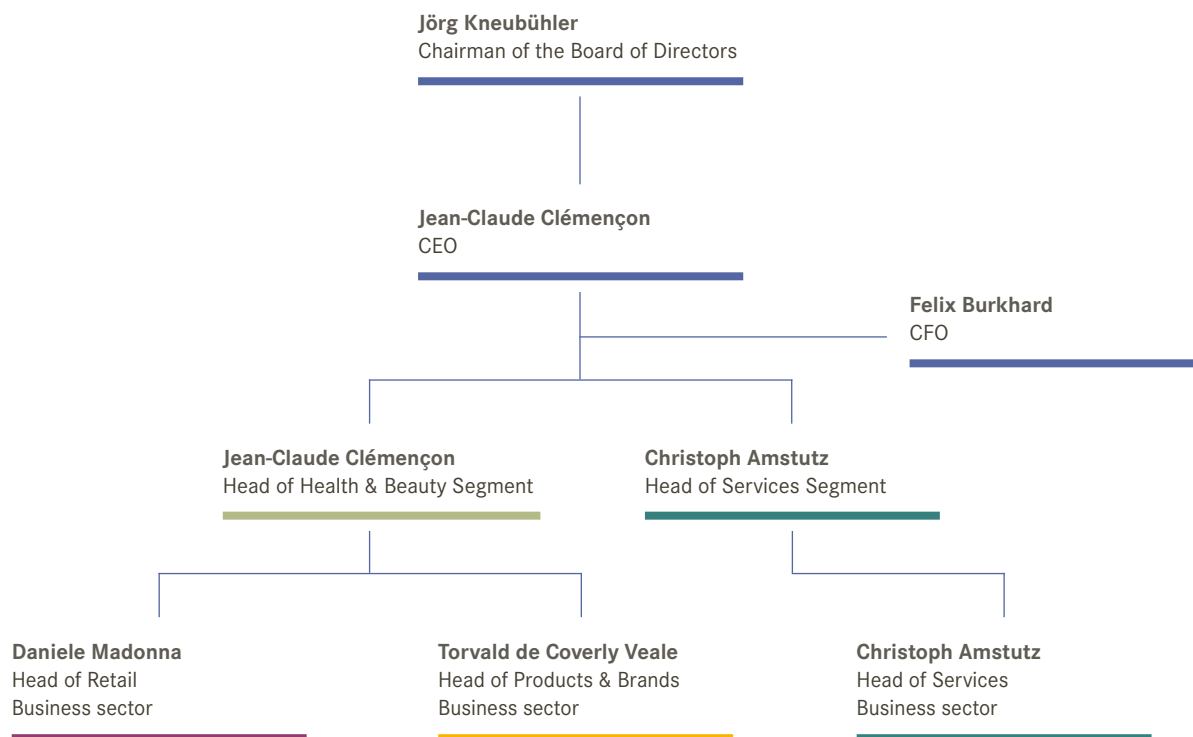


**Dr. Andreas Walde,**  
elected since 2017

- Born 1962, Swiss citizen
- Attorney-at-law and doctorate in law, University of Basel
- Various legal and management positions in the chemical and pharmaceutical industry for more than 25 years with specialisation in financial and corporate structures, M&A, Risk Management, Compliance and Corporate Governance: 1988–1996 at Roche, 1998–2010 at Clariant and 2012–2013 at Petroplus, in the latter two among other as group general counsel; General Secretary of Vifor Pharma Ltd. (Zurich), former Galenica Group, since 2013
- Former positions include memberships on the Board of several private (non-Swiss) public listed companies as well as Member of the Board of the Society of Swiss Enterprises in Germany
- Member of the Board of SwissHoldings, the Federation of Industrial and Service Groups in Switzerland

## Leadership organisation

Status: January 2018



## 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 medium-term planning, budget and annual objectives;
- selection and deselection of the members of the committees, the CEO 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 to the CEO in accordance with the Organisational Regulations. The CEO assumes operational management

of the Galenica Group and heads the Corporate Executive Committee. The Board of Directors maintains regular contact with the CEO and the members of the Corporate Executive Committee and sometimes invites them or just the CEO to attend its meetings when relevant items are to be discussed. At each meeting, the members of the Corporate Executive Committee are invited to report on their respective Business sectors and to discuss important business matters with the Board.

**Duties of the Chairman**

The Chairman is responsible for leading the Board of Directors and the ongoing optimisation of Group strategy. The duties of the Chairman include questioning and supporting the CEO and the Corporate Executive Committee with regard to the development of the Group's strategic business planning and financial objectives, and representing the Board of Directors and, in agreement with the CEO, Galenica externally. The Chairman monitors implementation of decisions taken by the Annual General Meeting and Board of Directors. He also ensures succession planning at the highest management level.



### Duties of the CEO

The CEO is responsible for implementing the strategic and operational objectives approved by the Board of Directors, for preparing the budget and ensuring that it is met, and for the management of the Group. The CEO leads the Corporate Executive Committee and reports to the Chairman. Together with the Chairman, he prepares the information for the meetings of the Board of Directors. At these meetings, the CEO, 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. The CEO also represents Galenica externally.

### Corporate Executive Committee

The instructions and resolutions of the Board of Directors are implemented for each of the Group's Business sectors by the Corporate Executive Committee under the leadership of the CEO. The Board sets appropriate objectives for the CEO and those members of the Corporate Executive Committee allocated to the relevant Business sector and

approves the budget. Compliance with these targets is monitored 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 planning 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 discussed and the budget for the following year agreed.

The Articles of Association of Galenica Ltd. restrict the ability of the members of the Corporate Executive Committee to act in the highest management and administrative bodies of other companies, limiting such outside activity to one mandate in listed companies and three mandates in total, subject to prior approval by the Board of Directors (Art. 20 (3) of the Articles of Association). None of the members of the Corporate Executive Committee has reached this limit.

Report continued on page 56 ►



Members of the Corporate Executive Committee (from left): Christoph Amstutz, Daniele Madonna, Jean-Claude Cléménçon, Felix Burkhard, Torvald de Coverly Veale

# Members of the Corporate Executive Committee

## Jean-Claude Cléménçon, CEO

- Born 1962, Swiss citizen
- Degree in Logistics, sfb Technical College, Zurich
- Program for Executive Development (PED), IMD, Lausanne
- 1988–1995 Head of Manufacturing at Rheintub AG (Rheinsulz) and CEO of Raintec GmbH, (Dogern, Germany)
- Joined the former Galenica 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 Health-Care Information and member of the Corporate Executive Committee of the Galenica Group from 2010; from 2015 to 2017, Head Retail Business sector
- Since 2017 CEO
- Member of the Board of Helvecura cooperative society (Bern)



## Daniele Madonna, Head Retail Business sector

- Born 1977, Swiss citizen
- Federal Diploma in Pharmacy from the Federal Institute of Technology, Zurich (ETHZ)
- Professional training FPH in Retail Pharmacy
- CAS in General Management at HSG (University of St Gallen) and Program for Executive Development (PED) at IMD Lausanne
- 2003–2004 Pharmacist at the Olympia Pharmacy and the Victoria Pharmacy in Zurich
- Joined the former Galenica Group in 2004 as Manager of the Coop Vitality pharmacy in Tenero; Regional Sales Manager at Coop Vitality from 2010 to 2014; and CEO of Coop Vitality AG in Bern from 2014 to 2017
- Since December 2017 Head Retail Business sector and member of the Corporate Executive Committee of Galenica Group



## Torvald de Coverly Veale, Head Products & Brands Business sector

- Born 1960, British citizen
- Bachelor of Science in Economics and Politics (Bristol University, UK); Unilever Graduate Business Program
- 1982–2007 Brand Management, Trade Marketing, Sales Management, Marketing Manager and Business Group Chairman at Unilever (UK); Business Development Director at Unilever East Asia & Pacific; Marketing Director & Latin America Category Director at Unilever Brazil; Vice President Marketing at Unilever Latin America; Global Brand Director & European Category Director at Unilever; International Managing Director at Visit Britain; 2007–2015 Director of International Brands at Alliance Boots / Walgreens Boots Alliance in London & Bern
- Since 2015 Head Products & Brands Business sector
- Since 2017 member of the Corporate Executive Committee of Galenica Group

**Felix Burkhard,**  
CFO

- Born 1966, Swiss citizen
- Lic. oec., HSG University of St. Gallen (HSG), and Swiss certified accountant
- 1991–1995 Financial Auditor at Revisuisse PriceWaterhouse (Bern) and Head of Finance and Controlling at Amidro (Biel-Bienne)
- Joined the former Galenica 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 of Galenica Group since 2010; Head Strategic Projects from 2015 to 2017
- Since 2017 CFO Galenica Group



**Christoph Amstutz,**  
Head Services Business sector

- Born 1963, Swiss citizen
- Partial studies in pharmacy, Federal Institute of Technology, Zurich (ETHZ)
- Degree in Marketing Management, University of Bern, GfM/IBM
- 1988–2004 medical representative and product manager at UCB-Pharma AG (Zurich); Head of Marketing at UCB-Pharma GmbH (Kerpen, Germany); General Manager at UCB-Pharma AG (Zurich); 2004–2007 Business Unit Manager CNS / Pain and member of the Executive Board at Bristol-Myers Squibb GmbH (Baar); 2007–2010 CEO of Globopharm AG (Egg/Zurich)
- 2010–2011 Head of G-Pharma AG; 2011 Head of Alloga Ltd.; from 2015 Head Services Business sector
- Since 2017 member of the Corporate Executive Committee of Galenica Group

## Members of the Corporate Executive Committee

Name	Member since	Role
Jean-Claude Cléménçon	2017	CEO
Felix Burkhard	2017	CFO
Daniele Madonna	2017	Head Retail Business sector
Torvald de Coverly Veale	2017	Head Products & Brands Business sector
Christoph Amstutz	2017	Head Services Business sector

Further information on the other duties of the Board of Directors, Chairman and Corporate Executive Committee can be found in the Organisational Regulations published on the Galenica website (see related links on page 60).

### 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 4.4 of the Annex to the SIX Swiss Exchange Directive 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 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 pages 46 and 47 for further details.

### Procedure and conditions for lifting restrictions on voting rights

For restrictions on voting rights to be lifted, shareholders who together represent not less than 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 at least two-thirds of the votes represented and the absolute majority of the nominal capital 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 electronically or by sending a letter to all 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 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 2017 that are to be dealt with at the Annual General Meeting on 9 May 2018 must be submitted no later than 31 March 2018, and those for the Annual General Meeting on 2 May 2019 no later than 23 March 2019. 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 Wednesday 2 May 2018 for financial year 2017 and from Thursday 25 April 2019 for financial year 2018. Shareholders entered in the shareholders' register by Tuesday 1 May 2018 and Wednesday 24 April 2019 respectively may exercise their voting rights at the corresponding Annual General Meeting.

Instructions to the independent proxy holder may be given in writing and 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 2018, 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 Monday 7 May 2018 for the 2018 Annual General Meeting and by Tuesday 30 April 2019 for the 2019 Annual General Meeting.

### Remuneration

The regulations in the Articles of Association governing remuneration (incl. loans, credits and pension benefits) of members of the Board of Directors and the Corporate Executive Committee as well as those governing votes by the Annual General Meeting on remuneration can be found in the Remuneration Report from page 62.

### Change of control and protective measures

The obligation to make a public offer pursuant to Art. 125 et seq. FMIA (Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading, in force since 1 January 2016) 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. The Code of Conduct of the Galenica Group contains all key principles in connection with corruption, bribery, gifts and invitations for all employees. The Code of Conduct is published at [www.galenica.com](http://www.galenica.com) (see related links on page 60).

## 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 and assess 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 effects – particularly from a financial and reputational perspective – 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 importance, 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.

Additional information about the management of financial risks can be found in the notes to the consolidated financial statements on pages 113 and 114.

### 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. Appropriate measures are taken by management to continually improve the company's processes with regard to the process areas of purchasing, procurement, investments, sales, HR, general financial management and reporting as well as IT controls.

### 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, are the Galenica Group's auditors. Roland Ruprecht, certified accountant, a partner at Ernst & Young, is in charge of the audit. The fees paid to the Group's auditors Ernst & Young in 2017 for their audit of Galenica and companies within the Galenica Group totalled approximately CHF 810,000.

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 86,000 for additional advice in audit matters.

In 2017, 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 8 March 2018.

The auditors are regularly informed of new projects. 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 structure of the Group, the quality of reporting, compliance with deadlines, independence and costs.

## 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 on the Galenica website (see related links on page 60).

## Contact persons and important publication dates

### For shareholders

For shareholders in relation to corporate governance:  
Markus Dill, General Secretary  
phone +41 58 852 81 11, [aktienregister@galenica.com](mailto:aktienregister@galenica.com)

### For investors

Felix Burkhard, CFO  
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## Agenda 2018/2019

- Annual General Meeting 2018: 9 May 2018
- Half-year report 2018: 7 August 2018
- Annual General Meeting 2019: 2 May 2019

Further important dates can be found on the website [www.galenica.com](http://www.galenica.com).

## Brand management

### Philosophy and implementation

#### The first choice for health, beauty and wellbeing

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 the ambition to be the first choice for health, beauty and wellbeing in the support line. 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 the two segments Health & Beauty, comprising the Retail and Products & Brands Business sectors, and Services. The Group companies are assigned to the Business sectors 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 the ambition 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 Consumer Health, 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 sectors of the Galenica Group starting on page 14.

### Protection of product and service brands

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

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## Related links

[www.galenica.com](http://www.galenica.com)

- **Board of Directors:** [About Galenica / Organisation / Board of Directors](#)
- **Articles of Association:** [Publications / Downloadcenter / Corporate Governance](#)
- **Remuneration Committee:** [About Galenica / Organisation / Board of Directors / Downloads](#)
- **Organisational Regulations:** [Publications / Downloadcenter / Corporate Governance](#)
- **Code of Conduct:** [Publications / Downloadcenter / Human Resources](#)
- **Organisation:** [About Galenica / Organisation](#)
- **Dates to remember:** [Investors / Investor calendar](#)

[www.six-exchange-regulation.com](http://www.six-exchange-regulation.com)

- **SIX Swiss Exchange; Significant shareholders:** [Publications / Significant shareholders](#)
-



## Main brands of the Galenica Group

## Umbrella brand



## Brands of the Galenica Group companies

## Retail



## Pharmacy formats



## Products &amp; Brands



## Services



## Product and service brands

## Services



## Consumer health products



## Services



## Commercial merchandise



## Information Solutions



# 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 competitive employment market and in a complex sector. 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 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. Accordingly, Galenica does not pay any remuneration in the form of traded options. Members of the Corporate Executive Committee and members of Senior Management participate in Galenica's value creation in the form of blocked shares, so being aligned with the interests of shareholders.

### Remuneration Report

In this report, Galenica provides an overview of its remuneration principles and programmes. The following pages outline the process and responsibilities under which remuneration of the members of the Board of Directors and Corporate Executive Committee is determined, and the remuneration methods and components at top management level. 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 (VegÜV), the Directive of the SIX Swiss Exchange on Information Relating to Corporate Governance (Directive Corporate Governance) and the recommendations 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 to 16 of the VegÜV and issues a written report to the Annual General Meeting.

### Transitional year 2017

The current Galenica Ltd. was floated as an independent company (Galenica Santé) by the former Galenica (now Vifor Pharma) and subsequently listed on the SIX Swiss Exchange on 7 April 2017. Accordingly, there are no historic data available for the new Galenica Ltd., founded in 2017, in terms of remuneration of the Board of Directors and Corporate Executive Committee. The remuneration principles and remuneration system conform to the presentation in the offering memorandum of 24 March 2017.

## Process and responsibilities

The responsibilities for the remuneration system of Galenica and in particular the guiding principles for the remuneration of its Board of Directors, the CEO 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 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 Chairman and the CEO 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 of the members of the Corporate Executive Committee, with the exception of the CEO, in consultation with the Chairman.

Individual targets are set for the CEO and the members of the Corporate Executive Committee at the start of each year. Targets consist of both financial and qualitative aspects.

Targets set for the long-term remuneration (Long-term Incentive Programme, LTI) are exclusively financial and are defined as a three-year increase in Galenica economic profit (GEP, see definition on page 65) for the Group and – for the transitional year 2017 – as an average return on invested capital (ROIC) respectively to be achieved for this period, whereby the relevant targets for the LTI are set by 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.

### Determination of remuneration

The Remuneration Committee of the Board of Directors plays a central role in deciding on the remuneration. The Remuneration Committee consists of three members of the Board of Directors, 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 CEO 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 Chairman) as well as for the members of the Corporate Executive Committee (including the CEO) to the Board of Directors, which then puts this to the Annual General Meeting for approval. 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 (see page 48) as well as in the Remuneration Committee Regulations, which can be found on the Galenica website (see related links on page 71).

### Method of determination

In order to attract and retain talented employees, it is critical to offer competitive remuneration. The Remuneration Committee reviews the remuneration of the CEO and the members of the Corporate Executive Committee regularly and compares it to the remuneration levels of similar positions at companies which are comparable in scope and business complexity, i.e. companies with which Galenica competes for talents. 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.

Employee remuneration consists of a **fixed base salary**, which depends on the employee's position level, and a **bonus**. The bonus system allows members of the Corporate Executive Committee, Senior Management and Management to benefit from the profits of the Galenica Group. The achievement of personal targets is assessed after year-end and rewarded accordingly. The CEO, members of the Corpo-

### Responsibility for the remuneration process

Level of authority	CEO	Chairman	Remuneration Committee	Board of Directors	Annual General Meeting
Remuneration of the Chairman			proposes	approves	approves maximum possible remuneration for the Board of Directors including the Chairman for the following year
Remuneration of the Board			proposes	approves	
Remuneration of the CEO		recommends	proposes (in consultation with Chairman)	approves	approves maximum possible remuneration for the Corporate Executive Committee including the CEO for the following year
Remuneration of members of the Corporate Executive Committee	proposes	recommends	approves (in consultation with Chairman)	is informed	

The Chairman is invited to all meetings of the Remuneration Committee except those dealing with his own remuneration. The CEO is invited to attend discussions on a case-by-case basis.



rate Executive Committee and certain members of Senior Management also receive additional **long-term remuneration (LTI)**. 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 company to which they belong. This serves to harmonise the interests of shareholders with those of Galenica and its management. Through share participation, identification with the company is further enhanced.

The bonus and long-term remuneration (LTI) depend primarily on the achievement of the specified financial targets of the Galenica Group. In principle, an increase in the Galenica economic profit (GEP) is used as the metric. The GEP target for the long-term remuneration (LTI) was complemented in 2017, the transitional year of the separation, by targets for the return on invested capital (ROIC). These are each defined for a three-year period. For current long-term remuneration (LTI) 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, Galenica 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

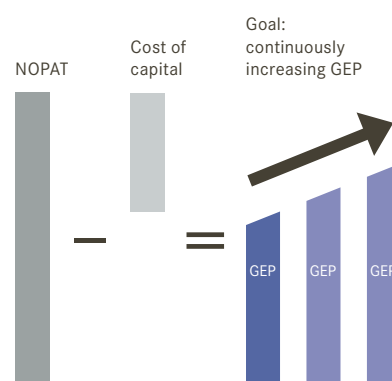
capital. The extent to which the ROIC target (or the GEP increase) is achieved has a 75% impact on the bonus and a 100% impact on the number of shares allocated under the long-term incentive (LTI) plan. Personal targets may therefore account for a maximum of 12.5% of the remuneration of the CEO or the members of the Corporate Executive Committee. In 2017 it accounted for 9.0% on average for the members of the Corporate Executive Committee (excluding the CEO). Therefore, poor performance inevitably has a negative impact on the total remuneration (fewer shares, with each of them potentially having 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 and in particular on their budget responsibility. The greater the employee's direct influence on the budget, 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.

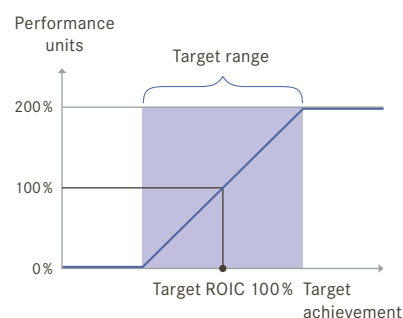
Variable remuneration consists of the bonus and the long-term incentive plan paid out to members of the Corporate Executive Committee and eligible members of Senior Management. However, the annual bonus and variable long-term remuneration (LTI) represent two independent elements and are calculated and weighted separately.

#### Relevant parameter: Galenica economic profit (GEP)

GEP: Net operating profit (NOPAT) minus cost of capital for necessarily invested capital



#### Relevant parameters: ROIC



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 of Galenica, which is specified in company regulations, at a reduced price (more information on page 117 in the financial statements 2017).

Finally, all employees receive employer's contributions to pension funds.

## Remuneration components

### Remuneration of members of the Board of Directors

The remuneration of 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 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 of Galenica 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 Chairman do not participate in the employee benefit plans.

The remuneration of the members of the Board of Directors is reviewed regularly against prevalent market practice of other 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).

### Elements of remuneration for the CEO 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 comprises an annual base salary, short-term bonus, long-term incentive (LTI) and customary benefits. The ratio between annual base salary and variable elements for the Corporate Executive Committee 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 the CEO 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 of the CEO and 150 % of the salary of each member 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 with the interests of shareholders, a part of the bonus (32 %) and the long-term incentive (LTI) is awarded in shares of Galenica. In addition, after a period of five years, each member of the Corporate Executive Committee is required to hold shares of Galenica 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.

### 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 fulfil 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 Incentive Programme (STI)

The short-term bonus aims at rewarding the achievement of the financial results and recognises individual contributions to the company's 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.

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 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. The total bonus has an upper limit of 200% of the target bonus.

Upon approval of the annual results by the Board of Directors, the GEP attainment level of the Group is calculated as a percentage. The achievement of financial and individual objectives is assessed by the Remuneration Committee for the CEO and submitted to the Board of Directors for approval. The attainment of these objectives of the members of the Corporate Executive Committee is assessed by the CEO and, in consultation with the Chairman, submitted to the Remuneration Committee for approval.

The payment of the bonus is made in the subsequent year after the publication of the full-year results. The CEO, the members of the Corporate Executive Committee and Senior Management are required to draw up to 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.

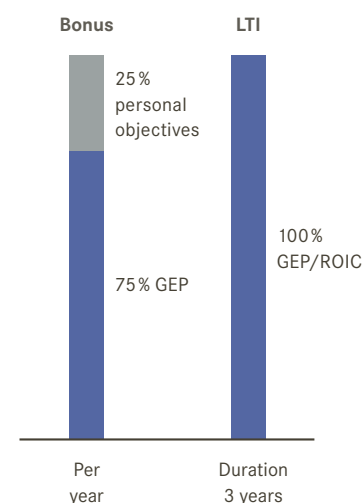
### Long-term Incentive Programme (LTI)

The objective of the variable long-term remuneration is to promote the strategy of the Galenica Group. The Long-term Incentive Programme (LTI) is designed to motivate eligible managers to ensure that their actions and decisions promote 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 customers and its shareholders over the long term. In addition, the LTI Programme aims to strengthen the loyalty of its managers to Galenica, identification with the company and to motivate its key talents to stay with the company. Under the LTI Programme, the short-term bonus is supplemented by variable, long-term remuneration in the form of a share plan.

The CEO, members of the Corporate Executive Committee and selected members of Senior Management participate in the LTI Programme.

The factors exerting a significant influence on the value of the LTI are the operating performance of the Galenica Group and the share price performance of Galenica shares. 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

### Influence of variable remuneration by the GEP/ROIC



## LTI three-year programme

2015	2016	2017	2018 <sup>1)</sup>					
			2016	2017	2018	2019 <sup>1)</sup>		
					2017	2018	2019	2020 <sup>1)</sup>

<sup>1)</sup> Transformation of performance share units into number of shares and allocation of shares

salary as well as the average share price during the final month prior to the allocation, i.e. February. The performance target for each three-year LTI Programme is defined by the Remuneration Committee by setting a target GEP increase or – for the transitional year 2017 – a target average return on invested capital (ROIC) respectively 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. 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. A linear interpolation is applied 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 and insurance plans that are designed to protect the employees against the risks disability and death. The CEO and the members of the Corporate Executive Committee are covered by the pension scheme applicable to all employees. The pension solution 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 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, the CEO and the members of the Corporate Executive Committee do not receive any particular additional benefits. The monetary value of the allowance – where related to salary, i.e. company cars – is disclosed at fair value in the remuneration table.

**Employment contracts**

The CEO 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.

## Remuneration for 2017

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 business year following the Annual General Meeting. In order to allow for a comparable basis with the prospective vote, remuneration paid or attributed in 2017 is presented on the same basis perspective of cost to the company. Accordingly, shares of Galenica 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. It should be noted that remuneration to the Board of Directors and the Corporate Executive Committee is disclosed for a nine-month period in 2017, namely from the IPO in April until the end of 2017. This also includes accruals for bonus payments and remuneration related to the Long-term Incentive Programme.



### Board of Directors

The members of the Board of Directors are remunerated independent of the performance of the company in the form of a fixed salary. A minimum of 50% of such remuneration is paid out in shares of Galenica (blocked for five years).

Remuneration settled in the form of shares of Galenica was paid at the average price for the month of December 2017, i.e. CHF 48.79 per share.

### 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 2017 has been calculated based on a target achievement of 118.8% of the objectives, i.e. 54% of the maximum possible bonus for the year. For the LTI Programme 2017–2019, the allocation of performance units has been defined on the basis of the average share price from February 2017 and return on invested capital (ROIC) targets defined by the Remuneration Committee. The target achievement of the LTI Programme 2015–2017 due in 2018 was 158.9%. At the time of the IPO, the allocated shares were changed into Galenica shares.

### Remuneration of the members of the Board of Directors in 2017 (9 months, from IPO in April 2017)

in thousand CHF	Fee				Number of shares	
	Fee in cash	Equivalent in shares	Other remuneration <sup>1)</sup>	Total	Held as at 31.12.2017 <sup>2)</sup>	Allocated for 2017
Jörg Kneubühler, Chairman	184	245	23	452	19,152	5,020
Daniela Bosshardt-Hengartner	—	150	8	158	—	3,074
Michel Burnier	—	120	5	125	—	2,459
Fritz Hirsbrunner	—	130	4	134	635	2,664
Philippe Nussbaumer	—	110	6	116	1,695	2,254
Andreas Walde	—	140	7	147	—	2,869
<b>Remuneration of the members of the Board of Directors</b>	<b>184</b>	<b>895</b>	<b>53</b>	<b>1,132</b>	<b>21,482</b>	<b>18,340</b>

<sup>1)</sup> 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. The employer's contributions to social security costs for 2017 amounted to CHF 53,000

<sup>2)</sup> Shares held by related parties of members of the Board of Directors are included in the declaration of the totals disclosed above

### Remuneration of the members of the Corporate Executive Committee in 2017<sup>1)</sup> (9 months, from IPO in April 2017)

in thousand CHF	Total	of which Jean-Claude Cléménçon
Base salary	1,158	337
Bonus in cash	497	187
Bonus in shares	261	86
Long-term Incentive Programme <sup>2)</sup>	403	159
Contributions to pension funds	181	57
Other remuneration <sup>3)</sup>	20	9
<b>Remuneration received</b>	<b>2,520</b>	<b>835</b>
Social security costs	180	58
<b>Remuneration of the members of the Corporate Executive Committee</b>	<b>2,700</b>	<b>893</b>

<sup>1)</sup> Including remuneration of Daniele Madonna, Head of Retail Business sector, from 1 December 2017

<sup>2)</sup> The performance units falling due after three years are included with the fair value at grant based on the estimated target achievement (IFRS 2). The LTI Programme 2017–2019 was granted in PSU Vifor Pharma on 1 January 2017 and was converted to PSU Galenica due to the IPO. The total remuneration of the LTI Programme 2017–2019 for the Corporate Executive Committee amounts to CHF 537,000, whereof CHF 212,000 is related to Jean-Claude Cléménçon.

<sup>3)</sup> Including private utilisation of company car

In 2017, Jean-Claude Cléménçon, CEO, was the member of the Corporate Executive Committee with the highest remuneration.

### 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

The current Galenica Ltd. was founded in the year under review, 2017, and did not pay any remuneration to former members of the Board of Directors or the Corporate Executive Committee.

## Remuneration trend

The members of the Board of Directors and Corporate Executive Committee were newly appointed in the year under review in connection with the foundation of the new Galenica Ltd. and the IPO on 7 April 2017. Accordingly, there are no historic data available for the new Galenica Ltd., founded in 2017, in terms of remuneration of the Board of Directors and Corporate Executive Committee. The maximum remuneration for the Board of Directors and the Corporate Executive Committee for 2017 and 2018 was determined during the preparation phase for the IPO at an Extraordinary General Meeting held on 10 March 2017.

Consideration is given to the nine-month pro rata effect following the IPO at the beginning of April 2017 and the filling of the management position in the Retail Business sector as of 1 December 2017. For 2018, no increase on a comparable basis to 2017 is planned.

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

	Number of shares held as at 31.12.2017 <sup>1)</sup>	Long-term Incentive Programme (LTI) Performance share units (PSU) <sup>2)</sup>			
		PSU granted in 2017 (potential vesting at 31.12.2019) <sup>3)</sup>	PSU granted in 2016 (potential vesting at 31.12.2018) <sup>3)</sup>	PSU granted in 2015 (potential vesting at 31.12.2017) <sup>3)</sup>	PSU pending
Jean-Claude Cléménçon	80	4,739	2,089	5,635	12,463
Felix Burkhard	9,344	2,913	1,628	4,623	9,164
Daniele Madonna <sup>4)</sup>	1,396	1,212	329	—	1,541
Torvald de Coverly Veale	220	1,898	863	1,904	4,665
Christoph Amstutz	160	1,635	740	1,917	4,292

<sup>1)</sup> Shares held by related parties of members of the Corporate Executive Committee are also included in the totals disclosed above

<sup>2)</sup> Each performance share unit transforms at vesting into one share

<sup>3)</sup> The shares corresponding to the PSU are transferred to the beneficiaries in the subsequent year

<sup>4)</sup> Head Retail Business sector and member of the Corporate Executive Committee since 1 December 2017

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.

## Development of maximum possible remuneration and effective pay-out

At the next Annual General Meeting in accordance with Article 22 of the Articles of Association of Galenica, the maximum possible remuneration to members of the Board of Directors and members of the Corporate Executive Committee is submitted to shareholders for approval prospectively for the business year following the Annual General Meeting (2019) 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 2017 are also indicated on a 12-month comparative basis in the graphs below. The effective pay-out for the period 2016–2017 is much lower than the maximum possible remuneration for 2017 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 2017 amounted to 74% of the maximum possible remuneration. The remuneration of the members of the Corporate Executive Committee for 2017 in aggregate reached 64% of the maximum possible remuneration.

### Related links

[www.galenica.com](http://www.galenica.com)

– **Articles of Association Galenica Ltd., Art. 21 (Remuneration Committee):** Publications / Downloadcenter / Corporate Governance

– **Articles of Association Galenica Ltd., Art. 22 (Remunerations):** Publications / Downloadcenter / Corporate Governance

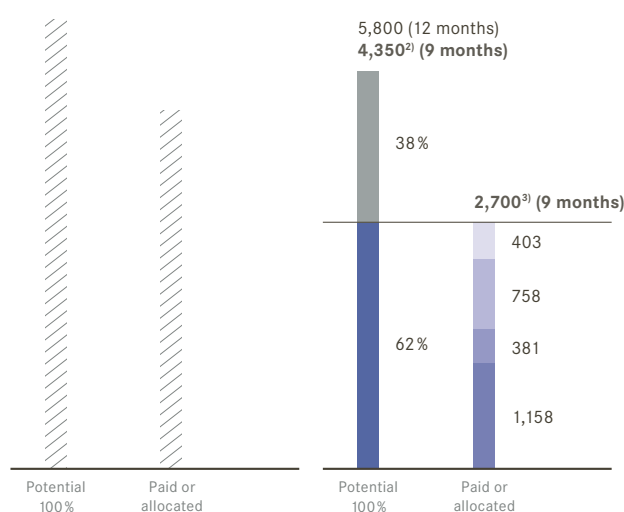
– **Remuneration committee charter:** About Galenica / Organisation / Board of Directors

## Remuneration of all the members of the Corporate Executive Committee

in thousand CHF

2016<sup>1)</sup>

2017



■ LTI ■ STI ■ Social insurance and other remuneration ■ Annual base salary

<sup>1)</sup> The current Galenica Ltd. was founded in 2017; therefore, there are no data for the previous year

<sup>2)</sup> Amount approved by the Extraordinary General Meeting on 10 March 2017, for five members

<sup>3)</sup> Including Head Retail Business sector as of 1 December 2017, previously four members

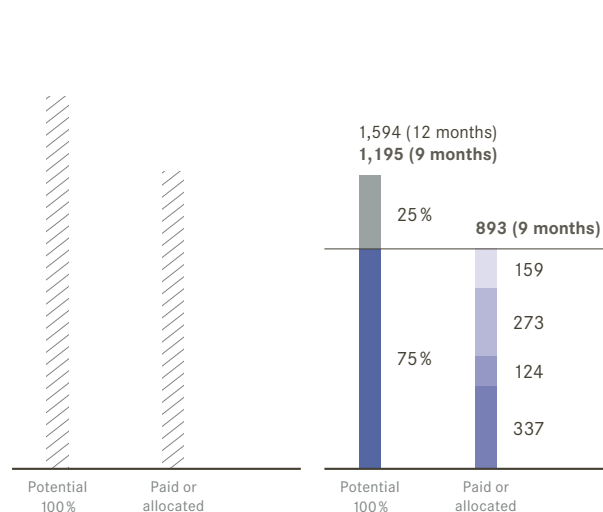
## Highest remuneration in the Corporate Executive Committee

CEO Galenica Group

in thousand CHF

2016<sup>1)</sup>

2017





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To the General Meeting of  
Galenica Ltd., Berne

Berne, 8 March 2018

## Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Galenica Ltd. for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on pages 68 to 70 of the remuneration report.



### Board of Directors' responsibility

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. 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 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 2017 of Galenica Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Roland Ruprecht  
Licensed audit expert  
(Auditor in charge)

Julian Fiessinger  
Licensed audit expert





# Financial statements

The full financial statements are available at [www.galenica.com](http://www.galenica.com)

# Consolidated statement of income

in thousand CHF	Notes	2017	2016
Net sales	5	3,214,231	3,008,851
Other income	6	56,434	49,848
<b>Operating income</b>		<b>3,270,665</b>	<b>3,058,699</b>
Cost of goods		(2,455,377)	(2,277,303)
Personnel costs	7, 24	(427,667)	(407,088)
Other operating costs	8	(210,112)	(213,194)
Share of profit of associates and joint ventures	18	4,448	4,515
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>181,957</b>	<b>165,629</b>
Depreciation and amortisation	16, 17	(40,189)	(41,810)
<b>Earnings before interest and taxes (EBIT)</b>		<b>141,768</b>	<b>123,819</b>
Financial income	9	1,229	1,036
Financial expenses	9	(3,085)	(20,596)
<b>Earnings before taxes (EBT)</b>		<b>139,912</b>	<b>104,259</b>
Income tax	10	(21,046)	(20,895)
<b>Net profit</b>		<b>118,866</b>	<b>83,364</b>
Attributable to:			
– Shareholders of Galenica Ltd. <sup>1)</sup>		118,804	83,393
– Non-controlling interests		62	(29)

<sup>1)</sup> Changes in company structure (refer to note 1)

in CHF			
Earnings per share	11	2.43	1.67
Diluted earnings per share	11	2.42	1.67

## Consolidated statement of comprehensive income

## Consolidated statement of comprehensive income

in thousand CHF	Notes	2017	2016
<b>Net profit</b>		<b>118,866</b>	<b>83,364</b>
Translation differences		3	(1)
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>3</b>	<b>(1)</b>
Remeasurements of net defined benefit liability/(asset)	24	41,107	41,999
Income tax from remeasurements of net defined benefit liability/(asset)	10	(9,148)	(9,240)
Share of other comprehensive income from joint ventures	18	2,144	2,371
<b>Items that will not be reclassified to profit or loss</b>		<b>34,103</b>	<b>35,130</b>
<b>Other comprehensive income</b>		<b>34,106</b>	<b>35,129</b>
<b>Comprehensive income</b>		<b>152,972</b>	<b>118,493</b>
Attributable to:			
– Shareholders of Galenica Ltd. <sup>1)</sup>		152,910	118,522
– Non-controlling interests		62	(29)

<sup>1)</sup> Changes in company structure (refer to note 1)



# Consolidated statement of financial position

## Assets

in thousand CHF	Notes	2017	2016
Cash and cash equivalents		96,287	9,019
Financial receivables	12	—	340,857
Trade and other receivables	14	386,754	358,888
Inventories	15	274,217	264,716
Prepaid expenses and accrued income		30,959	18,838
Assets held for sale	13	—	29,574
<b>Current assets</b>		<b>44 % 788,217</b>	<b>51 % 1,021,892</b>
Property, plant and equipment	16	251,413	253,665
Intangible assets	17	693,091	643,090
Investments in associates and joint ventures	18	46,477	43,089
Financial assets	19	12,580	8,930
Deferred tax assets	10	6,404	14,866
<b>Non-current assets</b>		<b>56 % 1,009,965</b>	<b>49 % 963,640</b>
<b>Assets</b>		<b>100 % 1,798,182</b>	<b>100 % 1,985,532</b>

## Liabilities and shareholders' equity

in thousand CHF	Notes	2017	2016
Financial liabilities	20	24,509	349,908
Trade and other payables	21	293,260	331,845
Tax payables		10,066	12,386
Accrued expenses and deferred income		128,054	75,244
Provisions	22	2,172	2,212
<b>Current liabilities</b>		<b>25 % 458,061</b>	<b>39 % 771,595</b>
Financial liabilities	20	381,781	765,272
Deferred tax liabilities	10	61,522	52,648
Employee benefit liabilities	24	29,860	60,437
Provisions	22	5,443	1,375
<b>Non-current liabilities</b>		<b>27 % 478,606</b>	<b>44 % 879,732</b>
<b>Liabilities</b>		<b>52 % 936,667</b>	<b>83 % 1,651,327</b>
Share capital	25	5,000	—
Reserves		852,280	329,621
<b>Equity attributable to shareholders of Galenica Ltd.<sup>1)</sup></b>		<b>857,280</b>	<b>329,621</b>
Non-controlling interests		4,235	4,584
<b>Shareholders' equity</b>	25	<b>48 % 861,515</b>	<b>17 % 334,205</b>
<b>Liabilities and shareholders' equity</b>		<b>100 % 1,798,182</b>	<b>100 % 1,985,532</b>

<sup>1)</sup> Changes in company structure (refer to note 1)

## Consolidated statement of cash flows

## Consolidated statement of cash flows

in thousand CHF	2017	2016
Net profit	118,866	83,364
Income tax	21,046	20,895
Depreciation and amortisation	40,189	41,810
(Gain)/loss on disposal of non-current assets	(57)	(201)
(Gain)/loss on disposal of assets held for sale	(5,164)	—
(Gain)/loss on disposal of subsidiaries	(2,890)	—
Increase/(decrease) in provisions and employee benefit liabilities	1,651	8,161
Net financial result	1,856	19,560
Share of profit of associates and joint ventures	(4,448)	(4,515)
Other non-cash items	4,707	12,374
Change in trade and other receivables	(971)	(17,596)
Change in inventories	(68)	19,892
Change in trade and other payables	(54,146)	11,700
Change in other net current assets	37,614	(8,185)
Interest received	348	999
Interest paid	(1,635)	(19,756)
Other financial receipts/(payments)	257	(153)
Dividends received	3,204	4,815
Income tax paid	(15,960)	(16,346)
<b>Cash flow from operating activities</b>	<b>144,399</b>	<b>156,818</b>
Investments in property, plant and equipment	(28,046)	(31,341)
Investments in intangible assets	(25,986)	(3,603)
Investments in associates and joint ventures	—	(531)
Investments in financial assets and securities	(3,018)	(360)
Proceeds from property, plant and equipment and intangible assets	818	1,668
Proceeds from financial assets and securities	3,649	126
Proceeds from assets held for sale	39,625	—
Purchase of subsidiaries (net cash flow)	(35,757)	(30,283)
Sale of subsidiaries (net cash flow)	3,220	—
<b>Cash flow from investing activities</b>	<b>(45,495)</b>	<b>(64,324)</b>
Dividends paid to Vifor Pharma Group	—	(46,000)
Purchase of treasury shares	(41,229)	—
Proceeds from sale of treasury shares	2,104	—
Proceeds/(repayment) from financial liabilities (net) – Vifor Pharma Group	3,865	(44,055)
Repayment loan to Vifor Pharma Group	(360,000)	—
Proceeds from financial liabilities	751,661	—
Repayment of financial liabilities	(367,802)	(3,919)
Purchase of non-controlling interests	(239)	—
<b>Cash flow from financing activities</b>	<b>(11,640)</b>	<b>(93,974)</b>
Effects of exchange rate changes on cash and cash equivalents	4	(1)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>87,268</b>	<b>(1,481)</b>
Cash and cash equivalents as at 1 January <sup>1)</sup>	9,019	10,500
<b>Cash and cash equivalents as at 31 December<sup>1)</sup></b>	<b>96,287</b>	<b>9,019</b>

<sup>1)</sup> 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.

# Consolidated statement of changes in equity

in thousand CHF	Share capital	Treasury shares	Retained earnings	Equity attributable to shareholders of Galenica Ltd.	Non-controlling interests	Equity
<b>Balance as at 31 December 2015</b>	—	—	<b>254,042</b>	<b>254,042</b>	<b>5,149</b>	<b>259,191</b>
Net profit			83,393	83,393	(29)	83,364
Other comprehensive income			35,129	35,129		35,129
<b>Comprehensive income</b>			<b>118,522</b>	<b>118,522</b>	<b>(29)</b>	<b>118,493</b>
Dividends			(46,000)	(46,000)		(46,000)
Share-based payments			3,130	3,130		3,130
Transactions with Vifor Pharma Group			(302)	(302)		(302)
Change in non-controlling interests			229	229	(536)	(307)
<b>Balance as at 31 December 2016</b>	—	—	<b>329,621</b>	<b>329,621</b>	<b>4,584</b>	<b>334,205</b>
Net profit			118,804	118,804	62	118,866
Other comprehensive income			34,106	34,106		34,106
<b>Comprehensive income</b>			<b>152,910</b>	<b>152,910</b>	<b>62</b>	<b>152,972</b>
Transactions on treasury shares		(38,720)	(405)	(39,125)		(39,125)
Share-based payments			4,783	4,783		4,783
Incorporation of new parent company <sup>1)</sup>	5,000		403,919	408,919		408,919
Change in non-controlling interests			172	172	(411)	(239)
<b>Balance as at 31 December 2017</b>	<b>5,000</b>	<b>(38,720)</b>	<b>891,000</b>	<b>857,280</b>	<b>4,235</b>	<b>861,515</b>

<sup>1)</sup> Changes in company structure (refer to note 1)

# Addresses of companies of the Galenica Group

## Galenica Group

### Headquarters

Galenica Ltd.  
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### Pension funds

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Galenicare Pension Fund  
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[www.galenicare-pvs.ch](http://www.galenicare-pvs.ch)

## Retail Business sector

### Amavita Health Care Ltd.

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### Aprioris Ltd.

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[www.aprioris.ch](http://www.aprioris.ch)

### Careproduct Ltd.

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### Galenicare Ltd.

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### Galenicare Holding Ltd.

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### Galenicare Management Ltd.

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### Mediservice Ltd.

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### Winconcept Ltd.

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Phone +41 58 852 82 00, fax +41 58 852 82 10  
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Not fully consolidated:

### Coop Vitality Ltd.

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### Coop Vitality Management Ltd.

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### Coop Vitality Health Care GmbH

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## Products & Brands Business sector

### G-Pharma Ltd.

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### Swiss Pharma GmbH

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### Vifor Consumer Health Ltd.<sup>1)</sup>

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[www.viforconsumerhealth.ch](http://www.viforconsumerhealth.ch)

<sup>1)</sup> As of mid-2018, change of name to Verfora Ltd.



## Services Business sector

### Alloga Ltd.

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Phone +41 58 851 45 45, fax +41 58 851 46 00  
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### Dauf Ltd.

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### Galexis Ltd.

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