



Short Version

# Annual report 2018

of the Galenica Group and Galenica Ltd.



Galenica – the first choice for health, beauty and wellbeing

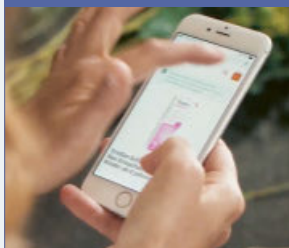
## Milestones 2018

## January

**Offering expanded**

Galenica acquires Careproduct Ltd., which focuses in particular on the elderly and people with a disability.

## February

**Available online**

Galenica further expands the online offering of the pharmacy formats. At the end of 2018, some 40,000 products are available in the online shops.

## March

**Award-winning**

Coop Vitality wins the "OTC Specialist Retail Partner Award" of the Swiss OTC association ASSGP for the second time in a row.

## April

**Social commitment**

In 2018, Galenica becomes the main partner of "I care for you", the crowdfunding platform for purely social and humanitarian projects.

## May

**500**

As of the end of May, the Galenica pharmacy network, including partner pharmacies, stands at an impressive 500 locations.

## June

**New face**

Vifor Consumer Health changes its name to Verfora and presents its new image to the market.

## July



**BAHNHOF APOTHEKE**  
Drogerie und Parfümerie  
Im Hauptbahnhof Zürich  
[www.bahnhof-apotheke.ch](http://www.bahnhof-apotheke.ch)

**New addition**

The Bahnhof Apotheke in Zurich, with the highest sales figures in Switzerland, is now fully part of the Galenica pharmacy network.

## August

**Solar power**

The photovoltaic system on the roof of the Alloga building in Burgdorf is completed in 2018. It is one of the largest systems in the region.

## September

**Natural cosmetics online**

Galenica acquires a minority stake in Puresense, one of the leading online shops in Switzerland for natural cosmetics.

## October

**Award ceremony**

The Amavita Awards are presented for the first time in 2018. Two cancer-related projects are honoured and receive prize money.

## November

**New records**

Specialty pharmacy Mediservice supports its 10,000<sup>th</sup> home care patient and Medifilm blisters over 1 million sachets per month in 2018.

## December

**Partnership**

Verfora expands its partnership with Procter & Gamble and has also been distributing Vicks® in Switzerland from January 2019.

## Annual Report 2018



### Patient protection: actively combating counterfeit drugs

The safety and health of patients take top priority at Galenica. The company is therefore actively involved in protection against drug counterfeiting and is progressively implementing the European Commission's Falsified Medicines Directive.

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### 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 feature on a selected sustainability topic in this annual report 2018.

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# Key figures 2018

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

in million CHF



Health & Beauty	1,524.8
Services	2,372.3

## EBIT adjusted<sup>1)4)</sup>

in million CHF



Health & Beauty	110.4
Services	44.2

## Number of employees

as at 31 December 2018



Galenica Ltd.	37
Health & Beauty	4,872
Services	1,671

in million CHF	2018	2017	Change
<b>Net sales<sup>1)2)</sup></b>	<b>3,165.0</b>	<b>3,141.2</b>	<b>+0.8%</b>
Health & Beauty	1,524.8	1,478.8	+3.1%
Services	2,372.3	2,362.4	+0.4%
<b>EBITDA adjusted<sup>3)4)</sup></b>	<b>195.1</b>	<b>188.4</b>	<b>+3.5%</b>
in % of net sales	6.2%	6.0%	
<b>EBITDA<sup>1)3)</sup></b>	<b>154.0</b>	<b>182.0</b>	<b>-15.4%</b>
Health & Beauty	130.4	120.2	+8.5%
Services	65.6	70.7	-7.3%
<b>EBIT adjusted<sup>3)4)</sup></b>	<b>154.1</b>	<b>148.2</b>	<b>+3.9%</b>
in % of net sales	4.9%	4.7%	
<b>EBIT<sup>1)3)</sup></b>	<b>113.0</b>	<b>141.8</b>	<b>-20.3%</b>
Health & Beauty	110.4	99.7	+10.7%
Services	44.2	50.6	-12.5%
<b>Net profit adjusted<sup>3)4)5)</sup></b>	<b>124.7</b>	<b>124.4</b>	<b>+0.2%</b>
<b>Net profit<sup>3)6)</sup></b>	<b>147.7</b>	<b>118.9</b>	<b>+24.2%</b>
<b>Total assets</b>	<b>1,860.1</b>	<b>1,798.2</b>	<b>+3.4%</b>
<b>Shareholders' equity</b>	<b>933.6</b>	<b>861.5</b>	<b>+8.4%</b>
Equity ratio	50.2%	47.9%	
Capital contribution reserves	479.9	560.9	-14.4%
<b>Net debt</b>	<b>300.4</b>	<b>301.3</b>	<b>-0.3%</b>
Debt coverage <sup>7)</sup>	1.5	1.6	
Gearing	32.2%	35.0%	
<b>Investment in property, plant and equipment and intangible assets</b>	<b>50.0</b>	<b>55.8</b>	<b>-10.5%</b>
<b>Cash flow from operating activities</b>	<b>173.5</b>	<b>144.4</b>	<b>+20.2%</b>
<b>Free cash flow<sup>8)</sup></b>	<b>86.0</b>	<b>98.9</b>	<b>-13.1%</b>
<b>Employees at reporting date (FTE)</b>	<b>5,106</b>	<b>4,860</b>	<b>+5.1%</b>

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

<sup>2)</sup> Restatement of 2017 figures upon adoption of IFRS 15

<sup>3)</sup> 2017 including one-off effects of CHF 7.0 million; CHF 10.6 million at net profit level

<sup>4)</sup> Excluding the effects of IAS 19

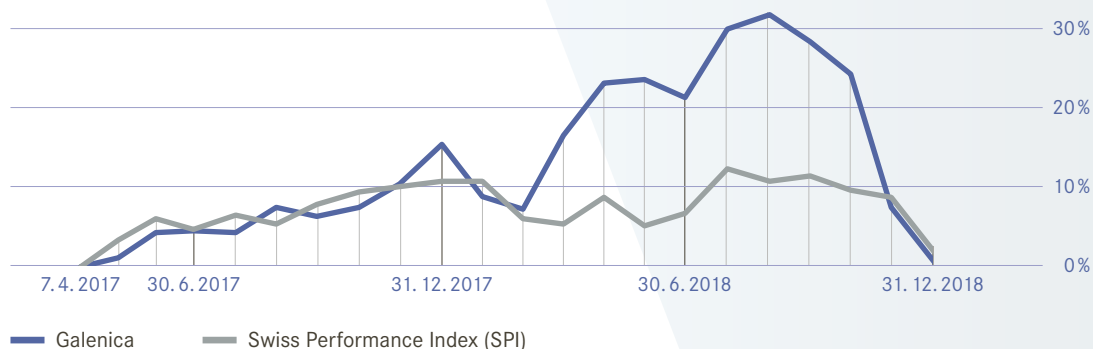
<sup>5)</sup> 2018 excluding one-off effect of CHF 56.2 million related to the release of provisions for deferred taxes

<sup>6)</sup> 2018 including one-off effect of CHF 56.2 million related to the release of provisions for deferred taxes

<sup>7)</sup> Net debt divided by EBITDA adjusted

<sup>8)</sup> Cash flow from operating activities less cash flow from investing activities (incl. purchase of subsidiaries)

## Share price performance in percent



more than

**3.9 %** **13,000**

dividend yield shareholders

## Share information

in CHF	2018	2017
Share price at reporting date	43.28	50.05
Highest share price for the year	58.95	50.05
Lowest share price for the year	42.16	41.80
Stock exchange capitalisation at reporting date in million CHF	2,128.4	2,452.8
Earnings per share <sup>1)</sup>	3.00	2.43
Earnings per share adjusted <sup>1)2)3)</sup>	2.54	2.54
Shareholders' equity per share <sup>1)</sup>	18.93	17.50
Gross dividend per share <sup>4)</sup>	1.70	1.65
Dividend yield <sup>5)</sup>	3.9%	3.3%
Pay-out ratio <sup>6)</sup>	66.9%	65.0%
Price-earnings ratio <sup>7)</sup>	17.04	19.70

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

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

<sup>3)</sup> 2018 excluding one-off effect of CHF 56.2 million related to the release of provisions for deferred taxes

<sup>4)</sup> According to Board of Directors' proposal to Annual General Meeting of 2 May 2019

<sup>5)</sup> Gross dividend per share in relation to the share price at reporting date

<sup>6)</sup> Gross dividend per share in relation to earnings per share adjusted

<sup>7)</sup> Share price at reporting date in relation to earnings per share adjusted

**1.70** **66.9 %** **2.54**

gross dividend per share in CHF pay-out ratio earnings per share in CHF (adjusted)



# Successful in a challenging environment



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

Dear Shareholders,  
Ladies and Gentlemen,

2018 was a challenging year for the Swiss healthcare market. The higher than originally announced drug price reductions by the authorities, ongoing shopping tourism and the growing importance of online sales in retail had a major influence. These were accompanied by discussions at political level, the implementation of which will occupy us in the future (more on this on page 30).

Thanks to our focused corporate strategy, targeted acquisitions, the launch of new products, services and innovations as well as measures to improve efficiency, we even surpassed our announced results for 2018. Accordingly, the Board of Directors will propose a 3% higher dividend than the prior year of CHF 1.70 per share to the 2019 Annual General Meeting (previous year: CHF 1.65).

## Growth through new locations and online

Galenica focuses on profitable growth, achieved both organically and through acquisitions. For example, we expanded our pharmacy network with own and partner pharmacies in the year under review to more than 500 locations for the first time. These now include the “Bahnhof Apotheke” pharmacy in Zurich main station, which we acquired in full in the second half of 2018. Our pharmacies not only establish closeness to customers but also offer business partners an attractive distribution network throughout Switzerland.

## Key figures 2018

- Net sales: CHF 3,165.0 million
- EBIT: CHF 154.1 million<sup>1)</sup>
- Net profit: CHF 124.7 million<sup>1)</sup>
- Investments: CHF 50.0 million
- Employees: 6,580 (5,106 full-time equivalents)

<sup>1)</sup> Adjusted

At the same time, we have increased our business activities in the area of e-commerce, for example by significantly expanding the online offering of all three pharmacy formats. We have also acquired a stake in Puresense, one of the leading online shops for natural cosmetics in Switzerland. This move not only strengthens Galenicare's presence in the growing market for natural cosmetics; Puresense's knowledge will also support us in the further development of e-commerce activities.

#### Innovations in all areas

Mediservice further strengthened its leading position as a specialty pharmacy for the care and support of patients with chronic or rare diseases through its new distance healthcare offering. Under this therapy support service, chronically ill patients are alternatively provided not only with personal home visits but also with care from specially trained professionals via telephone, video-phone or e-mail.

The registration of our e-Medication solution Documedis® as a Class I medical device was confirmed by the Swiss Agency for Therapeutic Products, Swissmedic, at the start of 2018; Documedis® is already used in various hospitals and care homes and is fully integrated into our Triapharm® pharmacy software.

# 9.1 %

EBIT growth  
(on a comparable basis)

#### Key figures for the Galenica Group, 2018

In a challenging market environment, the Galenica Group increased its consolidated **net sales** by 0.8% to CHF 3,165.0 million in 2018. Both organic growth in all Business sectors and the expansion of the pharmacy network contributed to this solid performance. However, growth was hampered significantly by additional and higher than originally announced price reduction measures for medications by the authorities.

The **operating result (EBIT)** excluding the effects of IAS 19 rose by 3.9% to CHF 154.1 million. Excluding one-off effects from 2017 (CHF 7.0 million from the sale of rights of the medical practice software Triamed® and a non-operational building in Schönbühl), EBIT even rose by 9.1% on a comparable basis. Return on sales (ROS) improved from 4.7% to 4.9%.

The reorganisation of the Group pension fund results in a one-off, non-cash effect on EBIT of CHF -41.0 million in the 2018 financial statements. Accordingly, reported EBIT is CHF 113.0 million. Although all pension plans of the Galenica Pension Fund are pure defined contribution plans, under international accounting standard IAS 19, they must be taken into account in the consolidated financial statements as defined benefit plans, which resulted in this effect.

The reported **net profit** of the Galenica Group is CHF 147.7 million, an increase of 24.2%. This includes two one-off, non-cash effects: on the one hand, the aforementioned influence in connection with the new Galenica Pension Fund – amounting to CHF -33.2 million at net profit level – and, on the other hand, the release of provisions for deferred taxes that are no longer required of CHF 56.2 million. Excluding these one-off effects, net profit would be CHF 124.7 million, corresponding to an increase of 0.2%. On a comparable basis, i.e. excluding the one-off effect in the previous year (CHF 10.6 million), the increase would even be 9.5%.

**Investments** in tangible and intangible assets totalled CHF 50.0 million (previous year: CHF 55.8 million including acquisition of the Merfen® and Vita-Merfen® brands). They were made, among other projects, in the new ERP system in the Services Business sector and the renovation and construction of pharmacies.

Despite brisk acquisition activity and the payment of a dividend for the first time in financial year 2018, **net debt** in relation to EBITDA (excluding the effects of IAS 19) was reduced from 1.6 to 1.5.

The change of name from Vifor Consumer Healthcare to Verfora as of 1 June 2018 went successfully, and the new brand immediately met with a positive response on the market. With its logo featuring a dynamic “V”, the new brand presence of Verfora sends out a positive signal for the specialist retail trade and forms an umbrella for the comprehensive brand portfolio of the Products & Brands Business sector.

Galenica is committed to protection against counterfeit drugs. As part of a joint project with Galexis, Alloga has integrated the new EU legislation to combat counterfeit drugs, the Falsified Medicines Directive (FMD), into its internal quality management and IT systems. You can find more information on this in the feature on page 32.

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

We are continually working throughout the Group on simplifying and standardising routine processes. The Retail Business sector launched a project in 2018 to improve process management and better match staff resources in pharmacies to the relevant customer traffic.

With targeted measures such as the Generics Check, our pharmacies have increased the generics substitution rate from 68% to 70% and thereby contributed to reducing healthcare costs evolution.

Galenicare and HCI Solutions have together further developed the e-medioplan module for the new Amavita app; this is a digitised medication plan for patients who depend on several medications at once. Sun Store and Coop Vitality will also offer the module in their apps in 2019. In addition, Galenicare and Verfora worked together closely and successfully on the launch of many new products and on the expansion of partnerships with companies such as Spagyros.

And finally, 2018 saw the elaboration of a new, uniform pension fund solution for all Galenica Group employees, which was introduced in January 2019.

“It is important to be in tune with customers both offline and online today. Doing so enables us to serve customers where it is most convenient for them.”

#### Outlook

We want to continue to develop along the three axes of expansion, innovation and efficiency in 2019.

In the Retail Business sector, we will strengthen our pharmacy network further. Customers are advised in-store, and we also want to promote this competence in future. It also includes the further development of the online shops and Click & Collect. It is important to be in tune with customers both offline and online today. Doing so enables us to serve customers where it is most convenient for them. In Products & Brands, we want to maintain our leading position in the Swiss consumer healthcare market and further develop the portfolio through innovations and new product representations. Early in 2019 we launched our new own skincare brand Dermafora® and took over distribution of both Vicks®, the well-known brand for cold, flu and cough medications, and Metamucil®.

In the Services Business sector, the new enterprise resource planning (ERP) solution is being implemented at Alloga, with the aim of further standardising processes and improving efficiency. In addition, Medifilm will introduce the new generation of blistering machines in 2019 and will be able to double output.

#### Change to the Corporate Executive Committee

As part of early succession planning, the Galenica Group Board of Directors appointed Thomas Szuran as the new Head Products & Brands Business sector and a member of the Corporate Executive Committee. Thomas Szuran took up his new role on 14 January 2019.



The success of our company is thanks to the considerable commitment of the entire Galenica team. We would therefore like to say a big thank-you to all Galenica Group employees on behalf of the Board of Directors and Corporate Executive Committee. We would also like to thank our shareholders, business partners and customers for their trust and support, which we also received in 2018.

Bern, 12 March 2019



Jörg Kneubühler  
Chairman  
of the Board of Directors



Jean-Claude Cléménçon  
CEO

## Annual General Meeting of 2 May 2019: change to the Board of Directors of the Galenica Group

After successfully leading the Galenica Group to independence following the IPO two years ago, Jörg Kneubühler has decided to devote his time to new projects. He will therefore not be standing for re-election as Chairman and member of the Board of Directors at the next Annual General Meeting, but will continue to support the Board of Directors in an advisory capacity for one year.

Jörg Kneubühler has played a major role in ensuring the successful development of the Galenica Group. The Board of Directors would like to thank him in particular for his valuable contribution to the IPO and the successful positioning of Galenica as an independent company, and wishes him all the best and much satisfaction for the future.

### **Daniela Bosshardt-Hengartner proposed as the new Chairwoman of the Board of Directors**

The Board of Directors will propose Daniela Bosshardt-Hengartner, the current Deputy Chairwoman of the Board of Directors, to shareholders for election as the new Chair-

woman. She has a Federal Diploma in Pharmacy from the Federal Institute of Technology (ETH) Zurich, and has sound financial expertise and a wealth of experience as a management consultant. Combined with her many years of service as a member of the Board of Directors of Galenica and other companies, she has the desired and necessary skills and experience, making her an ideal fit for the role of Chairwoman of the Board of Directors.

### **Election of Markus R. Neuhaus**

The Board of Directors will also propose Markus R. Neuhaus to shareholders for election as a new member of the Board at the next Annual General Meeting. Markus R. Neuhaus, who holds a PhD in law and is a certified tax expert, will be an excellent addition to the Board of Directors of the Galenica Group thanks to his extensive expertise in finance and economics. He also has many years of consulting experience in the areas of corporate strategy and governance as well as an extensive network in the worlds of business and politics in Switzerland.

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, health-care 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

More than

## 13,000

 shareholders


## Retail Business sector

Through the **Galenicare** company, Retail operates Switzerland's largest pharmacy network, with over 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.

The range of services is complemented by specialty pharmacy **Mediservice**, which specialises in dealing with people suffering from chronic and rare diseases, 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.

The formats at Retail are also constantly expanding their online offerings. For example, the Amavita, Sun Store and Coop Vitality pharmacies offer "**Click & Collect**" and provide additional services on their **smartphone apps**.

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 its own consumer brands and products as well as exclusive brands and partner products.

Around

**40** own consumer brands

Around

**25** partner brands

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

### Companies

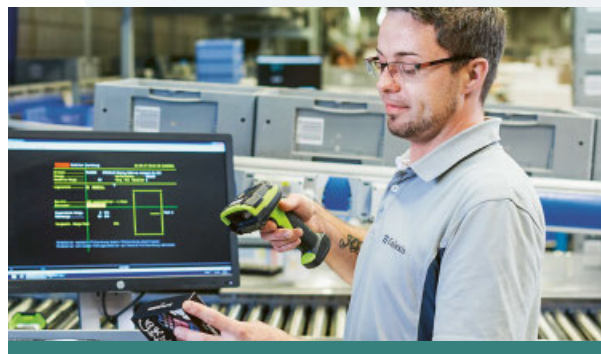
- G-Pharma Ltd.
- Verfora Ltd., [www.verfora.ch](http://www.verfora.ch)

An average of

**9,000** 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.

**60,000** **100,000**

visitors a day  
to [compendium.ch](http://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.

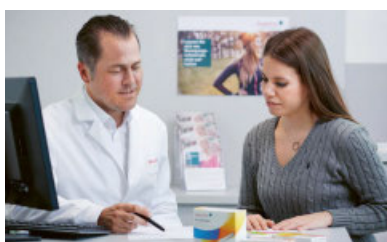
# Our self-perception

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 consumer brands and products

Products & Brands is a significant growth driver for Galenica.

Products & Brands develops and launches own and partner consumer 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

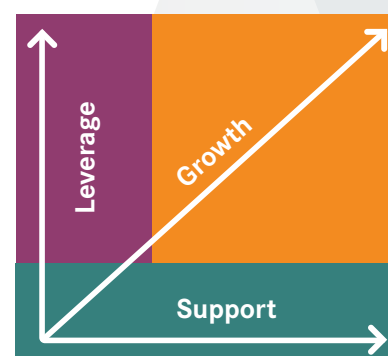
### Best possible use of synergies

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



## Always focused on the customer

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. In the Products & Brands Business sector, Galenica develops and markets its own brands and products as well as exclusive brands and products of its business partners.

### Net sales and operating result

The Health & Beauty segment increased net sales in 2018 by 3.1% to CHF 1,524.8 million, CHF 1,430.5 million of which was accounted for by the Retail Business sector and CHF 91.7 million by the Products & Brands Business sector. In addition to organic growth, this performance was primarily attributable to the expansion of the pharmacy network.

The operating result (EBIT) of the Health & Beauty segment improved by 10.7% to CHF 110.4 million, while return on sales (ROS) rose markedly by 0.5 percentage points to 7.2% (previous year: 6.7%). This is an impressive result that demonstrates the further improvement in efficiency. Various measures and projects that were launched in recent years are now having a full effect on profitability. These include, for example, the switch to direct invoicing to health insurers, the consolidation of the central functions in the Retail Business sector and the continuing strengthening and optimisation of the pharmacy network.

Investments in the Health & Beauty segment totalled CHF 14.1 million (previous year: CHF 28.9 million including acquisition of the Merfen® and Vita-Merfen® brands) and were principally used for the development and launch of new products and services, and for the rebuilding and renovation of pharmacies.

### Key figures 2018

- Net sales: CHF 1,524.8 million
- EBIT: CHF 110.4 million
- ROS: 7.2%
- Investments: CHF 14.1 million
- Employees: 4,872  
(3,685 full-time equivalents)

“The complementary medicine offering in pharmacies was further expanded with the range of Swiss company Spagyros.”

The Retail and Products & Brands Business sectors stepped up their collaboration further in the year under review, also with the aim of getting even closer to the customer. For example, Verfora in close collaboration with Galenicare continued to expand the range of complementary medicines in its pharmacies: following the successful new partnership with Adler Pharma with its Schüssler mineral salts, which started in 2017, Galenica has acquired a small minority stake in the Swiss company Spagyros in 2018, and began to increase sales through specialist staff in the pharmacies that receive ongoing intensive training to provide the relevant advice.

Collaboration within Retail was also improved, among other things in the course of the acquisition of Careproduct. The pharmacy formats can now also procure their customers medical aids such as walking frames that they themselves do not have in stock via Careproduct and have these delivered directly to customers' homes.

# 1,524.8

Net sales  
in million CHF

Galenica Group CHF 3,165.0 million

# 110.4

EBIT  
in million CHF

Galenica Group CHF 154.1 million (adjusted)





# Retail

## Business sector

### Strengthening of the pharmacy network

#### Net sales development

The Retail Business sector increased net sales in 2018 by 3.1% year-on-year to CHF 1,430.5 million (excluding Coop Vitality). The expansion of the pharmacy network accounted for 2.6% of growth. On a comparable basis, net sales for 2018 increased by 0.5%. The government-mandated price reduction measures for medications had a negative impact of 1.6% on growth. Excluding these price reductions, organic growth (excluding expansion effects) would have amounted to a pleasing 2.1%.

By way of comparison, medication sales (Rx and OTC products) in the Swiss pharmacy market as a whole grew by 1.0% (IQVIA, pharmaceutical market Switzerland 2018). By contrast, sales of other products (non-medications) declined by 0.6% (IQVIA, Personal, Patient Care and Nutrition 2018).

Thirteen pharmacies joined the own-pharmacy network in 2018, including ten acquisitions, one of which was the “Bahnhof Apotheke” pharmacy at Zurich main station, which was acquired in full in the second half of 2018; there were also three new openings. At the same time, five locations were removed as part of optimisation measures, meaning that the number of own pharmacies in 2018 increased by a net total of eight to 345 locations (previous year: 337). Together with the Amavita and Winconcept partner pharmacies, the Galenica pharmacy network comprised more than 500 points of sale throughout Switzerland for the first time as of the end of 2018.

#### 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 ongoing price reductions mandated by the authorities.
- Promote growth: organically and inorganically by expanding the network through the acquisition of own and independent partner pharmacies.

“Following the pilot with Amavita, there are plans to also add the e-mediplan module to Sun Store and Coop Vitality smartphone apps in 2019.”

## “In September, Galenicare acquired a minority stake in the Swiss online shop for natural cosmetics Puresense.”

### Expansion of the online offering...

The online ordering and pick-up service Click & Collect, launched in 2017 for all three pharmacy formats, was expanded in the year under review in close collaboration with HCI Solutions: as of the end of 2018, some 40,000 products were available compared with 10,000 at the end of 2017. The aim is to further expand the range of the online shops. At the same time, this expansion of online activities fits into the Omni-Channel strategy and Galenica's efforts to be as close to the customer as possible. For example, the e-mediaplan module was added to the new Amavita smartphone app in 2018 (see textbox on page 28 in the Services section).

### ...and the online formats

Galenica expanded its e-commerce activities in 2018 with a minority stake in online shop Puresense. Puresense offers more than 3,000 products from leading manufacturers in the area of near-natural and certified natural cosmetics, making it one of the leading online shops in Switzerland in this segment. This interest not only strengthens Galenicare's presence in the growing market for natural cosmetics; Puresense's knowledge will also support the further development of e-commerce activities. Advisory skills are also important at Puresense. Many customers want information about the products and offerings before buying. Puresense reliably provides the desired information and is therefore also a good fit for the high service level throughout the Galenica Group in this respect.

At the beginning of 2018, Galenica took over Careproduct, a company supplying walking frames, wheelchairs, incontinence products and other medical aids both online and offline. The integration is going successfully and according to plan. The Retail Business sector also expanded its online customer offering in a specific area through this acquisition.

### Focus on closeness to customers

The aim is to emphasise the competencies of the pharmacies as well as possible. In line with this principle, the Retail Business sector invested significantly in the further strengthening and optimisation of own stationary points of sale in 2018. This included the new, modern store layout for Coop Vitality, which will be rolled out gradually at all locations over the next few years; Biel/Bienne, Rorschach, Matran, Flims and Feuerthalen were the first to get the new look in 2018. The “Bahnhof Apotheke” pharmacy in Zurich main station, which is the pharmacy with the highest sales figures in Switzerland, was acquired in full in the second half of 2018. The integration has gone according to plan so far. Galenica has thus expanded its network with a successful and strategically important location.

### 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.<sup>1)</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> Consolidated at equity level

# 1,430.5

Net sales

in million CHF

Galenica Group CHF 3,165.0 million



# 4,739

Number  
of employees

Galenica Group 6,580

### Awards for health promotion projects

Amavita demonstrated its closeness to customers with the first Amavita Awards, which promote projects in the area of healthcare, health promotion and prevention. Two projects to support people with cancer received awards in 2018: the jury prize went to a children's book written by a mother on battling cancer, and the people's choice prize was given to an association promoting physical activity for those affected, both during and after cancer. The first edition of the Amavita Awards was held in 2018 in French-speaking Switzerland. Due to the considerable success, invitations for entries for the Amavita Awards 2019 will be extended to the whole of Switzerland.

### Contributions to reducing healthcare costs evolution

Galenica makes an active contribution to reducing healthcare costs evolution through generic substitution. On a comparable basis, sales of generics thus rose again in 2018 (+8.1%). The substitution rate for medications for which a generic is available and for which substitution is also possible increased from 68% to 70%. A pleasingly high percentage, taking into account the fact that prescribers often favour the original product for certain pathologies such as mental illnesses.

Galenica gained further valuable knowledge from the Aprioris walk-in clinic pilot project in 2018, including in the areas of duty of documentation and collaboration with partners. Under this pilot project, Aprioris offers immediate medical assistance from a care expert in the Amavita pharmacy in Adliswil near Zurich and in the Sun Store Métropole pharmacy in Lausanne. While patient satisfaction with the service was very high, customer frequency was below expectations. Galenica will define further steps in due course.

Meanwhile, the Health Maintenance Organisation Insurance Plus (HMO Plus) pilot project, which has previously only been offered in Zurich, is now being extended to other regions. In Zurich, it is an integrated care model from health insurer CSS, the physician network Medix and Galenica. CSS customers insured under the alternative

insurance model HMO Plus can go to a Medix doctor or one of the participating Amavita and Coop Vitality pharmacies as the first point of contact in the event of a health problem.

### Winconcept with personalised customer magazine

Winconcept, the Galenica Group's service provider for owner-run pharmacies and drugstores, registered a further increase in users of its in-house quality management system Process One in 2018. Process One is offered to both Winconcept partners and third-party pharmacies. The new company website and the customised websites for Winconcept partners were well received. Since 2018, affiliated partner pharmacies have been able to increase personalisation of the customer magazine and thereby strengthen their brand presence in their region.

Winconcept now also offers the Diabetes Check as well as the A-Derma product range from Pierre Fabre, which is exclusively distributed in Switzerland by the Products & Brands Business sector and was previously only available in Amavita, Sun Store and Coop Vitality pharmacies.

### Own pharmacies and shareholdings

	31.12.2018	31.12.2017	Change
Amavita pharmacies <sup>1)</sup>	163	157	+6
Sun Store pharmacies <sup>1)</sup>	97	97	—
Coop Vitality pharmacies <sup>2)</sup> (joint venture with Coop)	78	75	+3
Mediservice specialty pharmacy <sup>1)</sup>	1	1	—
Majority holdings in other pharmacies <sup>1)</sup>	5	5	—
Minority holdings in other pharmacies <sup>2)</sup>	1	2	-1
<b>Total own points of sale</b>	<b>345</b>	<b>337</b>	<b>+8</b>

<sup>1)</sup> Fully consolidated

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

### Independent partners

	31.12.2018	31.12.2017	Change
Amavita partnerships	7	8	-1
Winconcept partner pharmacies	149	152	-3
<b>Total independent partners</b>	<b>156</b>	<b>160</b>	<b>-4</b>



“Several hundred patients are now already using the new distance healthcare offering from Mediservice.”

#### Mediservice as a centre of competence

In light of increasingly complex new medications for applications in the areas of oncology, immunology and haematology, Mediservice's competences and services were again in strong demand in 2018. Specialty pharmacy Mediservice is now not only a complement to in-patient points of treatment such as hospitals and clinics but has also established itself as a comprehensive service platform for the care and support of patients with chronic or rare diseases such as cancer and multiple sclerosis. Mediservice introduced new distance healthcare services for chronically ill patients via telephone, videophone or e-mail in the year under review (see textbox on the right).

#### Outlook

##### Innovations with added value for customers and pharmacies

Galenica is seeking to build on its leading position in the Swiss pharmacy market. One way it intends to do this is by launching new, innovative services and products that add value for customers. The Derma-Center, which was opened at the Amavita pharmacy in the Metro shopping centre in Geneva in 2017 in collaboration with L'Oréal Cosmétique Active, will therefore also be introduced at further locations in an adapted form from 2019 based on feedback from customers. Furthermore, the collaboration with Verfora will be strengthened, including through the introduction of exclusive new brands such as the new own skincare product range Dermafora®, and the expansion of the Spagyros and Adler Schüssler mineral salts complementary medicine portfolios in the Galenicare pharmacy formats or of selected own brands for Sun Store.

Galenicare will also expand the online offering in 2019, thereby further strengthening the proven Omni-Channel strategy, with the aim of making shopping as easy and convenient for customers as possible. Finally, the Primary Care project will be implemented together with HCI Solutions. This will enable pharmacists from all formats to meet the extended requirements concerning documentation of their advice to patients well and efficiently.

#### High-quality patient care

Specialty pharmacy Mediservice has further strengthened its leading position as a service platform for the care and support of patients with chronic or rare diseases – now also through its distance healthcare offering, which was introduced in 2018. Under this therapy support service, chronically ill patients are provided with care from specially trained professionals via telephone, videophone or e-mail.

Mediservice customers are mainly chronically or severely ill people who rely on special care with regard to their medication. The aim of the video therapy support is to make patients' lives in their own homes easy and comfortable for as long as possible. In doing so, Mediservice contributes to improving efficiency in healthcare by avoiding unnecessary hospitalisations and out-patient consultations.

Treatment of chronically ill patients beyond in- and out-patient care at hospitals and medical institutions is becoming increasingly important. Several hundred primarily incurable long-term patients throughout Switzerland are now already using this distance healthcare offering. Mediservice also gives top priority to data protection. The exchange of data between patients, treating physicians and Mediservice is encrypted and complies with Swiss data protection legislation and guidelines.





# Products & Brands

## Business sector

### Dynamic developments

#### Net sales development

Despite challenging market conditions, the Products & Brands Business sector, mainly comprising the business activities of Verfora, achieved net sales totalling CHF 91.7 million (+2.7 %) in 2018. Due in part to the strong flu and hay fever season in the first half of 2018 and supply constraints of other products in the market, Algifor® and Triofan® performed very well. Consequently, Products & Brands exceeded consumer healthcare market growth (1.2%, IQVIA, Consumer Health Market Switzerland 2018), increasing its net sales in Switzerland by 3.8 % to CHF 73.7 million. Thus, and for the first time, Verfora became the number one company in the total Swiss consumer healthcare market by the third quarter of 2018 (IQVIA, Consumer Health Market Switzerland 2018). Export sales declined by 1.6 % to CHF 18.0 million, due in particular to the additional sales generated in 2017 by the launch of Anti-Brumm Sun® in Germany and Austria.

#### Verfora: new name, same strategy

With the division of the former Galenica Group in 2017, Galenica and Vifor Pharma agreed that Vifor Consumer Health would change its name to clearly signal its independence to the market. The company was therefore rebranded Verfora as of 1 June 2018. With the new identity, Verfora positions itself distinctively as a strong specialist trade partner for pharmacies and drugstores with its well-known brands and products. The introduction of the new packaging with the Verfora branding proceeded as planned and was supported by a national TV campaign starting in November 2018. Verfora remains a strong partner for all pharmacies and drugstores, standing for an attractive product portfolio and dedication to training and customer support.

### Strategic priorities

- Sustain leadership of the top OTC categories, with focus on pain, coughs, rhinitis, colds, minerals and supplements, and wound treatment.
- Consolidate and further grow share of the consumer healthcare market in pharmacies and drugstores throughout Switzerland, building on the solid partnerships and added-value services offered by Verfora.
- Expand the branded business into new areas and develop related skills.

### Strong OTC sales

The systemic pain relief market leader Algifor® performed very well, clearly exceeding OTC market growth. This was mainly due to the strong flu season at the beginning of 2018 as well as supply constraints of other products in the market. Algifor® Dolo forte sachets and Algifor® Dolo forte suspension, a more concentrated liquid formula, were both launched in the Swiss market.

Triofan® maintained its strong market position as the number one nasal decongestant in Switzerland and outperformed in the hay fever market. The iconic Swiss wound treatment brand Merfen® performed well in 2018, giving Verfora leadership in the important wound disinfection consumer healthcare category.

Several new Perskindol® products were introduced in 2018, including a thermo hot roll-on and gel, a classic roll-on and a cooling bandage. In addition, a child-friendly and highly effective Anti-Brumm® Kids formula was launched and well appreciated by parents.

### Enhanced health and beauty product portfolio

Verfora further enhanced its health and beauty product portfolio with both Swiss and international brands. Pharmacies and drugstores are a trusted source of advice for these products. In the year under review, a new dark spot corrector by Lierac was successfully introduced, as well as the product RE30 by Phyto for treating grey hair.

The portfolio of the Adler Schüssler mineral salts was enhanced with three unique new “Komplexmittel” products, combining six Schüssler mineral salts in one tablet. In addition, Verfora took over the marketing and national distribution of the successful Oenobiol® range of nutritional beauty supplements in 2018. The A-Derma skincare line has continued to be a great success since its exclusive Swiss launch in 2016, as have the exclusive Lierac and Phyto brands.

“By the third quarter of 2018, Verfora was number one in the Swiss consumer healthcare market for the first time.”

### Companies

- G-Pharma Ltd.
- Verfora Ltd.

# 91.7

Net sales

in million CHF

Galenica Group CHF 3,165.0 million



# 133

Number  
of employees

Galenica Group 6,580

## “2019 will see the launch of several new products and innovations, including the new own derma-cosmetic brand Dermafora®.”

### New partnership with Spagyros

Responding to the growing demand for complementary medicines, Verfora entered into a strategic partnership with the Swiss company Spagyros in 2018. In this context, Galenica has also acquired a small minority stake. Since its foundation in 1985, the company has striven to produce the highest quality remedies. Spagyros is a GMP-certified pharmaceutical company that manufactures all its medicines entirely by hand in Switzerland. With Spagyros, Verfora has established a new quality of partnership that ensures long-term access to a first-class range of complementary medical advice. It includes a close internal collaboration with Galenica's Retail Business sector to ensure the education and training of employees at the point of sale.

### Outlook

#### Dermafora®: new own derma-cosmetics range from 2019

Verfora will further strengthen its market position with its new and distinct identity. Further investment is planned into new exclusive partnerships, product improvements and employee training. Several new product launches are planned in 2019. Most notably Verfora can enhance its presence in the beauty market by introducing the new own derma-cosmetic brand Dermafora®, which has been available from Amavita, Sun Store and Coop Vitality pharmacies since early 2019. Furthermore, Verfora took on responsibility for the domestic distribution of the well-known Vicks® brand products for cold, flu and cough relief, and of Metamucil® from Procter & Gamble at the beginning of 2019. This collaboration with an international pharmaceutical company shows once again that Verfora has positioned itself in the Swiss market as an attractive partner for international brand owners. Verfora will also be introducing a new Triomer® spray version against colds in 2019.









# Services Segment



## A wide range of services

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 2,372.3 million (+0.4%) in 2018. Excluding the effect of the price reduction measures for medications by the authorities (-2.4%), sales growth amounted to 2.8%. This was achieved in an overall market whose growth (+2.2%, IQVIA, pharmaceutical market Switzerland 2018) was driven especially by the sales performance of hospitals (hospitals: +5.5%, IQVIA, pharmaceutical market Switzerland 2018) as well as by high-priced special medications that are for the most part not supplied via wholesale but directly to specialist doctors (doctors: +1.9%, IQVIA, pharmaceutical market Switzerland 2018). Price reductions by the authorities, which were higher than announced, and strong growth in generics also had an impact on the sales of Services.

The operating result (EBIT) declined by 12.5% to CHF 44.2 million due to one-off effects from 2017 totalling CHF 7.0 million that did not recur in the period under review (sale of rights of the medical practice software Triamed® and a non-operational building in Schönbühl). Excluding these one-off effects, EBIT rose by 1.4% and return on sales (ROS) rose from 1.8% to 1.9%. Investments totalled CHF 36.1 million (previous year: CHF 27.0 million) and were used in particular for the new enterprise resource planning (ERP) software that is being rolled out progressively at Alloga and Galexis.

“The market was characterised by the sales development of high-priced special medications and price reduction measures by the authorities, among other factors.”

## Key figures 2018

- Net sales: CHF 2,372.3 million
- EBIT: CHF 44.2 million
- ROS: 1.9%
- Investments: CHF 36.1 million
- Employees: 1,671 (1,388 full-time equivalents)

# 2,372.3

Net sales  
in million CHF

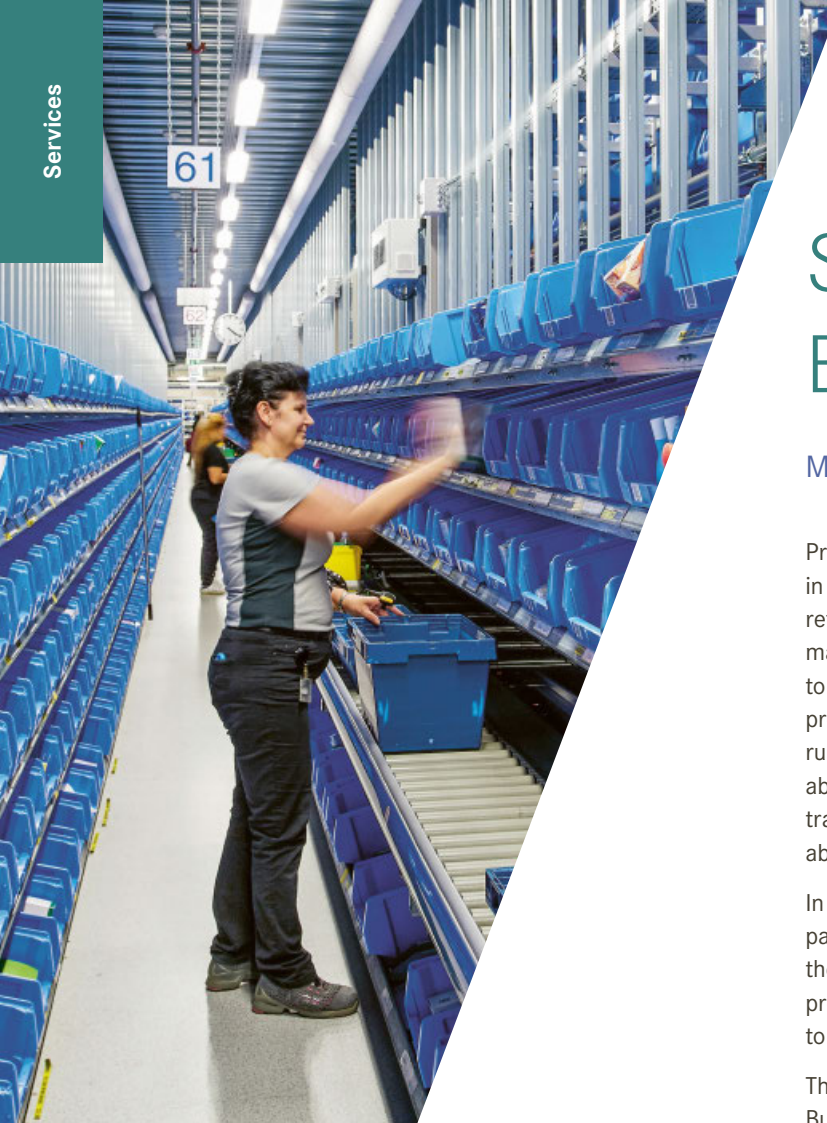
Galenica Group CHF 3,165.0 million

# 44.2

EBIT  
in million CHF

Galenica Group CHF 154.1 million (adjusted)





# Services

## Business sector

### More efficient processes, new products

Pre-wholesaler Alloga put a third cold room into operation in Burgdorf in 2018, expanding internal capacity for the refrigerated storage of medications by one third. Alloga also made its transport logistics more efficient with regard to vaccines in the year under review: While vaccines were previously transported on pallets in cool boxes, an uninterrupted chain in temperature-controlled lorries is now available. This means that larger quantities of vaccines can be transported in shorter times, thereby ensuring better availability of the vaccines during the flu season.

In addition, Alloga attracted further well-known pharma partners as new customers and gained major hospitals for the introduction of electronic invoicing in 2018, while also pressing ahead with the ongoing “Modulo” project to switch to SAP’s new enterprise resource planning (ERP) system.

The photovoltaic system on the roof of the Alloga building in Burgdorf was completed as planned in November 2018. Providing an average of one megawatt of electricity, it not only generates electricity for the company’s own use, but in summer, shade provided by the solar panels will reduce energy consumption for cooling the building. With a surface area of some 10,000 m<sup>2</sup>, it is one of the largest systems in the region and quintuples the production capacity of operator Solarstadt Burgdorf Ltd.

### New own brand from Galexis

Despite the challenging market environment, Galexis was also able to gain new partners, including Japanese company Shiseido, which produces cosmetics for the specialist retail trade, and is now banking on Galexis’ efficiency and expertise to handle inventory management, shipment preparation and dispatch for Switzerland. Galexis also commissioned a new, optimised cool box that guarantees the required temperature of transported goods for 30 hours. Galexis is thereby contributing further to drug safety and has at the same time taken a leading role in the transport of modern medicines that must be stored in cool conditions. These products are produced using biotechnology and represent a fast-growing market segment (biologicals).

### 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 E-Health offerings for the Swiss healthcare market.
- Improve efficiency by further optimising processes.
- Promote growth: organically and with expansion of the customer portfolio through pharmacies and physicians, and by resuming direct deliveries from the manufacturer.

“Galexis launched the new pharmaceutical and OTC own brand ‘Felan’ for independent pharmacies in 2018 and is thereby supporting them in positioning themselves in the eyes of their customers and strengthening customer loyalty.”

Galexis also launched its new own brand range «Felan» for independent pharmacies in autumn 2018. The «Felan» range comprises cost-effective pharmaceutical and OTC products such as medicines containing paracetamol, where the packaging can be personalised with the logo of the relevant pharmacy. Through this new offering, Galexis is supporting independent pharmacists in positioning themselves in the eyes of their customers and strengthening customer loyalty.

#### High demand for services in Ticino

Unione Farmaceutica Distribuzione (UFD) had a very good year in 2018. Thanks to the high quality of its services, additional services and strong customer loyalty, UFD was able to gain more than ten new customers and local exporters. Demand for logistics services also increased in Ticino. Accordingly, UFD optimised its delivery runs in the second half of the year to increase punctuality while also reducing the number of kilometres driven.

#### Medifilm: development of new blistering machines

As of the end of 2018, Medifilm served around 9,000 patients throughout Switzerland, thus increasingly easing the burden of carers in care homes or hospitals responsible for administering medications by hand. After some delay, the company will roll out a new generation of blistering machines in 2019 that will double the number of blistered units per hour. They are also more precise than the current equipment and can produce sachets labelled in three languages. To ensure high quality and that the strong demand can be met, Medifilm used two additional conventional machines in the year under review.

#### Important progress at HCI Solutions

HCI Solutions has become the central master data specialist within the Galenica Group. In this role, it supported the further development of the online shops and Click & Collect. It also intensively stepped up the expansion of the image database so that the necessary images for the Amavita, Sun Store and Coop Vitality online offerings are available. To this end, products are photographed according to a defined standard. As of the end of 2018, around 50,000 images were already available. The plan is to also offer these images to other interested customers in the online sales market at a later time.

The registration of e-Medication solution Documedis® from HCI Solutions as a Class I medical device was confirmed by the Swiss Agency for Therapeutic Products, Swissmedic, in the year under review. This is thanks to its Clinical Decision Support (CDS) functions, which allow a detailed, patient-specific risk assessment of a medication and provide indications for adjusting drug therapy. Following an initial pilot phase in the hospital region of St. Gallen, Documedis® is now used in various hospitals and care homes throughout Switzerland.

Documedis® is also fully integrated in the Triapharm® pharmacy software and therefore used at all Amavita, Sun Store and Coop Vitality points of sale.

#### 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)

2,372.3

Net sales  
in million CHF

Galenica Group CHF 3,165.0 million



1,671

Number  
of employees

Galenica Group 6,580

## Outlook

### Investments in software, products and locations

The focus at Alloga in 2019 is on implementing the new ERP system. A start with an initial pilot customer is scheduled in the first half of 2019 with full implementation set to follow by 2020.

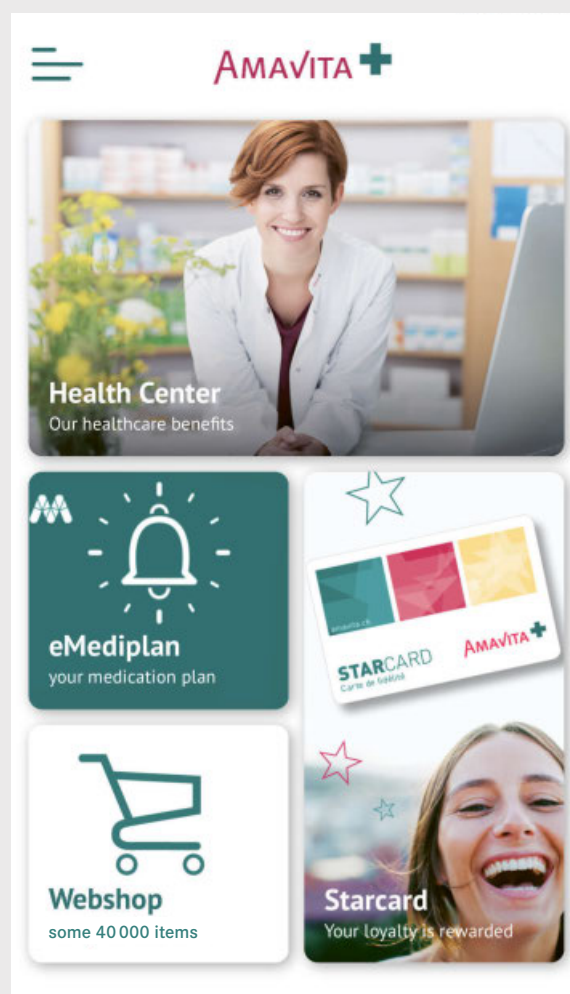
UFD regained the Pedroni Group, which comprises 16 pharmacies, as a customer at the beginning of 2019.

### Modernisation of Lausanne-Ecublens distribution centre

The project to renovate and modernise the Galexis distribution centre at the Lausanne-Ecublens site advanced, and a building application was submitted at the end of January 2019. Construction work is scheduled to begin in the third quarter of 2019 and the project should be completed in the course of 2021. Galenica is investing some CHF 30 million in the modernisation of the building and in facilities with a higher degree of automation. This has the potential to reduce the number of full-time positions by around 45 in Lausanne-Ecublens. In addition, certain orders will be taken from the Galexis distribution centre in Niederbipp, which

### Digitised medication now also available in a patient app

The e-mediplan module was added to the new Amavita smartphone app at the end of October 2018. This module, which was developed internally at Galenica by HCI Solutions, is the smartphone-compatible version of the existing e-mediplan incorporated in Documedis® and offers customers a range of practical functions, including a digitised medication plan, automatic reminders to take medication, an overview and rapid management of the individual's stock of medications, targeted suggestions for less expensive generic alternatives to the medication plan and contact information for medical practices and pharmacies. This new offering is aimed in particular at patients who depend on several medications at once and provides them with a comprehensive, clear overview of their current medication. Following the pilot with Amavita, there are plans to also offer e-mediplan on smartphone apps from Sun Store and Coop Vitality in the course of 2019 and then to make it available to customers outside of the Galenica Group.





will in turn require additional members of staff. The plan is to stagger the job cuts in parallel to the construction phases, with most of the downsizing absorbed through voluntary departures and retirement. A consultation process will be held to review measures aimed at avoiding employee terminations and mitigating the consequences of any necessary layoffs.

The new own brand range «Felan» for independent pharmacists will also be expanded with additional products including pregnancy tests, plasters and thermometers.

HCI Solutions will continually develop its products and thereby contribute to promoting digital networking of all players in the healthcare market.

#### Key figures wholesale/pre-wholesale 2018

	Wholesale: Galexis, Unione Farmaceutica Distribuzione	Pre-wholesale: Alloga
<b>Storage</b>		
– Number of prepared boxes	> 9,062,000	–
– Number of delivered order lines	> 39,825,000	> 1,760,000
– Number of prepared packages	> 119,802,000	> 83,800,000
<b>Distribution</b>		
– Annual tonnage	> 13,750	> 7,230
– Number of packages	> 161,000	> 557,600
– Number of pallets	–	> 63,450
<b>Structure</b>		
– Number of items in stock	> 47,000	> 9,460
– Number of suppliers/partners	> 1,200	> 75
– Number of points of sale supplied	> 9,200	> 11,430
<b>Technology</b>		
– Degree of automation in Niederbipp	66 %	–
– Degree of automation in Lausanne-Ecublens	29 %	–
– Degree of automation in Barbengo-Lugano	45 %	–
– Degree of automation in Burgdorf	–	35 %

# Political environment

## Healthcare sector: an increasingly important branch of the Swiss economy

According to a 2018 forecast by the KOF Swiss Economic Institute of ETH Zurich, growth in healthcare expenditure is expected to level off at just under 4% over the next two years, with a relatively moderate increase in health insurance premiums in 2019. At the same time, the healthcare sector is becoming an increasingly important branch of the Swiss economy, having accounted for 5.4% of total value added in 2016 (KOF 2018).

In 2017, the Federal Council initiated a discussion on health policy in Switzerland with an expert group report on curbing cost growth in the healthcare system. Its aim is to eliminate false incentives and stem rising costs. At the same time, it is seeking to establish a high-quality healthcare system that is accessible to all.

### Strengthening of outpatient care providers

The shift from in-patient to out-patient care is to take place by adjusting the tariff structure accordingly. The Federal Council is committed to independent, decentrally coordinated care provided by doctors and pharmacists, and wants to promote networking in a targeted manner.

## Swiss pharmaceutical market by value

Market volume 2018: CHF 5,969.2 million  
(at ex-factory prices, 100%)



Pharmacies	49.7%
Dispensing doctors	24.7%
Hospitals	24.6%
Drugstores	1.0%

Source: IQVIA, pharmaceutical market Switzerland 2018

## Digitisation and networking of healthcare stakeholders

As part of the “Digital Switzerland” action plan, the Federal Council commissioned the “E-Health strategy for Switzerland 2.0” in 2016, which aims to improve the quality, safety and efficiency of the healthcare system through digital networking. Digitisation offers new opportunities in the healthcare sector. The legal framework for the best possible promotion of digital health will be gradually defined over the coming years. Initial regulations, such as the Cancer Registration Act (CRA) and the Electronic Patient Record Act (EPRO) will soon come into force or have already done so. It is largely unclear how questions of ethics, data protection and supplementary legislation are to be regulated in order to help digitisation in the healthcare sector achieve a breakthrough.

## Revision of the Therapeutic Products Act (TPA) – reclassification of dispensing categories

The changes from the ordinary revision of the TPA came into force on 1 January 2019. The aim of the revision was to improve the population’s access to medicines.

The revision of the TPA led to a reclassification of medicinal products as of 1 January 2019. Until the end of 2018, the categorisation into five lists was as follows: A – stricter prescription-only status, B – prescription only, C – pharmacy only, D – also available in drugstores, E – sale in all shops. The revision will also strengthen the role of the pharmacy. Category B products can, in justified cases, also be supplied by a pharmacist without a prescription, and the services which pharmacists can invoice via compulsory health insurance will be expanded. The aim of these efforts is to strengthen treatment compliance.

Since the beginning of 2019, List C in principle no longer exists. Approximately 85% of the medicinal products previously included in List C have been classified in List D and will therefore only be available from specialist retailers. The other approximately 15% have been included in List B to increase patient safety, i.e. pharmacies can continue to dispense them without a doctor’s prescription. Around 100 products have been transferred from List D to List E and can therefore be sold freely without specialist advice in future.

### Drug price reduction measures

Three years after inclusion in the so-called specialities list (SL), all drugs are subjected to a price review by the Federal Office of Public Health (FOPH). The assessment is based on the criteria of efficacy, suitability and cost-effectiveness and for several years now has also included a therapeutic cross-comparison (TCC) and an international price comparison (IPC).

As part of the current three-year review period (2017–2019), the prices of more than 400 drugs on the specialities list (SL), i.e. medicines reimbursed by compulsory health insurance, were reviewed at the end of 2017. This resulted in price reductions of almost 19% on those drugs reviewed, a total of around CHF 225 million. This was a much higher volume than the originally announced average annual price reductions of around CHF 80 million per year (CHF 60 million for SL medicines and CHF 20 million for generics), which would have meant a total of CHF 240 million over the entire three-year period (CHF 180 million for SL medicines and CHF 60 million for generics). The focus of the review in 2017 was mainly on high-priced medicines such as cancer drugs at an exchange rate of EUR/CHF 1.09.

Price reductions of CHF 100 million were announced at the end of 2018 based on an international price comparison at an exchange rate of EUR/CHF 1.11. The FOPH will publish the effective savings from the 2018 price reduction measures in the course of 2019. The current three-year review cycle ends in 2019.

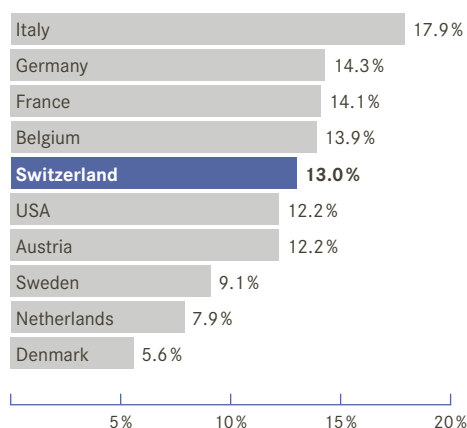
### Outlook

The current tariffs from the service-based remuneration for pharmacists (SBR IV) are limited by the Federal Council until mid-2019. Swiss pharmacy association Pharmasuisse and health insurance associations are negotiating a new SBR V contract or an extension of the existing contract, with the results expected in the second quarter of 2019.

As part of the Federal Council's efforts to curb cost growth in the healthcare sector and eliminate false incentives, the FOPH has sent further proposals for consultation to the associations: for example, proposals for adjusting the joint distribution share (distribution margin) of wholesalers and pharmacists. Accordingly, price categories would be reduced from six at present to three in future, and the fixed and percentage shares restructured.

At the same time, a consultation on the reference price system has been launched, in which the maximum prices of generic drugs are to be regulated with regard to reimbursement by health insurers. Implementation would require amendment of the Health Insurance Act (KVG). According to the associations involved, an amendment to the law would not enter into force until 2021/2022 at the earliest.

### Share of healthcare costs accounted for by medicines



Source: OECD Health Data 2017, basis 2015

# Patient protection: actively combating counterfeit drugs





The safety and health of patients take top priority at Galenica. To ensure these, the company is actively involved throughout the entire value chain in protection against drug counterfeiting. Galenica is progressively implementing the European Commission's Falsified Medicines Directive, even though it is not mandatory in Switzerland.

Since February 2019, all prescription medication packaging in the European Union (EU) must have certain security features to protect against falsifications. These are, on the one hand, a so-called tamper-evident closure, so that it is immediately evident whether medication packaging has already been opened, and, on the other hand, a Datamatrix code with a unique serial number, which must be checked for authenticity before the pack is dispensed to the patient. This is to ensure that no falsified medicines are distributed.

For several years now, the World Health Organization (WHO), the Organisation for Economic Cooperation and Development (OECD) and the Swiss Agency for Therapeutic Products (Swissmedic) have observed a steady rise of global trade in falsified therapeutic products, i.e. medicines and medical devices. Falsifications not only affect lifestyle drugs such as those for erectile dysfunction or slimming aids but also life-saving products, including cancer drugs and antibiotics, and therefore pose a serious risk to patient health. Due to the strict licensing and authorisation procedures for medicines in Switzerland, the risk of falsified medicines reaching pharmacies or medical practices via official distribution channels is very low. However, the import of falsified medicines by individuals via the Internet is steadily increasing.

At the Galenica Group, all Business sectors face the challenges of protecting against falsification and are taking targeted measures to combat falsified medicines, for example by implementing the new EU Falsified Medicines Directive (FMD).

#### Ideally equipped for the future

As a pre-wholesaler, Alloga works on behalf of mainly international pharmaceutical manufacturers. As part of a joint project with Galexis, headed by Project Manager and Business Analyst Efkân Sahingöz, Alloga has integrated the EU FMD into its internal quality management and IT systems. New scanners have been introduced to read the two-dimensional Datamatrix code, and the software has been connected to the verification system. "We are getting Alloga ready on a technical level to meet FMD requirements for international partners," says the project manager. "Specifically, this means that Alloga can check the authenticity of pharmaceutical packaging labelled accordingly in Incoming Goods at the request of the pharmaceutical partner. If prescription medicines are returned by pharmacies, hospitals or physicians, Alloga will be able to check each individual pack and, if necessary, deactivate it in the database before the pack is destroyed." A Europe-wide networked database system ensures immediate verification of the medicine's authenticity.

Galexis also introduced new scanners in 2018 and updated its software system. "We are now working on a concept to develop solutions for integrating the new verification activities into our work processes, for example for incoming goods," explains Efkân Sahingöz. In contrast to Alloga, which works on behalf of mainly international partners, Galexis, as a wholesaler, is the owner of the medicines it distributes, and as a Swiss company, it is not affected by FMD. It has therefore not yet fully completed the implementation of the directive. The project manager points out, however, that Galexis is fully prepared to implement FMD entirely if it also becomes mandatory in Switzerland. Galexis would then also be equipped to verify the authenticity of a pack labelled accordingly when medicines arrive from suppliers or have been returned by customers.



### Controlled disposal of original packaging

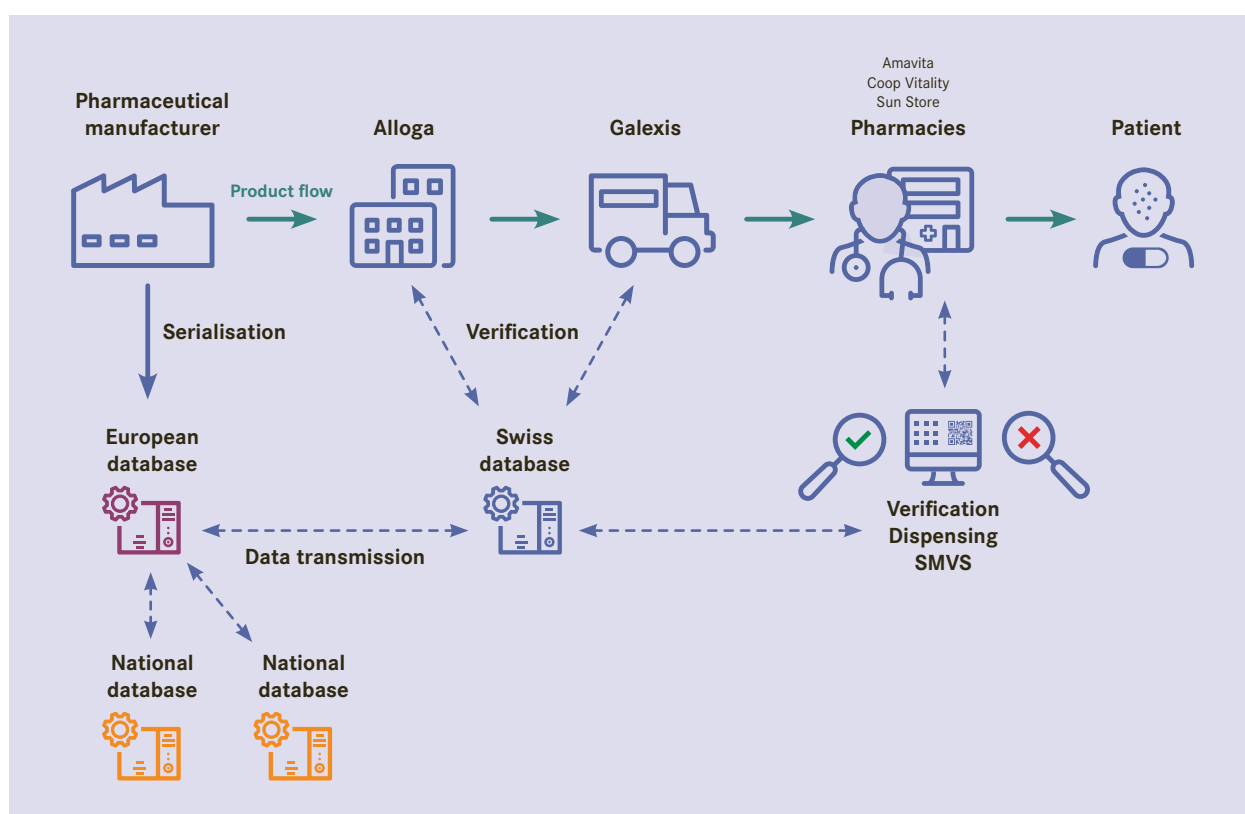
Blistering companies such as Medifilm face particular challenges with regard to falsified medicines and the EU directive. Markus Meier, Head of Medifilm, explains: “We buy medicines in the original packaging, open them and then repack the medications. The trust of our customers is all the more important because medicines are not delivered in their original packaging so they do not have a tamper-evident closure or a Datamatrix code as required by the EU

Falsified Medicines Directive.” Medifilm is also implementing the EU directive in full. Medicines with a Datamatrix code can therefore be verified and deactivated in the database system before the original packaging is opened. This means that customers can be certain that only original products are repackaged. To ensure the original packaging can no longer be used, Medifilm carefully supervises the destruction and disposal of all packaging.

### Serialisation along the value chain

The graphic shows how FMD affects the value chain of any prescription drug. At the start is the manufacturer who produces the medicine and assigns a unique serial number to each pack. This is printed on the folding box in the form of a Datamatrix code. The information in the code is transmitted to the European database. This makes every pack unique. In addition, a tamper-evident closure is affixed. In the next step, the manufacturer delivers the medicine to Alloga. At the manufacturer’s request, Alloga scans the

medicine’s Datamatrix code and checks its status. The medicine then goes to Galexis, where it can be checked against the database again if necessary. The next identification check is carried out by the pharmacy assistant when the goods are received by the pharmacy. Final verification takes place before the medicine is dispensed to the patient. The pharmacist also has to deactivate the medicine in the database system after it is sold. Safe dispensing of the medicine is therefore recorded.



### Continuous monitoring of medication effects

Verfora's quality management system ensures that no falsified medicines enter the supply chain. Any suspected cases are thoroughly investigated and documented. "Although we don't sell products that are traditionally targets for falsification, we will implement the required measures to protect against falsification as soon as the EU directive is legally binding in Switzerland. Only one of our products would be affected at present: Algifor® Junior, which requires a prescription," explains Daniel Steck, Relationship Manager Consumer Healthcare at Verfora.

### Maximum safety when dispensing medicines

Pharmacies play a key role in patient safety and therefore in implementing FMD. According to the directive, all prescription medicines must be scanned and their authenticity checked by the pharmacist before they are dispensed to the patient. A visual inspection of the tamper-evident closure is also required. Galenica pharmacies are already subject to strict inspection guidelines. "The product number and expiry date of all medicines are checked on delivery and before they are dispensed to the patient. We also check the completeness and integrity of the packaging. If a pack had already been opened, it would be noticed immediately," explains Daniel Hugentobler, Head of Quality at Galenicare.

To further improve safety, Galenica pharmacies are also implementing the EU Falsified Medicines Directive. Daniel Hugentobler explains: "We are currently procuring new scanners for all pharmacies, making the necessary adjustments to our quality management system and training our employees." HCI Solutions has also integrated new functionalities into the Triapharm® pharmacy software to ensure technical compatibility with the national database. To guarantee data protection, only information from the Datamatrix code is sent to the national database. Patient data are only stored locally. Eric Rochat, Process and Security Specialist at HCI Solutions, confirms that data privacy is fully assured with the implementation of the EU directive.

### Significant improvement in patient safety

Daniel Hugentobler also points out that in June 2019, all Galenica pharmacies will be ready to check the authenticity of prescription medicines in accordance with the EU directive. But what happens if the authenticity of the medicine is not confirmed during a check? "In this case, of course, the medicines will not be dispensed, and the internal quality unit will be informed so that it can establish the facts," says



### Implementation of the Falsified Medicines Directive in Switzerland

Based on EU Directive 2011/62/EU, Switzerland has supplemented the Therapeutic Products Act (TPA) with provisions on safety features (Article 17a). Swiss manufacturers, wholesalers and persons licensed to dispense medicines can implement the new TPA article voluntarily. The Federal Council may, however, declare the article mandatory at any time. By founding the Swiss Medicines Verification Organisation (SMVO), the players in the healthcare sector have joined forces to implement the EU directive on a voluntary basis and to further improve patient protection. The Swiss Medicines Verification System (SMVS GmbH) has therefore been set up to ensure operational implementation of medicine verification in Switzerland and manage the Swiss database. The interests of Galenica are represented by various associations, which in turn are members of the SMVO.

Hugentobler. "Although checking every pack on delivery means additional work for our employees, this significantly improves patient safety. Because it is not just the authenticity of the drug that is checked by scanning the two-dimensional code. The expiration date and the batch number are checked too – and it was previously only possible to do that visually," says Hugentobler.

# Human Resources





## Together, we have seized our chances!

Galenica constantly invests in good working conditions and in training and development for all Group employees because employee motivation and expertise are key to a company's success. In 2018, this activity notably included drawing up and implementing improvement measures based on the findings of the 2017 Opinio employee survey. In addition, Galenica continued to harmonise the Group's Personnel Regulations in 2018, some of which still differ. As announced in 2017 in conjunction with the IPO, preparations were put in place for the division of the Galenica Pension Fund. The logical and legally required step for Galenica and Vifor Pharma to each have their own independent pension funds was therefore completed at the beginning of 2019. As part of this project, a new uniform pension scheme covering all employees was developed for the Galenica Group. This came into effect on 1 January 2019. As of the end of 2018, Galenica employed 6,580 people.

### Number of employees



● Galenica Ltd.	37
● Retail	4,739
● Products & Brands	133
● Services	1,671

## Training and development

### Employee development

Productive cooperation requires regular exchange of knowledge between employees, as well as members of Senior Management (MDI) and members of Management (MKA). Galenica 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).

### More e-learning modules

With the new e-learning modules managers were informed about the protection of personal integrity and all employees were trained on the Galenica Group Code of Conduct – both key aspects of corporate social responsibility.

New employees were again invited to an induction day (SAM 1) in 2018 to learn about the culture, development and strategies of the Galenica Group and its companies. 216 employees took part in this induction day in the year under review. Additional SAM seminars train participants on various technical and methodological issues.



6,580 Number of employees

### Number of women and men



5,079

Women (77%)

1,501

Men (23%)



## “With e-learning modules employees were trained in corporate social responsibility.”

### Management training

The FAB 1 management training consists of modules focusing on three areas: “Self-management and management tools”, “Employee management and communication skills” and “Team management and development”. The FAB 2 seminars, which were completely revised in the year under review, subsequently address “Performance” and “Health”. These advanced training courses are aimed at members of Senior Management (MDI) and members of Management (MKA). 116 members of management participated in these courses in 2018. A strong corporate culture depends upon the five key values of Galenica (see page 45) being fully realised in daily life, so they form an integral part of all FAB modules.

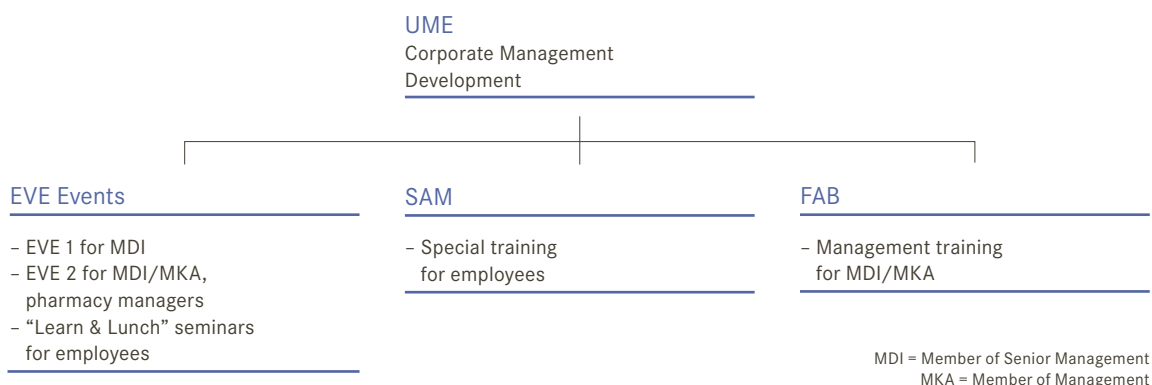
In addition to the courses at Galenica Group level, the Retail Business sector in particular offers pharmacy employees specific advanced training modules, such as the CAS course “Management for Pharmacists” in cooperation with the University of Basel.

### Events

EVE 1 is a management platform for communicating strategic objectives. At the EVE 1 event in March 2018, more than 130 members of Senior Management (MDI) were informed about the online strategy of the Retail Business sector, the rebranding of Vifor Consumer Health to Verfora, and the Documedis® e-health solution. For the first time, MDI celebrating their 30th or 40th anniversary with the Galenica Group were honoured.

At the EVE 2 event in August 2018, around 500 members of Senior Management (MDI) and members of Management (MKA) came together with local pharmacy managers. The central theme was: “Let’s seize our chances by getting close to our customers”, which was expanded upon by internal speakers and a keynote presentation by Christian Baudis (former Managing Director of Google Germany) on “Digitisation in the healthcare market”. Panel discussions focused on providing support and care for patients with chronic illnesses and implementing digitisation in pharmacies. To make the topic of digitisation more tangible, the participants had the opportunity during the event to ask questions about items on the agenda via a web app. Participants made heavy use of this opportunity, giving a practical, on-site demonstration of how events can be supported and enhanced with digital tools.

### Corporate Management Development



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

### Employee motivation

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.

The evaluation of the survey revealed that employees are generally satisfied with their work situation (75 points out of a total of 100). More than half (57 %) of all employees said they are very highly motivated, and around a third (30 %) describe themselves as well motivated. Employees see themselves as responsible for customer satisfaction and demonstrate a strong willingness to provide service support (83 points). The score of 61 points for the assessment of employees' own prospects and development opportunities showed high expectations in this regard.



**57 %**  
said they are very  
highly motivated

**30 %**  
said they are  
well motivated



**83 %**  
see themselves  
as responsible for  
customer satisfaction



**61 %**  
estimate the  
development  
opportunities as good

Based on these insights, specific improvement measures were worked out and, in some cases, already implemented by the Galenica Group as well as by each Business sector in 2018. These measures include improved internal communication in Retail, more efficient teamwork in the Products & Brands Business sector and more internal information events in the Services segment, aimed particularly at providing more detailed information to members of Senior Management regarding the goals of each company.

Human Resources will promote the "Own Perspectives" theme across the Group as a matter of priority in 2019. In the year under review, the personnel development measures on offer were also analysed with a view to developing a new, Group-wide programme for implementation in the coming years.

The next Opinio employee survey is scheduled for 2020.

## Investing in employees

Galenica offers its employees a range of fringe benefits, with special emphasis on structured training and development. CHF 4.4 million was invested in further training in 2018 (previous year: CHF 3.7 million).

### Developing talented individuals

The two-year Talent Mentoring Programme continues to be 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 mentee being assigned a personal mentor. Twelve mentees took part in the programme in 2018.

## Attracting employees

The pilot project to centralise internal and external recruitment launched in the Retail Business sector in 2017 resulted in specific improvements in 2018: the average length of a recruitment process is demonstrably shorter with lower costs. Recruitment activities on social media were also intensified in the year under review, particularly on Xing and LinkedIn. Recruiting pharmacists remains challenging, so recruitment continues to take in neighbouring countries. In future, Galenicare will further strengthen its presence at job fairs held at Swiss universities to establish direct contact with pharmacy students and make them enthusiastic about a career as a pharmacist.

## Headcount trends

	Number of employees	
	2018	2017
Galenica Ltd.	37	38
Retail	4,739	4,530
Products & Brands	133	127
Services	1,671	1,619
<b>Total</b>	<b>6,580</b>	<b>6,314</b>
Total employees in %		

of which part-time employees <90%	
2018	2017
10	9
2,149	2,128
56	50
388	380
<b>2,603</b>	<b>2,567</b>
39.6 %	40.7 %

Full-time equivalents	
2018	2017
33	34
3,573	3,381
112	110
1,388	1,335
<b>5,106</b>	<b>4,860</b>

## Number of managerial employees

	Total number of managerial employees	
	2018	2017
Galenica Ltd.	28	27
Retail	378	361
Products & Brands	49	48
Services	160	161
<b>Total</b>	<b>615</b>	<b>597</b>
Total employees in %	9.3 %	9.5 %

of which women	
2018	2017
13	13
225	202
23	22
52	52
<b>313</b>	<b>289</b>
4.8 %	4.6 %

of which men	
2018	2017
15	14
153	159
26	26
108	109
<b>302</b>	<b>308</b>
4.6 %	4.9 %

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

### Training apprentices

Galenica is putting a lot of effort into training future specialists: in 2018, the Group companies trained 797 apprentices – 731 young women and 66 young men. Of these, 266 completed their apprenticeships, many with flying colours. Having qualified, 103 apprentices have since become Group employees.

### Various communication platforms

Personal and direct exchanges between all employees from a total of 83 countries are at the heart of Galenica’s communication efforts. The various information events and management meetings within the Business sectors and companies are a good way of ensuring this. Changes and developments across all areas of the company are communicated at the EVE events and over digital channels including the intranet, the e-management letter and e-information letters. Additionally, a printed version of the employee magazine Spot is sent out twice a year to the homes of all employees, opening up the Galenica world to their partners and family members. In summer 2018, Spot published its 100<sup>th</sup> issue – a special jubilee for the magazine. Celebrations included a photo competition and treasure chest made up of aspects and events relating to the history of the Galenica Group.

### Targeted and appropriate harmonisation of Personnel Regulations

Work continued on harmonising Galenica’s Personnel Regulations in 2018, involving the staff committees of each Business sector. The aim of this harmonisation is to take advantage of synergies and to promote Group-wide exchange by ensuring that people in the same role also have the same employment conditions. It also aims to take into account the specific needs of certain functions that have to meet defined requirements, such as sales and operations. Implementation is planned for early 2020.

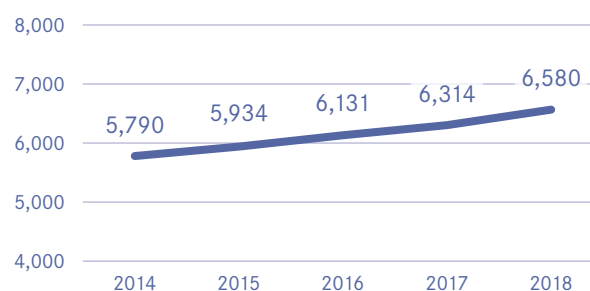
### Creative thinkers

#### The Comité des Jeunes becomes the Comité de Réflexion

For many years, Galenica has encouraged exchanges of views between promising young employees and corporate management in an internal think tank, the “Comité des Jeunes”. Among other things, the more than 20 employees from different Group companies help to firmly anchor and further shape the corporate culture. In cooperation with CEO Jean-Claude Cléménçon, the committee used the division of Vifor Pharma as an opportunity to discuss its role and duties, and to plan for a new beginning.

The specific aim of this new beginning is to ensure that the committee represents the entire employee structure and customer base. This means that the committee members should represent not only all Business sectors, regions and languages, but also all age groups so that ideas can be considered and discussed from a full range of perspectives and across generations. As part of this change, the “Comité des Jeunes” was renamed the “Comité de Réflexion” at the beginning of 2019.

### Headcount development 2014–2018





### Annual motto for 2019:

#### Together, let's seize our chances

"Together, let's seize our chances" is the Galenica Group annual motto for 2018 and 2019. It builds on the key value "Together, we are stronger". The motto is an expression of determination and optimism. It is intended to encourage all employees to have a positive attitude towards the future, working together to make the most of changes and opportunities, not only with other teams within the Group but also with partners and customers. Employees were informed about the motto in the CEO's New Year card. To underpin this message, employees received a scratch card and were able to implement the motto with a Click & Collect voucher. The activity associated with the annual motto is an exchange programme, which gives employees the opportunity to visit Group colleagues at their workplace. This is intended to encourage discussion and collaboration across departments. The programme will run in both 2018 and 2019.

## Health and safety

### Health

The health of its employees is important to Galenica. Regular information events are held on this subject: for example, the Services Business sector organised a series of accident prevention training courses in collaboration with the Swiss National Accident Insurance Fund (Suva), and the flu vaccine was offered to employees in the Retail and Products & Brands Business sectors. Galenica 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 Case Management in 2018. Employees on sick leave are given support as well as those at risk of having to take sick leave. Following illness or an accident, the aim is to facilitate a rapid return to work. The number of new cases of illness decreased year-on-year to 374.

### Accidents

Based on data from Suva and private insurers, the Galenica accident statistics show an increase in occupational accidents. In 2018, 153 accidents were reported.



## Employee profit-sharing programme

All employees were once again paid a profit-sharing bonus in 2018. 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 Galenica shares at a preferential price, regardless of their employment level. In 2018, 19.2% of employees participated in this programme (previous year: 17.3%). These shares are blocked for three years after the date of purchase.

The profit-sharing bonus forms part of the annual bonus for members of Senior Management (MDI) and members of Management (MKA). This is dependent on attaining quantitative and qualitative targets. The share-based remuneration programme LTI (see page 71 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

As announced in 2017 in conjunction with the IPO, preparations were put in place in the year under review for the division of the Galenica Pension Fund. The logical and legally required step for Galenica and Vifor Pharma to each have their own independent pension funds was therefore completed.

### The new Galenica Pension Fund

This situation was used as an opportunity to harmonise the two previous pension funds of Galenica and Galenicare and to develop a joint, uniform solution for all insured members and pension recipients of the Galenica Group. The following factors in particular were considered when developing the new pension scheme:

- The overall level of benefits should be maintained and long-term funding ensured;
- Better retirement benefits should be offered to part-time employees and long-serving employees;
- The contributions of all insured members should be based on age.

As in the past, the new pension scheme covers 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 new pension regulations, which came into effect on 1 January 2019, offer similar coverage for all employees, regardless of their previous pension fund, and were approved by the Board of Trustees of the Galenica Pension Fund and the Galenicare Pension Fund as well as by the relevant representatives of the staff committees and the works committee.

The new foundation will be renamed the Galenica Pension Fund from Galenicare Pension Fund during the course of 2019. Like the previous foundation, it will be legally, organisationally and financially independent of Galenica.

Insured members and pension recipients of the Galenica Group were kept informed about the new pension fund on a regular basis in the year under review.

### Defined contribution plan principle

The 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 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). The pension funds are classed here as a defined benefit plan. In addition to recording short-term benefits to employees, benefit obligations for this pension plan following the end of employment are also calculated by actuaries. These actuarial calculations generally result in a lower coverage ratio (ratio of pension fund assets to liabilities). However, these results have no impact on the benefits the pension funds pay. Further information on reporting and the current coverage ratio can be found in the notes to the consolidated financial statements (see page 111).

### One-off effects in 2018

From 1 January 2019, the new Galenica Pension Fund will be able to increase benefits for part-time workers and long-term employees without any additional costs thanks to lower insurance premiums. In international accounting pursuant to IAS 19, contribution pension plans in Switzerland must be presented as benefit plans, meaning that the new, uniform Galenica Pension Fund as of 1 January 2019 will create a one-off, negative effect of CHF -41.0 million at EBIT level and CHF -33.2 million at net profit level in the 2018 financial statements. This one-off effect under IAS 19 is solely of a technical nature and with no effect on cash.

### Works committee

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 all the staff committee presidents to discuss issues that went beyond matters addressed by staff committees in the individual Business sectors. In the year under review, their main focus was on the ongoing harmonisation of the various personnel and working time regulations as well as on the new pension scheme for all Galenica Group employees.

The staff committees meet several times a year. Details of the new pension scheme solution were presented to members at an information event organised specifically for them.

## 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 committed to supporting various social projects and charitable organisations.

**“I care for you”.** Since 2018, the Galenica Group has been the main partner of the “I care for you” crowdfunding platform. Galenica can now contribute, through a focused commitment, to ensuring that numerous different projects have a facility through which to raise funds. The Swiss-based foundation was founded in 2015 and is the first Swiss crowdfunding platform for purely social and humanitarian projects. The platform enables non-profit organisations and individuals to raise funds online for a specific project in a simple, inexpensive way. Donors can see exactly how their donations are used. Each project is checked carefully by the foundation in advance for reliability and integrity. The project initiators receive professional advice and support during implementation. In addition, the foundation requires evidence that successful projects have actually been implemented.

The Galenica Group also supported “I care for you” with its Christmas and New Year card for 2018. One Swiss franc per card was donated to the foundation, with all funds going towards a crowdfunding project.

In addition to this main commitment, Galenica also selectively supports other projects in the healthcare sector. Furthermore, Galenica Group companies also support social projects. A few examples are listed below:

**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.

**2 x Christmas.** In December 2018, Galenicare employees took part in the 2 x Christmas campaign of the Swiss Red Cross. They filled boxes with non-perishable foods and toiletries, which were then sorted and distributed to people in need and social institutions in Switzerland.



**Computers for a good cause.** Galaxis and HCI Solutions provide IT equipment they no longer need to a good cause. Galaxis has been donating its old computers to Bern-based aid organisation Bär und Leu since 2013. The association collects aid supplies for various humanitarian projects and distributes the computers to schools and a family centre in Ukraine. The computers that HCI Solutions no longer needs are used for development projects in Africa via the Quorum association – for example, in a library in Cameroon.

**Winds of Hope.** Aid organisation Winds of Hope set up by Dr. Bertrand Piccard supports children with noma, a severe bacterial infection that degrades the bones of the face and primarily affects infants. Sun Store donated money raised from selling key fobs to the foundation. The foundation uses these donations to train health workers in developing countries affected by this disease.

### 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**.



# The pharmacy online

3

HCI Solutions photographs products for Galenicare and adds them to the PIM tool. Additional pictures are independently entered in the PIM tool by the product suppliers.

5

The availability of products in the online shop is continuously updated in the PIM tool by Unione Farmaceutica Distribuzione (UFD).

3

Before preparation for dispatch, the article is checked again manually by means of a barcode.

4

The system suggests the appropriate box size, after which the ordered product is packed by hand.

2

The order is transmitted via an interface to the servers of wholesaler Unione Farmaceutica Distribuzione (UFD). At UFD, the cream is picked automatically.

5

If Sophie ordered her cream before 5 p.m., the package is delivered to the post office on the same day. Sophie receives a shipping confirmation. She can use Track & Trace to follow where her package is.

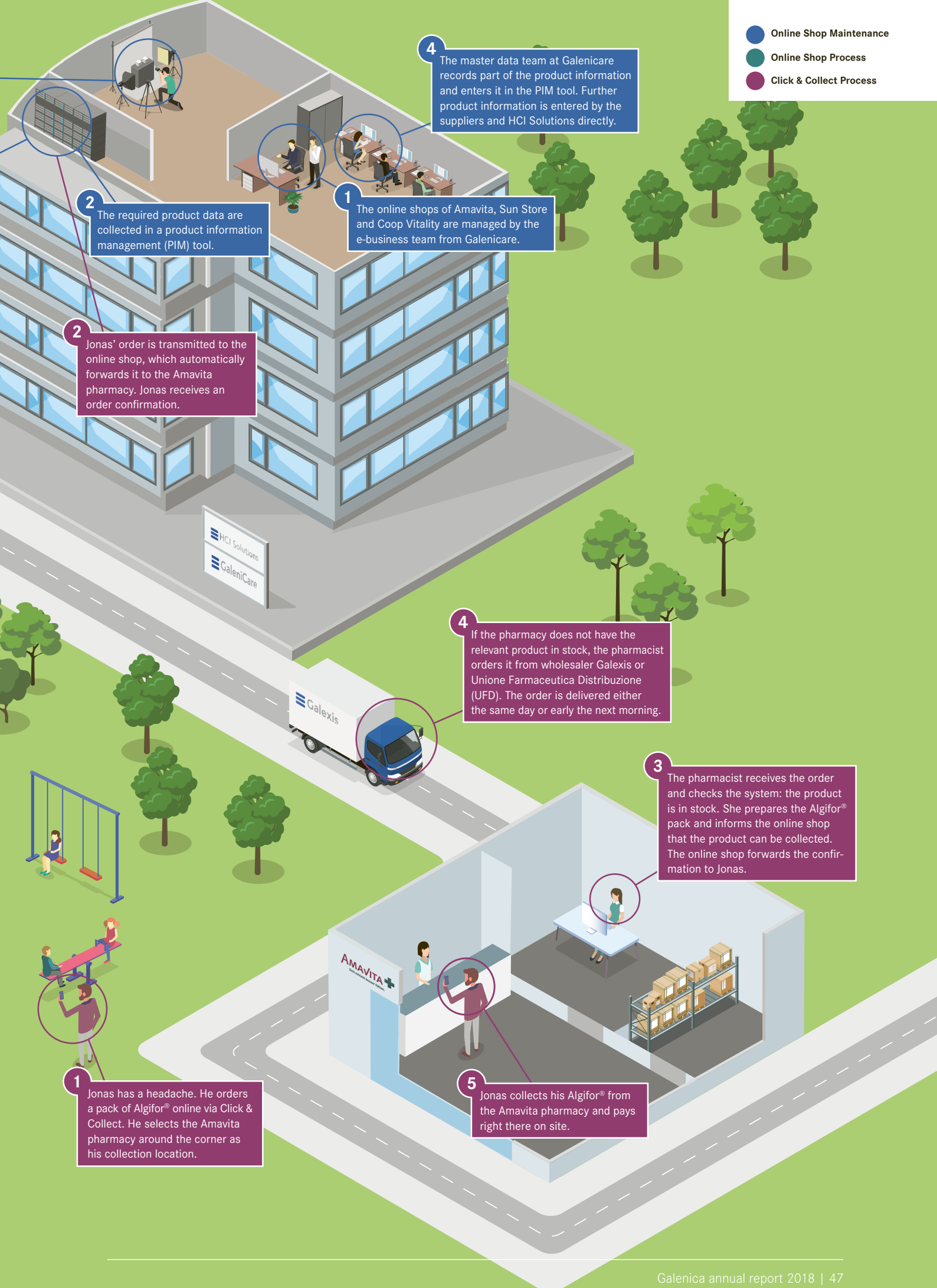
1

Sophie orders her Lierac face cream in the Sun Store online shop. She can choose whether she wants to pay by credit card, Paypal, Twint or on account. As soon as the payment has been made, Sophie receives an order confirmation.

6

Since UFD had the cream in stock, Sophie receives the package with her Lierac face cream in her letter box the next working day.

- Online Shop Maintenance
- Online Shop Process
- Click & Collect Process



# 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 66).

## 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. has been listed on the SIX Swiss Exchange since 7 April 2017 (ticker symbol: GALE). Shares in Group companies are not publicly traded.

The Group's structure and the consolidated subsidiaries and associates are shown in the financial statements 2018 on page 126. The addresses of the main Group companies are listed on pages 86 and 87. 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 on the Galenica website (see related links on page 64).

### Shareholders

On 31 December 2018, Galenica had 13,151 shareholders, five 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.:

- UBS Fund Management (Switzerland) AG, Basel, Switzerland, with 2,482,860 shares
- BlackRock Inc., New York, USA, with 2,239,120 shares
- Alecta Pensionsförsäkring, Ömsesidigt, Stockholm, Sweden, with 2,000,000 shares
- Credit Suisse Funds AG, Zurich, Switzerland, with 1,626,752 shares
- Rudolf Maag, Binningen, Switzerland, with 1,500,000 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 (see related links on page 64).

As of 31 December 2018, the pension funds of the Galenica Group were registered with 0.53%.

### 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 26 February 2019, there are no further disclosures of shareholdings pursuant to Art. 120 of the FMIA.

## Structure of the share capital

### Share capital

On 31 December 2018, 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) are listed on the SIX Swiss Exchange. As of 31 December 2018, 49,176,587 shares were outstanding (not including treasury shares). The market capitalisation amounted to CHF 2,128.4 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. The Board of Directors will propose the extension of this authorisation by two years, i.e. until 2 May 2021, to the Annual General Meeting 2019.

### 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 2018, Galenica had no conditional capital.



## Structure of the Galenica Group

Status: January 2019

**Changes in the capital**

Information about changes in the share capital, reserves and distributable profit can be found on pages 133 and 137 of the financial statements 2018.

**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. Galenica has signed an agreement of this nature with three nominees.

### Convertible bonds and options

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

## The Board of Directors

The Board of Directors of Galenica Ltd. is responsible for the overall management and ultimate supervision of the Group. It determines the strategic goals, the general ways and means to achieve them while harmonising strategy, risks and financial resources, and issues instructions and oversees the managers responsible for conducting the company's businesses. The Board of Directors pursues the aim of increasing enterprise value on a sustainable basis and ensures a balanced relationship between management and control (corporate governance). It decides on the Group's medium-term planning, budget and annual objectives. The values and essential framework of the company's activities are also determined by the Board of Directors. With regard to personnel, it is responsible for the selection and deselection of the members of the committees, the CEO and the members of the Corporate Executive Committee as well as the organisation of the remuneration system.

The specific duties of the Board of Directors of Galenica Ltd. are based on the Swiss Code of Obligations (in particular Art. 716A CO), the company's Articles of Association and its Organisational Regulations (see related links on page 64). Pursuant to the Articles of Association, the Board of Directors consists of five to nine members. It consisted of seven members as of the end of 2018. Bertrand Jungo was elected to the Board of Directors at the Annual General Meeting 2018.

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 election of Bertrand Jungo strengthened expertise in retail

and digitisation. Attention will also be paid to diversity in future succession planning. The Board of Directors reviews its functional effectiveness once a year. In 2018, the Board of Directors carried out an assessment assisted by BHP Brugger and Partner. The Board of Directors was found to be a well constituted team of optimum size, with a range of experience, complementary expertise and a good combination of different personalities.

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.

### 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.

### 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 the canton of Neuchâtel and is a customer of Galaxis and a Winconcept partner. The business relationships between the companies of the Galenica Group and Philippe Nussbaumer are on an "at arm's length" basis.

### 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.

### Internal organisation

The Chairman calls a meeting of the Board of Directors at least four times a year and 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 also participates 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 2018, the Board of Directors held seven 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 twice a year. Further information on this topic can be found on page 61.

### 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 Board of Directors also formed a Strategy Committee as a standing committee in 2018.

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 64).

### 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.

In 2018, the Governance and Nomination Committee prepared the nomination of a new member of the Board of Directors in one meeting and several teleconferences. The members were Jörg Kneubühler, Daniela Bosshardt-Hengartner, Fritz Hirsbrunner and Andreas Walde. Election of the new member Markus R. Neuhaus will be proposed to the Annual General Meeting 2019 by 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:

- 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.

## Committees of the Board of Directors and their chairmen and members 2018

	Name	Member since	Independent	Remuneration Committee	Audit and Risk Committee	Strategy Committee
Board of Directors	Jörg Kneubühler, Chairman of the Board of Directors	2017	No			Chairman
	Daniela Bosshardt-Hengartner	2017	Yes	Chairman	Member	Member
	Michel Burnier	2017	Yes	Member		
	Fritz Hirsbrunner	2017	Yes	Member	Member	
	Bertrand Jungo	2018	Yes			Member
	Philippe Nussbaumer	2017	Yes			Member
	Andreas Walde	2017	Yes		Chairman	
Number of meetings 2018		7		6	5	4
Honorary Chairman	Etienne Jornod					
General Secretary	Markus Dill					

The Governance and Nomination Committee (ad hoc) held one meeting and a number of teleconferences in 2018 to prepare the nomination of a new member of the Board of Directors. It was chaired by the Chairman of the Board of Directors. The other members were Daniela Bosshardt-Hengartner, Fritz Hirsbrunner and Andreas Walde.

For the regulations in the Articles of Association governing remuneration, see page 57 and the Remuneration Report from page 66.

**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.

**Strategy Committee**

The Strategy Committee comprises four members and carries out the following duties:

- Monitors, for the attention of the Board of Directors, implementation of the strategy decided on by the Board of Directors;
- Supports the Board of Directors and Corporate Executive Committee in reviewing and further developing the strategy;
- Assesses proposals from the Corporate Executive Committee on strategic issues and gives recommendations to the Board of Directors.

**Frequency of meetings of the Board of Directors and its committees in 2018**

In 2018, the Board of Directors held seven meetings, together with members of the Corporate Executive Committee. The Remuneration Committee met six times, the Audit and Risk Committee five times and the Strategy Committee four times. In principle all the members participate in all the meetings of the Board of Directors. Attendance of meetings of the Board of Directors in 2018 was 95% and that of committee meetings was 96%.

Continued on page 56 ►



# 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



**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 Rep-Risk AG (Zurich), Vifor Pharma Ltd. (St. Gallen) and investiere.ch (Baar)



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

- Born 1953, Swiss citizen
- Swiss-registered Doctor of Internal Medicine and Nephrology
- Honorary professor, University of Lausanne
- Member of the 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. (St. Gallen)



**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 from 2012 to 2014 (mandate basis)
- Member of the Board of Trustees of IST Investmentstiftung für Personalsvorsorge (Zurich)
- Member of the Board of Directors of Berlac AG (Sissach), IVF Hartmann Holding AG (Neuhausen), Ven-Cap 6 Ltd. (Jersey) and Vifor Pharma Ltd. (St. Gallen)



#### Bertrand Jungo, elected since 2018

- Born 1965, Swiss citizen
- Business administrator lic.rer.pol., University of Fribourg
- CEO of Swiss department store group Manor from 2006 to 2017
- CEO of Admeira AG since 2017
- Member of the Advisory Board of the International Retail Summit (IRS) of the Gottlieb Duttweiler Institute (GDI)



#### 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 the Ecopharma pharmacy brand
- Since 2014, owner and president of the Medi-Centre Ltd. medical centre in La Chaux-de-Fonds
- Member of the Board of Directors of Veripharm Ltd.

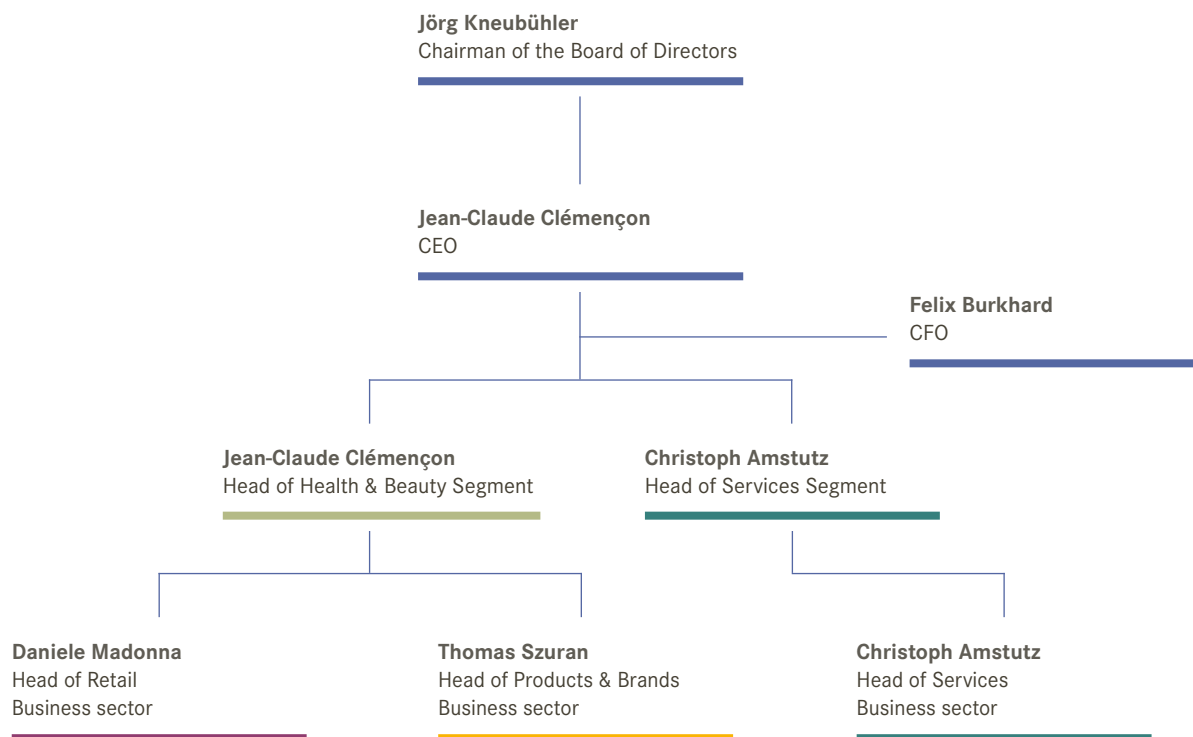


#### Dr. Andreas Walde, elected since 2017

- 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 30 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 others as Group General Counsel; General Secretary of Vifor Pharma Ltd. (St. Gallen), 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 Swiss-Holdings, the Federation of Industrial and Service Groups in Switzerland, and the Board of Scienceindustries, the Swiss business association for the chemical, pharmaceutical and biotech industries

## Leadership organisation

Status: January 2019



## Management

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 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 submits important strategic, HR-related and financial business cases 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 Com-

mittee 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.

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 64).

#### 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.

## Remuneration

The regulations in the Articles of Association governing remuneration (incl. profit-sharing, 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 66.

## 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 (see related links on page 64).

#### 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 representative 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 50 and 51 for further details.

Continued on page 60 ►



# 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, from 2010 on, in charge of Healthcare Information and member of the Corporate Executive Committee of Galenica Group from 2010; from 2015 to 2017, Head Retail Business sector
- Since 2017 CEO Galenica Group
- Member of the Board of Helvecura cooperative society (Bern)



**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



**Torvald de Coverly Veale,**  
Head Products & Brands Business sector  
(until January 2019)

- Born 1960, British citizen
- Bachelor of Science in Economics and Politics (Bristol University, UK): Unilever Graduate Business Program
- 1982–2007 various management roles in Marketing and Sales 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



**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 the University of St Gallen (HSG) 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 2017 Head Retail Business sector and member of the Corporate Executive Committee of Galenica Group



**Dr. Thomas F. Szuran,**  
Head Products and Brands Business sector  
(from January 2019)

- Born 1967, Swiss citizen
- Dr. sc. nat. Federal Institute of Technology (ETH) Zurich
- Various roles at Abbott Laboratories between 1997 and 2002, including Sales & Marketing Manager for the Eastern European & Mediterranean region
- Sales Director at Pfizer Switzerland (Zurich) from 2002 to 2005 and Country Manager at Pfizer in Israel from 2005 to 2007
- Joined Biomed AG (Dübendorf) in 2008 as Marketing Director, and was CEO of Biomed AG from 2011 to 2018
- President of the Association of the Swiss Self-Medication Industry (ASSGP) since 2012

## Members of the Corporate Executive Committee

Name	Member since	Role
Jean-Claude Cléménçon	2017	CEO
Felix Burkhard	2017	CFO
Christoph Amstutz	2017	Head Services Business sector
Torvald de Coverly Veale <sup>1)</sup>	2017	Head Products & Brands Business sector
Daniele Madonna	2017	Head Retail Business sector
Thomas Szuran <sup>2)</sup>	2019	Head Products & Brands Business sector

<sup>1)</sup> Member of the Corporate Executive Committee and Head Products & Brands Business sector until 13 January 2019

<sup>2)</sup> Member of the Corporate Executive Committee and Head Products & Brands Business sector from 14 January 2019

### 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 2018 that are to be dealt with at the Annual General Meeting on 2 May 2019 must be submitted no later than 23 March 2019, and those for the Annual General Meeting on 19 May 2020 no later than 9 April 2020. 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 Thursday 25 April 2019 for financial year 2018 and from Tuesday 12 May 2020 for financial year 2019. Shareholders entered in the shareholders' register by Wednesday 24 April 2019 and Monday 11 May 2020 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 1 April 2019, includes the required login information to create a personal user profile. The instructions must be received by the independent proxy holder by the evening of the penultimate day before the Annual General Meeting, i.e. by Tuesday 30 April 2019 for the 2019 Annual General Meeting and by Friday 15 May 2020 for the 2020 Annual General Meeting.

## 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) 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.

## 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 2018 for their audit of Galenica and companies within the Galenica Group totalled CHF 775,000.

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 117,000 for additional advice in audit matters.

In 2018, 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 5 March 2019.

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.

## Compliance and Code of Conduct

A commitment to abiding by the law and guidelines (compliance) and acting with integrity is a fundamental part of the corporate culture of the Galenica Group and a consistent focus of its corporate governance. Galenica attaches considerable value to doing business in a manner that is ethically correct and in accordance with the legal requirements in place. Galenica's compliance efforts are based on three pillars: prevention, detection and reaction. Various compli-

ance training sessions were held in the year under review, including on competition law at Corporate Executive Committee level. The importance of current data protection regulations for Galenica was clarified by means of an external audit. 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. Galenica also requests that its suppliers support its efforts in pursuit of sustainable development and has issued a Supplier Code of Conduct to this end. Two e-learning training sessions on the Code of Conduct and protection of personal integrity were carried out in 2018. The Galenica Group Code of Conduct and the Supplier Code of Conduct are published on the Galenica website (see related links on page 64).

The Galenica Group operates in Switzerland. Accordingly, the OECD's action plan regarding taxes on multinational companies (BEPS action plan) is not applicable to Galenica.

## 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 twice 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 twice 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 2018 on pages 120 and 121.

#### **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.

### **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 (see related links on page 64). 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 64).

## 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

### For investors

Felix Burkhard, CFO  
phone +41 58 852 85 29, investors@galenica.com

### For the media

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

### Agenda 2019/2020

- Annual General Meeting 2019: 2 May 2019
- Half-year report 2019: 6 August 2019
- Annual report 2019: 10 March 2020
- Annual General Meeting 2020: 19 May 2020

Further important dates can be found on the Galenica website (see related links on page 64).

## 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 is responsible for implementing Galenica corporate 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. Galenica therefore strives to present a uniform corporate design where possible and reasonable.

### The Group's brands

#### Organisational basis

The Galenica Group is structured into 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 sectors: for example, the products of Verfora, 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)

- **Organisation:** About Galenica / Organisation
- **Board of Directors:** About Galenica / Organisation / Board of Directors
- **Publications:** Publications
- **Articles of Association:** Publications / Downloadcenter / Corporate Governance
- **Organisational Regulations:** Publications / Downloadcenter / Corporate Governance
- **Committees of the Board of Directors:** About Galenica / Organisation / Board of Directors / Downloads
- **Annual General Meeting:** Investors / Information for shareholders / Annual General Meeting
- **Code of Conduct of the Galenica Group:** Publications / Downloadcenter / Company
- **Supplier Code of Conduct:** Publications / Downloadcenter / Company
- **Press releases:** Media / Press releases
- **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



Formats



### Products & Brands



### Services



## Product and service brands



TOP MEDICAL

TOP HOMECARE

GALecoline®



compendium.ch®  
by HCI Solutions

pharmaVISTA®

Documedis®

hospINDEX®

triaPHARM®



# Remuneration Report



## Remuneration policy

The remuneration policy of Galenica aims to recruit, 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 corporate policy to support the strategic goals defined by the Board of Directors. 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 model and remuneration principles. 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 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.

### 2018 reporting year

The current Galenica was founded and listed on the stock exchange in 2017. The remuneration model and remuneration components introduced in 2017 are appropriate for the Board of Directors and the Remuneration Committee, are in line with the market, and are designed to achieve the goal of the remuneration policy and ensure that the corporate strategy is supported and the interests of shareholders are pursued. The maximum remuneration of the Board of Directors and the Corporate Executive Committee in 2018 remained unchanged from the previous year. In 2018, the Remuneration Committee arranged for an external benchmark test to be performed on the remuneration of the Corporate Executive Committee and members of Senior Management by Klingler Consultants, which holds no other mandates at Galenica. Overall, it was shown that the structure and amount of the remuneration are in line with the market. The same result was obtained in an external market comparison of the salaries of the Board of Directors performed by A. Blust Consulting, which was also carried out in the year under review. In both cases, listed and private companies active in the Swiss healthcare, logistics and retail market with a similar market capitalisation were used as a benchmark. The Remuneration Committee also performed its regular duties in 2018, in particular preparing the Remuneration Report for the Annual General Meeting, evaluating the performance of the CEO and determining the remuneration of the members of the Corporate Executive Committee and the Board of Directors. In addition, the Remuneration Committee conducted a self-assessment of its functioning. It rated its processes and working methods as efficient and the support of the Board of Directors as effective.

## Principles and responsibilities

The guiding principles for the remuneration of the Board of Directors, the CEO and the other members of the Corporate Executive Committee, and the responsibilities for the remuneration system of Galenica are defined in the Articles of Association of Galenica. They include the provisions on the Remuneration Committee (Art. 21 of the Articles of Association) and remuneration (Art. 22 of the Articles of Association; see related links on page 76). Each year, the Board of Directors submits the maximum remuneration of the Board of Directors and the Corporate Executive Committee to the Annual General Meeting for binding approval. Such approval is prospective for the next business year following the Annual General Meeting. In addition, the Annual General Meeting holds a consultative annual vote on the Remuneration Report for the year under review.

On the basis of the Articles of Association and the decisions of the Annual General Meeting, the remuneration strategy and the related remuneration system for the members of the Board of Directors and the Corporate Executive Committee are determined 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 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.

### Remuneration Committee

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. Daniela Bosshardt-Hengartner (Chair), Michel Burnier and Fritz Hirsbrunner were elected as members of the Remuneration Committee at the 2018 Annual General 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. 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. In order to ensure its continued attractiveness as an employer, Galenica performs regular benchmarks of its remuneration levels against relevant peer markets. Generally, Galenica targets median levels representing competitive offers.

## 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 members 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 (in consultation with Chairman)	recommends	approves (remuneration per member)	is informed, approves (total amount)	

The Chairman is invited to all meetings of the Remuneration Committee except those dealing with his own remuneration (right of attendance, no voting rights). The CEO is invited to attend discussions on a case-by-case basis.

Further details on the Remuneration Committee can be found in the Corporate Governance section (see page 52) as well as in the Remuneration Committee Charter, which can be found on the Galenica website (see related links on page 76).

## Remuneration components

In order to attract talented employees, reward performance, promote the loyalty of key talents and ensure their long-term engagement towards Galenica, Galenica offers competitive remuneration. The remuneration model is based on three components: a fixed base salary, a short-term bonus and long-term remuneration.

### Overview of remuneration components

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, other members of the Corporate Executive Committee and certain members of Senior Management also receive additional **long-term remuneration (LTI)**. The purpose of this variable remuneration 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 strengthened.

The remuneration of members of the Corporate Executive Committee 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 remuneration (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 their fixed annual base salary and target bonus.

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 (Remuneration Committee or Board of Directors) 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.

### Overview of remuneration components



**Fixed base salary**



**Bonus**  
(Short-term Incentive Programme, STI)

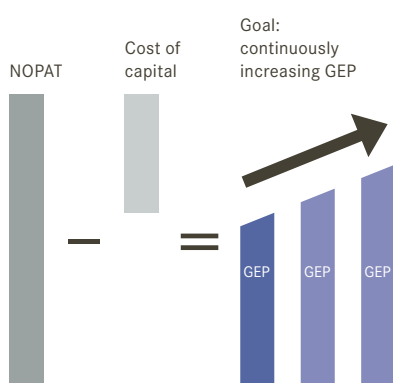


**Long-term remuneration**  
(Long-term Incentive Programme, LTI)



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

GEP: Net operating profit (NOPAT) minus weighted average cost of capital over the average invested capital



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

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; these are known as employee shares (blocked for three years; more information in the Notes to the consolidated financial statements 2018 on page 124 and in the Human Resources section on page 43).

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

### Galenica economic profit (GEP)

The bonus and long-term remuneration (LTI) depend primarily on the achievement of the specified financial targets of the Galenica Group. An increase in the Galenica economic profit (GEP) is used as the metric. 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 GEP increase, or the target

for return on invested capital (ROIC) (for the LTI plans prior to 2018), 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 variable remuneration (or 25% of the bonus) of the CEO or the other members of the Corporate Executive Committee. In 2018, it accounted for 6.6% 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.



### Annual base salary (fixed)

The annual base salary is the fixed compensation reflecting the scope and key areas of responsibility 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 and thus suitable to reward 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 or bonus, variable)

The annual 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.

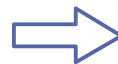
At the beginning of the calculation period, the target bonus is defined, i.e. the amount paid out if the targets for all bonus components are reached 100 % (target bonus), whereby the achievement of financial objectives of the Group is weighted 75 % and individual objectives 25 %. This is normally set 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 is capped and 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 other 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 other 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 (long-term remuneration, LTI, variable)

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 GEP target for the long-term remuneration (LTI) is defined for a three-year period.

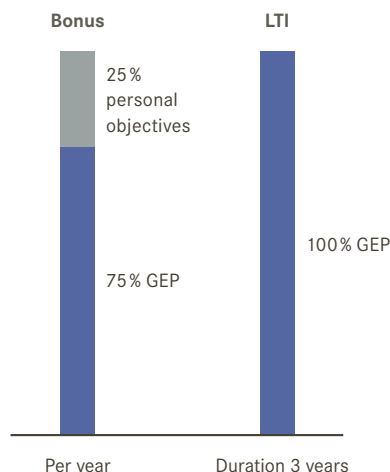
The CEO, members of the Corporate Executive Committee and selected members of Senior Management participate in the LTI Programme.

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

### Remuneration elements

	Fixed base salary	Bonus (short-term)	LTI (long-term)
Member of the Board of Directors	yes	no	no
CEO and members of the Corporate Executive Committee	yes	yes	yes
Member of Senior Management (MDI)	yes	yes	yes (partly)

### Influence on variable remuneration of the GEP increase



Galenica subject to the attainment of a performance target defined by the Remuneration Committee over a three-year period. Performance units are virtual; no real units are issued. The number of performance units allocated at the beginning of the plan period depends on a defined percentage of the annual base salary as well as the average share price during the final month prior to the allocation, i.e. February. The performance target for each three-year LTI plan is defined by the Remuneration Committee by setting a target GEP increase reflecting the risk-appropriate return requirements of its shareholders over the plan period. The number of performance units initially allocated increases or decreases depending on the proportion of the achievement of the GEP target set at the end of the three-year plan period. Upon completion of the three-year plan 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% (cap). At the beginning of each financial year, a new LTI plan with a new three-year target and assessment period is issued.

As a rule, the three-year assessment period must be complete in order for employees to be eligible for a payment of shares. If the employment relationship is terminated during a current assessment period prior to publication, an LTI payment of 80% of the pro-rata target entitlement for the current cycle will be made. Where the period has been concluded but the results have not yet been published, the entitlement will be calculated and paid out after the annual results have been published.

In order to create a comparable basis for the prospective shareholder vote on the maximum remuneration of members of the Board of Directors and the Corporate Executive Committee, remuneration paid or attributed in 2018 is presented on the same basis perspective of cost to the company. Accordingly, shares of Galenica distributed as part of the remuneration are shown at market value at the date of allocation. The added value of the 25% discount granted for tax purposes in relation with the blocking period of five years is offset (see tables on pages 73 and 75).

### Pensions and other employee benefits

Employee benefit plans consist mainly of retirement plans 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.

### LTI three-year programme

2016	2017	2018	2019 <sup>1)</sup>		
	2017	2018	2019	2020 <sup>1)</sup>	
		2018	2019	2020	2021 <sup>1)</sup>

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

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.

## Remuneration of the Board of Directors 2018

### Remuneration of members of the Board of Directors

The remuneration of members of the Board of Directors is independent of 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 their mandate. Remuneration settled in the form of shares of Galenica was paid at the average price for the month of December 2018, i.e. CHF 44.90 per share.

The members of the Board of Directors do not participate in the employee benefit plans. The only exception is Jörg Kneubühler, who as former CEO is still insured with the pension fund. However, Galenica does not pay any pension fund contributions for him.

In comparison to 2017, the remuneration amounts for the Board of Directors have not changed in 2018.

### Remuneration amounts of the Board of Directors (in thousand CHF, per year)

Chairman	490
Board member	110
Committee chair	30
Committee member	10

## Remuneration of the members of the Board of Directors in 2018

in thousand CHF	Fee				Number of shares	
	Fee in cash	Equivalent in shares	Other remuneration <sup>1)</sup>	Total	Held as at 31.12.2018 <sup>2)</sup>	Allocated for 2018
Jörg Kneubühler, Chairman	245	326	30 <sup>3)</sup>	601	29,250	7,270
Daniela Bosshardt-Hengartner	—	213	11	224	3,074	4,748
Michel Burnier	60	80	6	146	2,459	1,780
Fritz Hirsbrunner	—	173	6	179	3,299	3,858
Bertrand Jungo	40	53	5	98	—	1,187
Philippe Nussbaumer	—	160	8	168	4,044	3,561
Andreas Walde	—	187	9	196	2,869	4,154
<b>Remuneration of the members of the Board of Directors<sup>4)</sup></b>	<b>345</b>	<b>1,192</b>	<b>75</b>	<b>1,612</b>	<b>44,995</b>	<b>26,558</b>
<i>Maximum amount according to GM resolution</i>				<i>1,650</i>		

<sup>1)</sup> Other remuneration corresponds to the social security costs due from the member of the Board of Directors but paid by Galenica. The employer's contributions to social security costs for 2018 amounted to CHF 75,000

<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

<sup>3)</sup> The employer's contributions to the pension fund as well as the employee's contributions were paid by Jörg Kneubühler

<sup>4)</sup> See from page 52 of the Corporate Governance section for roles and membership of committees



## Remuneration of the Corporate Executive Committee 2018

### Remuneration of the CEO and the members of the Corporate Executive Committee

The CEO and the members of the Corporate Executive Committee receive a **fixed base salary**, a **short-term bonus** and **long-term remuneration (LTI)**; see page 69 for remuneration components). Customary benefits, such as contributions to pension funds and social security costs, are also provided. 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 payout 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 bonus payment for the business year 2018 has been calculated based on a target achievement of 131.2% of the objectives, i.e. 59.6% of the maximum possible bonus for the year. For the LTI plan 2018–2020, the allocation of performance units has been defined on the basis of the average share price from February 2018 and the GEP target defined by the Remuneration Committee. The target achievement of the LTI plan 2016–2018 due in 2019 was 117.3%.

### Level of target achievement 2017 und 2018

#### Level of target achievement for bonus (STI, one-year basis)

2017		118.8%
2018		131.2%

#### Level of target achievement for LTI (three-year basis)

2015–2017		158.9%
2016–2018		117.3%

In 2018, Jean-Claude Cléménçon, CEO, was the member of the Corporate Executive Committee with the highest remuneration. For the CEO, the target bonus (STI) is 50% of the annual base salary. For the other members of the Corporate Executive Committee, the target bonus (STI) is between 40% and 45%. These figures are unchanged compared to 2017. Further information on the bonus can be found on page 71 of the Remuneration Report. The LTI target for the CEO is 50% of the annual base salary. For the other members of the Corporate Executive Committee, the LTI target is between 25% and 35%. These figures are unchanged compared to 2017. Further information on the LTI can be found on page 71 of the Remuneration Report.

## Remuneration of the members of the Corporate Executive Committee in 2018

in thousand CHF	of which	
	Total	Jean-Claude Cléménçon, CEO
Base salary	1,795	450
Bonus in cash (STI)	745	225
Bonus in shares (STI)	424	122
Long-term Incentive Programme <sup>1)</sup>	579	217
Contributions to pension funds	291	80
Other remuneration <sup>2)</sup>	36	11
<b>Remuneration received</b>	<b>3,870</b>	<b>1,105</b>
Social security costs	278	77
<b>Remuneration of the members of the Corporate Executive Committee</b>	<b>4,148</b>	<b>1,182</b>
<i>Maximum amount according to GM resolution</i>	<i>5,800</i>	

<sup>1)</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 total remuneration of the LTI Programme 2018–2020 for the Corporate Executive Committee amounts to CHF 579,000, whereof CHF 217,000 is related to Jean-Claude Cléménçon

<sup>2)</sup> Including private utilisation of company car

## Other remuneration

### 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. With regard to clawback, the statutory claims for repayment apply (see Art. 678 (2) of the Swiss Code of Obligations, CO).

### 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 2018.

### Former members of the Board of Directors and the Corporate Executive Committee

Galenica did not pay any remuneration to former members of the Board of Directors or the Corporate Executive Committee in 2018.

## Developments and outlook

In 2018, the Board of Directors was enlarged from six to seven members due to the election of Bertrand Jungo. In addition, a Strategy Committee was established and remunerated as an additional committee. Nevertheless, the maximum total amount approved for 2018 by the Extraordinary General Meeting on 10 March 2017, namely CHF 1.65 million, was maintained. The remuneration granted to members of the Corporate Executive Committee for financial year 2018 was also in line with the maximum total amount of CHF 5.8 million approved by the Extraordinary General Meeting on 10 March 2017. A comparison of the levels of target achievement in 2018 with the previous year is shown in the table on page 74.

At the Annual General Meeting on 2 May 2019, the maximum remuneration for the members of the Board of Directors and the members of the Corporate Executive Committee pursuant to Article 22 of the Articles of Association of Galenica will be submitted to the shareholders for approval for financial year 2020 following the Annual General Meeting. This in turn sets an upper limit for the maximum possible remuneration taking into account all variable elements such as the bonus and the LTI Programme (with blocked shares and performance units valued at the grant date). The effective payout for 2018 is much lower than the maximum

## Shareholdings and rights to performance share units of members of the Corporate Executive Committee (2018)

	Number of shares held as at 31.12.2018 <sup>1)</sup>	Long-term Incentive Programme (LTI) Performance share units (PSU) <sup>2)</sup>			
		PSU granted in 2018 (potential vesting at 31.12.2020) <sup>3)</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 pending
Jean-Claude Cléménçon	7,944	4,821	4,739	2,450	12,010
Felix Burkhard	15,807	2,925	2,913	1,910	7,748
Christoph Amstutz	3,356	1,661	1,635	868	4,164
Torvald de Coverly Veale	3,542	1,928	1,898	1,012	4,838
Daniele Madonna	1,849	1,529	1,212	385	3,126

<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

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

## Remuneration Report

possible remuneration for 2018. The remuneration of the CEO in 2018 amounted to 77% of the maximum possible remuneration. The remuneration of the members of the Corporate Executive Committee for 2018 in aggregate reached 72% of the maximum possible remuneration.

### Related links

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

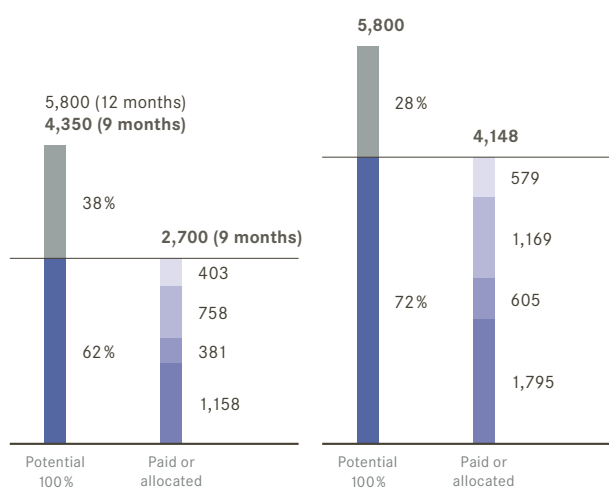
- **Articles of Association Galenica Ltd., Art. 21 (Remuneration Committee):** Publications / Downloadcenter / Corporate Governance
- **Articles of Association Galenica Ltd., Art. 22 (Remuneration):** Publications / Downloadcenter / Corporate Governance
- **Remuneration committee charter:** About Galenica / Organisation / Board of Directors

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

in thousand CHF

2017

2018



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

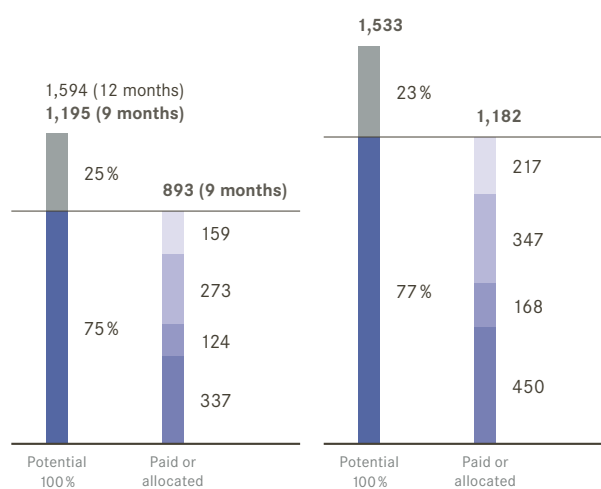
### Highest remuneration in the Corporate Executive Committee

CEO Galenica Group

in thousand CHF

2017

2018



## Previous-year figures 2017

## 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

## Shareholdings and rights to performance share units of members of the Corporate Executive Committee (2017)

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



## Remuneration Report



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To the General Meeting of  
Galenica Ltd., Berne

Berne, 5 March 2019

## Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Galenica Ltd. for the year ended 31 December 2018. 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 73 to 77 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 2018 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)

Jan Meyer  
Licensed audit expert





# Financial statements

# Consolidated statement of income

in thousand CHF	2018	Restated <sup>1)</sup> 2017
Net sales	3,165,019	3,141,171
Other income	15,936	22,984
<b>Operating income</b>	<b>3,180,955</b>	<b>3,164,155</b>
Cost of goods	(2,379,327)	(2,385,144)
Personnel costs	(474,453)	(427,667)
Other operating costs	(180,158)	(173,835)
Share of profit from associates and joint ventures	6,999	4,448
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>154,016</b>	<b>181,957</b>
Depreciation and amortisation	(40,991)	(40,189)
<b>Earnings before interest and taxes (EBIT)</b>	<b>113,025</b>	<b>141,768</b>
Financial income	1,061	1,229
Financial expenses	(3,177)	(3,085)
<b>Earnings before taxes (EBT)</b>	<b>110,909</b>	<b>139,912</b>
Income taxes	36,755	(21,046)
<b>Net profit</b>	<b>147,664</b>	<b>118,866</b>
Attributable to:		
– Shareholders of Galenica Ltd.	147,546	118,804
– Non-controlling interests	118	62

<sup>1)</sup> Restatement upon adoption of IFRS 15

in CHF		
Earnings per share	3.00	2.43
Diluted earnings per share	3.00	2.42



## Consolidated statement of comprehensive income

## Consolidated statement of comprehensive income

in thousand CHF	2018	2017
<b>Net profit</b>	<b>147,664</b>	<b>118,866</b>
Translation differences	(1)	3
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>(1)</b>	<b>3</b>
Remeasurement of net defined benefit liability	(1,059)	41,107
Income taxes from remeasurement of net defined benefit liability	47	(9,148)
Share of other comprehensive income from joint ventures	(2,023)	2,144
<b>Items that will not be reclassified to profit or loss</b>	<b>(3,035)</b>	<b>34,103</b>
<b>Other comprehensive income</b>	<b>(3,036)</b>	<b>34,106</b>
<b>Comprehensive income</b>	<b>144,628</b>	<b>152,972</b>
Attributable to:		
– Shareholders of Galenica Ltd.	144,510	152,910
– Non-controlling interests	118	62

# Consolidated statement of financial position

## Assets

in thousand CHF	2018	2017
Cash and cash equivalents	104,970	96,287
Trade and other receivables	371,648	386,754
Inventories	276,628	274,217
Prepaid expenses and accrued income	28,290	30,959
<b>Current assets</b>	42 % <b>781,536</b>	44 % <b>788,217</b>
Property, plant and equipment	244,990	251,413
Intangible assets	767,910	693,091
Investments in associates and joint ventures	27,281	46,477
Financial assets	13,908	12,580
Deferred tax assets	24,463	6,404
<b>Non-current assets</b>	58 % <b>1,078,552</b>	56 % <b>1,009,965</b>
<b>Assets</b>	100 % <b>1,860,088</b>	100 % <b>1,798,182</b>

## Liabilities and shareholders' equity

in thousand CHF	2018	2017
Financial liabilities	29,674	24,509
Trade and other payables	298,167	293,260
Tax payables	14,199	10,066
Accrued expenses and deferred income	97,880	128,054
Provisions	2,657	2,172
<b>Current liabilities</b>	24 % <b>442,577</b>	25 % <b>458,061</b>
Financial liabilities	380,910	381,781
Deferred tax liabilities	25,579	61,522
Employee benefit liabilities	73,707	29,860
Provisions	3,716	5,443
<b>Non-current liabilities</b>	26 % <b>483,912</b>	27 % <b>478,606</b>
<b>Liabilities</b>	50 % <b>926,489</b>	52 % <b>936,667</b>
Share capital	5,000	5,000
Reserves	924,463	852,280
<b>Equity attributable to shareholders of Galenica Ltd.</b>	<b>929,463</b>	<b>857,280</b>
Non-controlling interests	4,136	4,235
<b>Shareholders' equity</b>	50 % <b>933,599</b>	48 % <b>861,515</b>
<b>Liabilities and shareholders' equity</b>	100 % <b>1,860,088</b>	100 % <b>1,798,182</b>

## Consolidated statement of cash flows

## Consolidated statement of cash flows

in thousand CHF	2018	2017
Net profit	147,664	118,866
Income taxes	(36,755)	21,046
Depreciation and amortisation	40,991	40,189
(Gain)/loss on disposal of non-current assets	(111)	(57)
(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	39,503	1,651
Net financial result	2,116	1,856
Share of profit of associates and joint ventures	(6,999)	(4,448)
Other non-cash items	5,632	4,707
Change in trade and other receivables	18,057	(971)
Change in inventories	1,838	(68)
Change in trade and other payables	(64)	(54,146)
Change in other net current assets	(27,291)	37,614
Interest received	1,018	348
Interest paid	(2,345)	(1,635)
Other financial receipts/(payments)	(145)	257
Dividends received	3,731	3,204
Income taxes paid	(13,290)	(15,960)
<b>Cash flow from operating activities</b>	<b>173,550</b>	<b>144,399</b>
Investments in property, plant and equipment	(26,962)	(28,046)
Investments in intangible assets	(20,490)	(25,986)
Investments in associates and joint ventures	(2,259)	—
Investments in financial assets	(4,950)	(3,018)
Proceeds from property, plant and equipment and intangible assets	995	818
Proceeds from financial assets	3,823	3,650
Proceeds from assets held for sale	—	39,625
Purchase of subsidiaries (net cash flow)	(37,739)	(35,758)
Sale of subsidiaries (net cash flow)	—	3,220
<b>Cash flow from investing activities</b>	<b>(87,582)</b>	<b>(45,495)</b>
Dividends paid	(81,145)	—
Purchase of treasury shares	(304)	(41,229)
Proceeds from sale of treasury shares	2,930	2,104
Proceeds from net financial liabilities to Vifor Pharma Group	—	3,865
Repayment of a loan to Vifor Pharma Group	—	(360,000)
Proceeds from financial liabilities	6,182	751,661
Repayment of financial liabilities	(4,887)	(367,802)
Purchase of non-controlling interests	(59)	(239)
<b>Cash flow from financing activities</b>	<b>(77,283)</b>	<b>(11,640)</b>
Effects of exchange rate changes on cash and cash equivalents	(2)	4
<b>Increase in cash and cash equivalents</b>	<b>8,683</b>	<b>87,268</b>
Cash and cash equivalents as at 1 January	96,287	9,019
<b>Cash and cash equivalents as at 31 December</b>	<b>104,970</b>	<b>96,287</b>

# 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 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 Galenica Ltd.	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>
Change in accounting standards <sup>1)</sup>			(732)	(732)	(2)	(734)
<b>Balance as at 1 January 2018</b>	<b>5,000</b>	<b>(38,720)</b>	<b>890,268</b>	<b>856,548</b>	<b>4,233</b>	<b>860,781</b>
Net profit			147,546	147,546	118	147,664
Other comprehensive income			(3,036)	(3,036)		(3,036)
<b>Comprehensive income</b>			<b>144,510</b>	<b>144,510</b>	<b>118</b>	<b>144,628</b>
Dividends			(81,029)	(81,029)	(116)	(81,145)
Transactions on treasury shares		6,521	(2,746)	3,775		3,775
Share-based payments			5,619	5,619		5,619
Change in non-controlling interests			40	40	(99)	(59)
<b>Balance as at 31 December 2018</b>	<b>5,000</b>	<b>(32,199)</b>	<b>956,662</b>	<b>929,463</b>	<b>4,136</b>	<b>933,599</b>

<sup>1)</sup> Restatement upon adoption of IFRS 9



Addresses of companies of the Galenica Group

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## Galenica Group

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## Retail Business sector

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### Winconcept Ltd.

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Status: January 2019

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