



Short Version

Annual report 2019

of the Galenica Group and Galenica Ltd.



Galenica – the first choice for health, beauty and wellbeing

Milestones 2019

January

**Strengthened partnership**

Verfora takes over distribution of Vicks® brand products and Metamucil® in Switzerland from Procter & Gamble.

February

**New own brand**

From February, the own brand Dermafora® is available exclusively in Amavita, Sun Store and larger Coop Vitality pharmacies.

March

**Innovative service**

Medifilms can now also be imprinted with information on medications that are not included in the sachet.

April

**Further specialisation**

Mediservice acquires Curarex Swiss, which specialises in the provision of home-based therapy support for Parkinson's patients.

May

Strengthening of home care

Galenica acquires the Bichsel Group, which specialises in home care and the manufacture of individual medicines.

June

**Successful pilot**

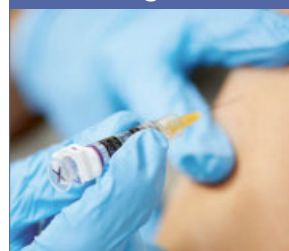
Alloga starts with the first pilot customer on the new ERP system. This is an important milestone in the project.

July

**Construction work starts on schedule**

Planning permission is given for the renovation and modernisation of the Galexis distribution centre in Lausanne-Ecublens.

August

**Expanded offerings**

The pharmacy formats expand their offering: all formats now offer TBE and flu vaccinations.

September

**Online once**

HCI Solutions launches "Quatron", which pharmacies and drug-stores can use to open an online shop quickly and affordably.

October

>60,000

**Online twice**

The offering in the pharmacies' online shops is continually expanded to more than 60,000 products as of the end of 2019.

November

**Online three times**

Galexis launches the "Fokus Medtech" online shop for practice furnishings, medical technology and instruments.

December

**Sustainable electricity**

One year after coming into operation, the photovoltaic system on the roof of Alloga generates green electricity for some 270 households.

Annual report 2019



Better day-to-day quality of life
thanks to home care

The Galenica Group provides a unique and specialised range of home care services that considerably enhance patients' health, wellbeing, safety and independence.

37

Pictures

In this Annual report, we let our employees and customers have their say. The pictures show examples of how we have developed based on our strategic development axes of expansion, innovation and efficiency – always with a focus on the customer! Discover how our employees and customers view and appreciate their partnership and our products and services. A full overview of the pictures with all quotes from the individuals shown can be found on pages 98 to 102.

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. There is, however, one feature on a selected sustainability topic in this Annual report 2019.

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Key figures 2019

Net sales

in million CHF



Health & Beauty ¹⁾	1,620.8
Services ¹⁾	2,441.0

EBIT adjusted²⁾

in million CHF



Health & Beauty ¹⁾²⁾	123.7
Services ¹⁾²⁾	44.7

Number of employees

as at 31 December 2019



Galenica Ltd.	39
Health & Beauty	5,274
Services	1,758

in million CHF	2019	2018	Change
Net sales	3,301.0	3,165.0	+4.3%
Health & Beauty ¹⁾	1,620.8	1,524.8	+6.3%
Services ¹⁾	2,441.0	2,372.3	+2.9%
EBITDA	260.3	154.0	+69.0%
EBITDA adjusted²⁾	210.4	195.1	+7.9%
Health & Beauty ¹⁾²⁾	146.5	130.4	+12.3%
Services ¹⁾²⁾	65.8	65.6	+0.3%
EBIT	169.5	113.0	+50.0%
EBIT adjusted²⁾	166.9	154.1	+8.3%
in % of net sales	5.1%	4.9%	
Health & Beauty ¹⁾²⁾	123.7	110.4	+12.1%
in % of net sales	7.6%	7.2%	
Services ¹⁾²⁾	44.7	44.2	+1.1%
in % of net sales	1.8%	1.9%	
Net profit	125.3	147.7	-15.1%
Net profit comparable²⁾³⁾	134.2	124.7	+7.7%
Total assets	2,209.6	1,860.1	+18.8%
Shareholders' equity	999.5	933.6	+7.1%
Equity ratio	45.2%	50.2%	
Capital contribution reserves	396.1	479.9	-17.5%
Net debt adjusted²⁾	326.1	300.4	+8.5%
Debt coverage adjusted ²⁾	1.5 ×	1.5 ×	
Gearing adjusted ²⁾	31.0%	30.2%	
Investment in property, plant and equipment and intangible assets	53.0	50.0	+6.0%
Cash flow from operating activities adjusted²⁾	202.8	173.5	+16.9%
Free cash flow²⁾	67.9	86.0	-21.0%
Employees at reporting date (FTE)	5,449	5,106	+6.7%

¹⁾ Reported for each segment not taking into account Corporate and Eliminations

²⁾ For details to the adjusted key figures refer to chapter Alternative performance measures from page 92 onwards of the Annual report 2019 (full version)

³⁾ Net profit adjusted and excluding one-off effects from changes in the provisions for deferred taxes of CHF +56.2 million in 2018 and CHF -8.4 million in 2019 due to the Swiss Tax Reform

Share price performance in percent



more than
3.0 %
 dividend yield

more than
14,000
 shareholders

Share information

in CHF	2019	2018
Share price at reporting date	59.85	43.28
Highest share price for the year	61.30	58.95
Lowest share price for the year	42.80	42.16
Market capitalisation at reporting date in million CHF	2,952.9	2,128.4
Earnings per share ¹⁾	2.54	3.00
Earnings per share comparable ¹⁾²⁾	2.72	2.54
Shareholders' equity per share ¹⁾	20.16	18.93
Gross dividend per share ³⁾	1.80	1.70
– of which paid out from retained earnings	0.90	–
– of which paid out from reserves from capital contributions	0.90	1.70
Dividend yield ⁴⁾	3.0%	3.9%
Pay-out ratio comparable ⁵⁾	66.2%	66.9%
Price-earnings ratio (P/E) comparable ⁶⁾	22.0	17.0

¹⁾ Attributable to shareholders of Galenica Ltd.

²⁾ Net profit comparable divided by average number of outstanding shares

³⁾ According to Board of Directors' proposal to Annual General Meeting of 19 May 2020

⁴⁾ Gross dividend per share in relation to the share price at reporting date

⁵⁾ Gross dividend per share in relation to earnings per share comparable

⁶⁾ Share price at reporting date in relation to earnings per share comparable

1.80

gross dividend per share in CHF

66.2 %

pay-out ratio
(comparable)

2.72

earnings per share in CHF
(comparable)

Pleasing business development despite a challenging market



Daniela Bosshardt, Chairwoman of the Board of Directors, Jean-Claude Cléménçon, CEO

Dear Shareholders,
Ladies and Gentlemen,

The Swiss healthcare market was again marked by a number of significant challenges in 2019, including those of a regulatory nature such as the drug price reductions mandated by the government in 2018 and 2019. The current discussions on various regulatory frameworks will continue to shape the market environment in the future (see the “Political environment” section from page 32 for more information). Galenica, too, was unable to completely escape their influence in the year under review.

Thanks to targeted expansion activity and acquisitions, the introduction of new products and services, and measures to increase efficiency across the Group, we nevertheless made good progress in 2019 and significantly improved the result. Accordingly, the Board of Directors will propose a dividend of CHF 1.80, a 5.9% increase on the previous year, to the 2020 Annual General Meeting (previous year: CHF 1.70).

Growth area of home care

We strengthened our position in the attractive, growing market of patient home care in 2019, in particular by acquiring the Bichsel Group, a specialised Swiss company with a strong focus on home care services in the field of home nutrition and home dialysis as well manufacture of individual medicines and medical devices. The acquisition of Curarex Swiss, a company specialising in therapy support for patients with advanced Parkinson’s disease, also

Key figures 2019

- Net sales: CHF 3,301.0 million
- EBIT adjusted¹⁾: CHF 166.9 million
- Net profit comparable²⁾: CHF 134.2 million
- Investments: CHF 53.0 million
- Employees: 7,071 (5,449 full-time equivalents)

¹⁾ See chapter Alternative performance measures from page 92 onwards in the Annual report 2019 (full version)

²⁾ Adjusted net profit (details of the adjusted key figures in the full version of the Annual report 2019 from page 92 onwards) and excluding one-off effects from changes in the provisions for deferred taxes due to the Swiss Tax Reform

contributed to this expansion. The added value that home care services can bring is described in the “Better day-to-day quality of life thanks to home care” coverage from page 37.

Above-average growth of the pharmacy network

At the same time, we also expanded our Switzerland-wide pharmacy network at an above-average rate in 2019. Including the independent Winconcept and Amavita partner pharmacies, 513 pharmacies were affiliated to our pharmacy network as of the end of 2019. Simultaneously, we further expanded our business activities in the area of e-commerce, with the online offering of Amavita, Sun Store and Coop Vitality now comprising more than 60,000 articles. The offer is enjoying increasing popularity with customers.

We achieved growth in our other Business sectors too: in Products & Brands, for example, we expanded our partnership with Procter & Gamble, while in Services we gained new customers, who particularly appreciate the unique size of our product range and the reliability of our logistics companies.

Verfora as a strong specialist trade partner

Following the renaming of Vifor Consumer Health to Verfora in 2018, product packaging was redesigned and even received the “European Launch of the Year Award”. This was accompanied by the launch of an advertising campaign, which was successfully continued in 2019. With the new identity, Verfora has clearly positioned itself as a strong specialist trade partner for pharmacies and drugstores with its well-known brands and products. This enabled Verfora not only to maintain its leading position in the overall Swiss consumer healthcare market, which it achieved for the first time in 2018, but also to strengthen it further in the year under review.

8.3 %

EBIT growth
(on a comparable basis)

Key figures for the Galenica Group 2019

The Galenica Group increased consolidated **net sales** by 4.3% to CHF 3,301.0 million in 2019. Galenica clearly outperformed the market in all Business sectors despite the fact that sales continued to be negatively impacted by the federal price reduction measures implemented in 2018 and 2019 (market: +2.8%, IQVIA, Pharmaceutical Market Switzerland 2019).

The **operating result (EBIT)** was increased by 50.0% to CHF 169.5 million. It was impacted by CHF +2.7 million due to the effects of the new lease accounting standard IFRS 16 and by CHF –0.1 million as a result of IAS 19 (Employee Benefits). On a comparable basis, that is excluding these effects, the adjusted¹⁾ operating result was CHF 166.9 million (8.3% more than in the previous year). Adjusted¹⁾ return on sales (ROS) was increased from 4.9% in 2018 to 5.1%.

Net profit declined year-on-year by 15.1% to CHF 125.3 million due to one-off effects. Excluding the one-off effects of changes in the provisions for deferred taxes of CHF +56.2 million in 2018 and CHF –8.4 million in 2019 due to the Swiss Tax Reform, and excluding the effects of the new lease accounting standard IFRS 16 and of IAS 19 (Employee Benefits), net profit would have improved on a comparable basis by 7.7% to CHF 134.2 million.

Investments in the 2019 financial year totalled CHF 53.0 million and were mainly made in the introduction of the new ERP system at Alloga, the renovation and modernisation of the Galaxis distribution centre in Lausanne-Ecublens and the further development of the pharmacy network in the Retail Business sector.

Despite brisk acquisition activity, including the acquisition of the Bichsel Group, adjusted¹⁾ **net debt** of CHF 326.1 million remained unchanged compared to the previous year at 1.5 × adjusted¹⁾ EBITDA.

¹⁾ See chapter Alternative performance measures from page 92 onwards in the Annual report 2019 (full version)

Closeness to customers and innovation

Customers and their changing needs and requirements are at the heart of everything we do. This means that we invest not only in new products and services, but also in the systematic training, further education and advisory expertise of all employees. Further pharmacists were therefore trained in flu and TBE (tick-borne encephalitis) vaccinations in 2019, and 100 pharmacists obtained the certificate of competence in medical history. This enables them to diagnose minor ailments and dispense a corresponding prescription medicine.

Innovations include the new Dermafora® derma-cosmetics line launched by Verfora in early 2019 or the expansion of the Felan own-brand range from Galexis, comprising cost-effective OTC and non-pharmaceutical products for independent pharmacists. Added to this are new digital services,

such as the launch and further development of the Amavita, Sun Store and Coop Vitality smartphone apps. Finally, HCI Solutions is making a significant contribution to the electronic patient record (EPR), which is to be introduced in all hospitals by autumn 2020, by digitising the medication plan.

Internal efficiency increased

Throughout the Group, we work continuously to simplify and standardise routine processes. Orders for the top-selling products in pharmacies are now triggered automatically, for example, which reduces the workload for employees. In 2019, the first pharmacies were also equipped with scanners so that prescriptions can be read digitally in store rather than as part of a time-consuming process at a central location. This new feature not only results in increased efficiency, but also greater safety and better customer service.

Change to the Board of Directors and Corporate Executive Committee

Having been associated with Galenica for more than 40 years, Fritz Hirsbrunner has decided not to stand for re-election at the Annual General Meeting on 19 May 2020. He joined the former Galenica Group in 1977 and until 2014 held various positions in finance, including member of the Corporate Executive Committee as CFO during 20 years and as Deputy CEO for three years (2009–2011), before withdrawing from operations activities and becoming a member of the Board of Directors of the Galenica Group in 2012. The Board of Directors would like to thank Fritz Hirsbrunner for his valuable contribution. As a longstanding teammate, he has played a significant role in the company's successful growth. The Galenica Group owes the targeted implementation of many ground-breaking strategic steps to his solid, loyal and consistent support.

The Board of Directors will propose Pascale Bruderer to shareholders for election as a new member of the Board of Directors at the Annual General Meeting on 19 May 2020. Pascale Bruderer was a member of the National Council from 2002 to 2011 – as President of the National Council in 2009/2010 – and a member of the Council of States from 2011 for the Social Democratic Party of Switzerland (SP) before withdrawing from politics in December 2019. Through her longstanding membership of the Social Security and Health Committee, she focused her political priorities on

areas including healthcare policy, thus bringing important additional knowledge in this area to the Board of Directors. Pascale Bruderer is also a member of the Board of Directors of the Mobiliar Association and Bernexpo Ltd., and has been nominated for election to the Board of Directors of TX Group.

After 25 years with the company, Jean-Claude Cléménçon has decided to take early retirement in 2020. The Board of Directors would like to thank Jean-Claude Cléménçon for his exceptional commitment and outstanding services, which have contributed significantly to the successful positioning of the Galenica Group.

On 1 April 2020, Marc Werner will succeed Jean-Claude Cléménçon as CEO. In Marc Werner, previously Head of the Sales & Services Business sector and a member of the Swisscom Group Executive Board, an entrepreneurial and experienced executive is taking over the management of the Galenica Group. Marc Werner has a high degree of digital affinity as well as a strong focus on market developments, trends and customer needs. This additional knowledge will be increasingly important for the further implementation of the existing strategy in the future. For this, Marc Werner can also count on the proven management team with extensive experience at Galenica and in the healthcare market.

At the same time, efforts were concentrated on the introduction of the new ERP system at Alloga, and work began as planned on modernising the Galexis distribution centre in Lausanne-Ecublens. Both projects will contribute to enhanced efficiency in the medium term.

Sustainability and contribution to cost containment in the healthcare sector

Galenica pays particular attention to sustainable development. Our role as an employer, the long-term wellbeing of our customers and patients, and our impact on the environment are central to this. Our ambition is to make continuous progress in this area. We firmly believe that Galenica has an important role to play in shaping a future-oriented Swiss healthcare system.

For example, with generic substitution, one of several contributions our Group makes to contain healthcare costs. Despite supply constraints, the substitution rate for medications for which a generic is available and for which substitution is possible was maintained at a high 70% in 2019, compared with 57% for the market as a whole. In this way, the Galenica Group pharmacies (including Coop Vitality) again made a contribution of more than CHF 60 million¹⁾ to reducing healthcare costs for patients and health insurers.

For customers of the “Prima Pharma” basic health insurance model introduced by health insurer Groupe Mutuel at the start of 2020, the Amavita, Sun Store and Coop Vitality pharmacies are the first point of contact for an initial medical assessment. Galenica also aims to contribute to containing rising healthcare costs through this type of collaboration (see box on page 19).

Outlook

We want to continue to use the changes in the market as an opportunity and respond to them with agile, customer-oriented and cross-company networked solutions. In the Retail Business sector, we want to further strengthen our pharmacy network and expand the range of products available online in a targeted manner – with our own online shops as well as with platforms from third-party providers. In addition, preparations began in the year under review for the Amavita, Sun Store and Coop Vitality pharmacies to be able to also offer their customers the services of a mail order pharmacy, probably in the second half of 2020.

In the Services Business sector, the implementation of the new ERP system at Alloga and the modernisation of the Galexis distribution centre in Lausanne-Ecublens will remain a priority. Additionally, shipping capacities should be expanded to meet increased customer demand.

Thanks to shareholders, business partners, customers and employees

We would like to express our thanks for the trust and support placed in us once again in the year under review. In particular, we would like to thank our employees, whose personal dedication and daily commitment made it possible to implement our strategy and achieve our goals. Only together we are stronger.

Bern, 10 March 2020



Daniela Bosshardt
Chairwoman of the
Board of Directors



Jean-Claude Cléménçon
CEO

¹⁾ Calculated using average price differential between original and generic of 29.9%, according to the study “Effizienzbeitrag der Generika” (Efficiency contribution of generics), 2019 edition, bwa Consulting Bern

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.

An average of

9,000 products on site
in a pharmacy

and up to

100,000 available to order

A total of

35 services offered in
the pharmacy formats



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.

The range of services is complemented by specialty pharmacy **Mediservice**, which specialises in the care of people suffering from chronic and rare diseases, **Curarex Swiss**, which is active in therapy support for patients with advanced Parkinson's disease and the **Bichsel Group**, which specialises in home care services in the field of home nutrition and home dialysis, as well as manufacturing individual medicines and medical devices. And, finally, **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 pharmacy formats are also constantly expanding their online offerings. For example, customers of the online shops of the Amavita, Sun Store and Coop Vitality pharmacies have a choice of over 60,000 products and can have their orders delivered to them at home or collect them in the pharmacy via "**Click & Collect**". The pharmacies also provide additional services on their **smartphone apps**.

Companies and formats

- Amavita pharmacies, www.amavita.ch
- Bichsel Group, www.bichsel.ch
- Careproduct Ltd., www.careproduct.ch
- Coop Vitality Ltd., www.coopvitality.ch
- Curarex Swiss Ltd., www.curarex.ch
- Galenicare Management Ltd., www.galenicare.com
- Mediservice Ltd., www.mediservice.ch
- Sun Store pharmacies, www.sunstore.ch
- Winconcept Ltd., www.winconcept.ch



Products & Brands Business sector

The Products & Brands Business sector provides a range of medications, medical devices, dietary supplements and health and beauty products for the Swiss healthcare market. Products & Brands also provides services in the areas of Marketing and Sales, as well as product approval, quality control and supply chain management. Through the company Verfora, the Business sector also supports the specialist retail trade in Switzerland with a unique sales organisation and individual customer-specific training.

Around

40 own consumer brands

Around

25 partner brands

Verfora manages a portfolio of its own strong brands, among them **Algifor®**, **Perskindol®**, **Anti-Brumm®**, **Triofan®** and **Merfen®**. Verfora also launches and distributes pharmaceutical and parapharmaceutical products and brands of international companies such as **Vicks®** from Procter & Gamble and **Schüssler mineral salts** from Adler. In addition, Products & Brands markets exclusive beauty brands on behalf of international companies, including **A-Derma** from Pierre Fabre and **Lierac** and **Phyto** from the Alès Groupe, and launched its first own derma-cosmetics range **Dermafora®** in 2019.

Companies

- G-Pharma Ltd.
- Verfora Ltd., www.verfora.ch



Services Business sector

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

Alloga is the largest Swiss pre-wholesale company, providing a broad range of specialised logistics services for around 80 pharmaceutical and healthcare companies. Around half of all packs dispensed to patients in Switzerland have been through the Alloga warehouse.

Galexis is a leading pharmaceutical wholesaler, supplying Swiss pharmacies, drugstores, nursing homes and hospitals, as well as around 5,500 physicians, with over 90,000 referenced healthcare products. **Unione Farmaceutica Distribuzione** strengthens the Galexis wholesale offering in Ticino, while **Pharmapool** serves self-dispensing doctors.

Medifilm is the Swiss pioneer in customised blister packaging and packs medicines and nutritional supplements on behalf of pharmacies for chronic and long-term patients in nursing homes, hospitals and other institutions as well as for individual pharmacy patients.

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

70,000 **120,000**

visits to compendium.ch
per day

medications blister-packed
by Medifilm per day

Companies

- Alloga Ltd., www.alloga.ch
- Galexis Ltd., www.galexis.ch
- HCI Solutions Ltd., www.hcisolutions.ch
- Medifilm Ltd., www.medifilm.ch
- Pharmapool Ltd., www.pharmapool.ch
- Unione Farmaceutica Distribuzione Ltd., 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.

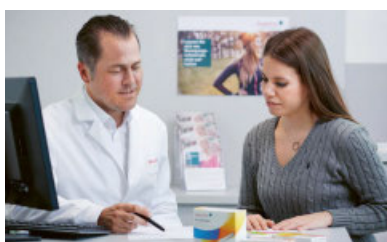
Our self-perception

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 its customers and patients a unique range of products and services, wherever and whenever they want them: in Switzerland's largest network of locally established pharmacies, online and at the patient's home.

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.

These brands and products are 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.

Services

Best possible use of synergies

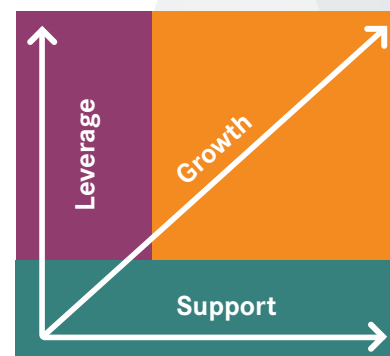
As a leading partner, Services provides support with integrated logistics and IT solutions from a single source to all participants in the Swiss healthcare market.

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

In addition, Services contributes to increased patient safety and efficiency in the Swiss healthcare system by providing master data and networking tools.

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.





Pharmacy collection points

“Now I can finally collect my orders outside of pharmacy opening hours, allowing me to organise better and save time. Great idea!”

Edyta L., customer

Health & Beauty Segment

Solid development despite a challenging market environment

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, with over 500 own and partner pharmacies. It comprises the Amavita and Sun Store pharmacy chains, the Coop Vitality pharmacies, which are operated as a joint venture, and the pharmacy network of independent Winconcept partners. Retail's products and services are offered in pharmacies, as well as online and to patients at home (home care).

The Products & Brands Business sector develops and markets both own consumer products and brands and partner products and brands in the retail segment of the Swiss healthcare market and offers various services. These include marketing and sales support as well as product approval, quality control, supply chain management and training.

Net sales and operating result

The Health & Beauty segment increased net sales in 2019 by 6.3% to CHF 1,620.8 million, CHF 1,515.7 million of which was accounted for by the Retail Business sector and CHF 102.1 million by the Products & Brands Business sector. The further strengthening of the pharmacy network and the acquisition of the Bichsel Group in May 2019 notably contributed to the sales development.

The adjusted¹⁾ operating result (EBIT) of the Health & Beauty segment, that is excluding the effect of the new lease accounting standard IFRS 16, increased by 12.1% to CHF 123.7 million. The first-time adoption of IFRS 16 increased EBIT by a further CHF 2.6 million to CHF 126.3 million.

Adjusted¹⁾ return on sales (ROS) was improved by 0.4 percentage points to 7.6% (previous year: 7.2%). In addition to the expansion and optimisation of the pharmacy network, the close collaboration within the Galenica Group, such as

between the Retail and Products & Brands Business sectors, made a decisive contribution to this. The Retail and Services Business sectors in turn improved the efficiency of deliveries to the three own pharmacy formats through four daily automatic reorders of the top-selling products so that these orders no longer have to be placed manually.

Investments in the Health & Beauty segment totalled CHF 22.5 million (previous year: CHF 14.1 million) and were principally used for the development and launch of new products and services, the rebuilding and renovation of pharmacies and IT projects.

The Retail Business sector focused on strong growth in 2019 and achieved above-average expansion of the pharmacy network to a new total of 513 locations. In addition, the Galenica Group strengthened its position in the attractive, growing patient home care market with the acquisitions of the Bichsel Group and Curarex Swiss.

The most important projects in the Products & Brands Business sector in 2019 included launching the new own derma-cosmetics range Dermafora® in close collaboration with the Retail Business sector and taking over exclusive distribution of the Vicks® and Metamucil® brands from Procter & Gamble. Thanks to this product range expansion and strong growth in existing products and brands, Verfora was able to further consolidate its leading position in the Swiss consumer health-care market.

Key figures 2019

- Net sales: CHF 1,620.8 million
- EBIT adjusted¹⁾: CHF 123.7 million
- ROS adjusted¹⁾: 7.6%
- Investments: CHF 22.5 million
- Employees: 5,274 (3,975 full-time equivalents)

1,620.8

Net sales
in million CHF

Galenica Group CHF 3,301.0 million

123.7

EBIT adjusted¹⁾
in million CHF

Galenica Group CHF 166.9 million

¹⁾ See chapter Alternative performance measures from page 92 onwards in the 2019 Annual report (full version)



Pharmacy acquisition in Payerne

“The Galenicare team was very professional. It ensured a smooth transition and continuity for the operation of the pharmacy as well as for customers and my team.”

Isabelle Viret, Manager Alpha Pharmacy Payerne

Retail Business sector

Significant strengthening of the pharmacy network

Net sales development

The Retail Business sector increased net sales in 2019 by 6.0% to CHF 1,515.7 million (excluding Coop Vitality).

The number of own pharmacies as of the end of 2019 totalled 356 locations (+ 11 compared to the end of 2018). The expansion of the pharmacy network and acquisitions accounted for 5.6% of the sales increase. On a comparable basis, net sales for 2019 increased by 0.4%. The government-mandated price reduction measures for medications had a negative impact of 1.8% on sales growth. Excluding these price reductions, organic growth (excluding expansion effects) would have amounted to a pleasing 2.2%. Generic substitution of a good 70%, which is actively promoted by Galenica, also curbed sales because of the lower medication prices.

By way of comparison, medication sales (Rx and OTC products) in the Swiss pharmacy market as a whole declined by 0.2% (IQVIA, Pharmaceutical Market Switzerland 2019). Sales of other products (non-medications) declined by 0.7% over the same period (IQVIA, Personal Care, Patient Care and Nutrition 2019).

Strategic priorities

- Bringing customer service alive: tailored offerings, new services, innovative own brands and a compelling presence for all pharmacy formats.
- Further development of the omni-channel offering.
- 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 pharmacy network through acquisitions and openings as well as independent partner pharmacies.

Dynamic expansion of the pharmacy network

The pharmacy network of the Retail Business sector saw above-average growth in the year under review. A total of 11 locations were acquired and 8 new pharmacies opened. At the same time, 8 locations were closed down as part of optimisation measures and the customers and employees transferred to Amavita, Sun Store or Coop Vitality pharmacies nearby. Accordingly, the number of own pharmacies as of the end of 2019 increased by 11 locations to 356. Together with the 157 points of sale of independent Winconcept and Amavita partner pharmacies, the Swiss pharmacy network of the Galenica Group comprised 513 pharmacies at the end of 2019 (see table on page 18).

Investments in employees and locations

The “Primary Care” project was launched together with HCI Solutions. This initiative supports pharmacists from all formats in meeting the extended requirements to accurately and efficiently document their advice to patients. In 2019, 100 Galenica pharmacists in German-speaking Switzerland received training for the new certificate of competence in patient history in basic healthcare provision.

Galenica continued to invest in the points of sale in 2019. More Coop Vitality pharmacies were transferred to the modern store layout introduced in 2018. Several Amavita and Sun Store pharmacies were also redesigned or completely refurbished. Amavita further strengthened its positioning as a skin expert in 2019. A second centre of skin competence was opened in the Amavita pharmacy in Lausanne-Ecublens. It is based on experience with customers from the “Derma-Center” at the Amavita pharmacy in the Metro shopping centre in Geneva, which was opened in 2017 in collaboration with L'Oréal Cosmétique Active.

Companies and formats

- Amavita pharmacies, www.amavita.ch
- Bichsel Group, www.bichsel.ch
- Careproduct Ltd., www.careproduct.ch
- Coop Vitality Ltd., www.coopvitality.ch
- Curarex Swiss Ltd., www.curarex.ch
- Galenicare Management Ltd., www.galenicare.com
- Mediservice Ltd., www.mediservice.ch
- Sun Store pharmacies, www.sunstore.ch
- Winconcept Ltd., www.winconcept.ch

In tune with customer needs

Being close to the customer is more than just a motto for the Retail Business sector. New products and services are vital for this. All pharmacy formats offered tick-borne encephalitis (TBE) and flu vaccinations in the year under review. An own-brand portfolio of currently around ten OTC products was developed for the Sun Store pharmacies, including Sun Store Ibuprofen. Two further innovations were developed and implemented under the Retail Business sector's Talent Management Programme in 2019: taping as an alternative to pain relief medication at the Coop Vitality points of sale, and a range of gluten-free foods in the Sun Store pharmacies. The customer loyalty programmes such as the Sun Store “Suncard” and the Amavita “Starcard” have been operated by Galenicare itself since 2019 to ensure closeness to customers and save costs.

A further step towards omni-channel

The range in the Amavita, Sun Store and Coop Vitality online shops with the integrated online ordering and pick-up service Click & Collect was also further expanded in the year under review and is enjoying increasing popularity. As of the end of 2019, more than 60,000 products were available (end of 2018: 40,000) – an expansion of the range that contributes to strengthening the local pharmacies. In connection with this, the range of Careproduct, acquired in 2018, was better integrated into the Amavita and Sun Store online shops and investments were made to enhance usability. Galenicare is continuing to work on online shop content

1,515.7

Net sales

in million CHF

Galenica Group CHF 3,301.0 million



5,134

Number
of employees

Galenica Group 7,071

quality in collaboration with HCI Solutions, so that images and a full description including all relevant information are available for every product. The “Click & Collect” offering was promoted both in store in pharmacies and in a broader advertising campaign including TV ads in 2019.

All three pharmacy formats now have their own smartphone apps, and the e-mediplan module, previously included in the Amavita app only, was also incorporated into the new Sun Store and Coop Vitality apps in 2019. E-mediplan offers a range of practical functions for users, including automatic reminders to take medication and a full overview of an individual's stock of medications.

Lastly, preparations began in the year under review for the Amavita, Sun Store and Coop Vitality pharmacies to be able to also offer their customers the services of a mail order pharmacy, probably in the second half of 2020.

The profiles of the Amavita and Sun Store pharmacy formats were also further honed in 2019 to give them each a clear image in the market. In connection with this, Amavita has been using its newly developed slogan, “Amavita, my pharmacy” for its market presence since 2019 and launched the magazine “My skin” to position itself more strongly as a competent skin expert.

New image for Winconcept

Winconcept, the Galenica Group's service provider for owner-run pharmacies and drugstores, features a fresh new image since early 2019. The new logo stands for dynamism, momentum and Winconcept's comprehensive service. The Process One quality management system developed by Galenicare, which is also available to Winconcept partners, continues to be extremely popular and is now also offered to other independent third-party pharmacies that are not Winconcept partners. The customised websites for Winconcept partners were again well received in 2019. At the end of 2019, there were 150 Winconcept partner pharmacies (+1).

Expansion in home care services ...

On 1 May 2019, the Galenica Group acquired a majority stake in the Bichsel Group. Headquartered in Interlaken, the company specialises in the manufacture of individual medicines and medical devices as well as home care services in the field of home nutrition and home dialysis. The Bichsel Group companies continue to operate on the market under their existing names. This also applies to the pharmacy in Interlaken, one of Switzerland's major manufacturers of magistral prescriptions – medicines manufactured for specific patients. Integration into the Retail Business sector is going according to plan. This transaction consolidated Galenica's leading position in the growing market for home care for patients (see sustainability coverage from page 37).

... and development of the existing offering

The specialty pharmacy Mediservice also specialises in home care, specifically home care of chronically ill patients. Mediservice strengthened its neurology offering in 2019 with the acquisition of Curarex Swiss. The company specialises in the provision of home-based therapy support for patients with advanced Parkinson's disease, enabling them to live independent day-to-day lives in their own homes. In the

Own pharmacies and shareholdings

	31.12.2019	31.12.2018	Change
Amavita pharmacies ¹⁾	171	163	+8
Sun Store pharmacies ¹⁾	94	97	-3
Coop Vitality pharmacies ²⁾ (joint venture with Coop)	84	78	+6
Mediservice specialty pharmacy ¹⁾	1	1	-
Majority holdings in other pharmacies ¹⁾	6	5	+1
Minority holdings in other pharmacies ²⁾	-	1	-1
Total own points of sale	356	345	+11

¹⁾ Fully consolidated

²⁾ Consolidated at equity level

Independent partners

	31.12.2019	31.12.2018	Change
Amavita partners	7	7	-
Winconcept partner pharmacies	150	149	+1
Total independent partners	157	156	+1

year under review, Mediservice also saw growing demand for its new videophone therapy support service for chronically ill patients. Around one third of all new customers now use this service.

Careproduct also expanded its offering in the year under review, introducing a wound care product category and launching an own-brand walking frame.

Contribution to cost containment in the healthcare sector

Generic substitution is one of several contributions the Galenica Group makes to cost containment in the healthcare sector. The substitution rate for medications for which a generic is available and for which substitution is possible was maintained at a high 70% in 2019, compared to 57% for the market as a whole. In this way, the Galenica Group pharmacies (including Coop Vitality) again made a contribution of more than CHF 60 million¹⁾ to reducing healthcare costs for patients and health insurers.

For customers of the Prima Pharma basic health insurance model introduced by health insurer Groupe Mutuel at the start of 2020, the Amavita, Sun Store and Coop Vitality pharmacies are the first point of contact for an initial medical assessment. Through this type of collaboration Galenica is also contributing to containing rising healthcare costs (see box on the right).



New collaborations with health insurers

Groupe Mutuel introduced Prima Pharma, an alternative basic health insurance model with a limited choice of healthcare providers, at the start of 2020. It is comparable with the family doctor model. All Amavita, Sun Store and Coop Vitality pharmacies are the first point of contact for customers of this model if they have a health-related issue. The pharmacists conduct an initial assessment and recommend a medication or – if necessary – a referral to a doctor or hospital. CSS has been offering the Multimed alternative basic health insurance model in the cantons of Lucerne, Bern, Basel-Stadt and Basel-Landschaft since 2020 as well. This digitally integrates the different service providers to improve the care of chronically ill patients in particular. Mediservice is a partner in this model as a mail order pharmacy. Lastly, 52 Galenicare pharmacies affiliated with Swica's existing "Medpharm Favorit" model from 1 January 2020. The purpose of all of these collaborations is to contribute to containing rising healthcare costs.

¹⁾ Calculated using average price differential between original and generic of 29.9%, according to the study "Effizienzbeitrag der Generika" (Efficiency contribution of generics), 2019 edition, bwa Consulting Bern

Outlook

Further developing closeness to customers, online and offline

Galenica intends to steadily expand its leading position in the Swiss pharmacy market by further developing all channels. On the one hand, this will be done by consistently expanding and optimising the pharmacy network and launching new, innovative services and products with added value for customers, and on the other, by steadily enhancing the range of products available in the online shops. This includes new areas on the Amavita, Sun Store and Coop Vitality websites where prestige cosmetic products will be presented in a particularly attractive way, as well as the planned mail order pharmacy for prescription-only medications. The networking of both online and offline offers will make a significant contribution to the successful implementation of the omni-channel approach.

The second phase of the refurbishment of Zurich main station began in 2020. The entire south side will be renovated by 2023. This also affects the “Bahnhof Apotheke” pharmacy. During the works, the pharmacy will operate from provisional premises under the Amavita brand and offer all Amavita services.

To date, the prescriptions of customers from all three pharmacy formats have been scanned in centrally and have been digitally prepared for further saving and use at Lausanne-Ecublens. To optimise this time-consuming process, all branches will be equipped with small scanners during 2020 so that the prescriptions can be scanned directly in store. This will result in greater safety, a higher level of efficiency and better customer service.

Mediservice aims to expand its therapy support offering in 2020. This should make it possible, for example, to support patients when they take vital parameters such as temperature or blood pressure. To improve coordination between the various parties involved in care, a pilot project will test data protection-compliant integration.

In addition, the integration of the Bichsel Group will continue as planned in 2020.



Digitalisation at POS

“Thanks to the new screen, customers have a visual tool to help them in their decision-making. It also looks smart and is space-saving. All in all, a practical and innovative piece of equipment!”

Karo Issa, Manager Coop Vitality Pharmacy
Zurich Airport



Partnership with Procter & Gamble

“This strong partnership with Verfora is based on trust, cooperation and efficiency. I am very confident that it will help our products reach new heights in Switzerland.”

Michael Mignonat, Commercial Associate
Director Europe, Asia Pacific, Middle East & Africa, P&G

Products & Brands Business sector

Sustained leading position in the Swiss consumer healthcare market

Net sales development

The Products & Brands Business sector, which mainly comprises the business activities of Verfora, achieved net sales totalling CHF 102.1 million (+11.3%) in 2019. This pleasing growth was due in part to solid increases in sales of Algifor®, Triofan®, Triomer® and the magnesium-based products, as well as the launch of the new own derma-cosmetics range Dermafora®. Distribution in Switzerland of the well-known Vicks® products and of Metamucil®, which was taken over from Procter & Gamble at the beginning of 2019, also contributed to this success.

Products & Brands increased net sales in the Swiss market by 11.4% to CHF 82.1 million, thus clearly exceeding the growth of the consumer healthcare market of 1.0% (IQVIA, Consumer Health Market Switzerland 2019). As a result, Verfora was able to successfully build on its leading position in the Swiss consumer healthcare market in the year under review.

Export sales were up 11.0% to CHF 20.0 million. Solid sales of Perskindol® in Asia and Anti-Brumm® in Europe contributed in particular to this positive performance.

Strategic priorities

- Strengthen leadership position in the top OTC categories, with a focus on pain, rhinitis, flu/ colds, coughs, wound disinfection, mineral supplements and mosquito/tick repellent.
- Consolidate and further grow share of the consumer healthcare market in pharmacies and drugstores throughout Switzerland, building on the good partnerships and added-value services offered by Verfora.
- Expand the branded business into new areas such as derma-cosmetics and complementary medicine, and develop related skills.

Verfora: successful positioning in the market

Following the renaming of Vifor Consumer Health to Verfora in 2018, product packaging was redesigned, and a new advertising image launched. The packaging design won Verfora's agency the "European Launch of the Year Award" 2019 at the Consumer Healthcare Marketing Event in London. The advertising campaign ran mainly in the first half of 2019 and focused on TV ads, online videos and a strong presence at points of sale. The new identity allows Verfora to successfully position itself as a strong specialist trade partner for pharmacies and drugstores in Switzerland with its well-known brands and products.

Dermafora® launched

One of Products & Brands' most important projects in the year under review was the launch of its new own Dermafora® derma-cosmetics range. Manufactured in Switzerland, the skincare products are based on plants traditionally used in Swiss medicines in combination with the latest skincare research findings. Close collaboration with the Retail Business sector in particular helped ensure success for the launch in Amavita, Sun Store and selected Coop Vitality pharmacies and for the related employee training.

Complementary medicine proving popular

In addition to derma-cosmetics, complementary medicine registered increased demand. This included products manufactured exclusively by hand in Switzerland by pharmaceutical company Spagyros, with which the Galenica Group has had a strategic partnership since 2018. The Adler Schüssler mineral salts portfolio managed by Products & Brands in Switzerland also continued to perform very positively in the year under review and recorded a significant increase in demand in Western Switzerland in particular. This is especially pleasing given that Schüssler mineral salts were previously not well known in this region. The success is further proof of the effectiveness of collaboration between the Products & Brands and Retail Business sectors and of staff training in the pharmacies.

Companies

- G-Pharma Ltd.
- Verfora Ltd., www.verfora.ch

Algifor®, Triofan® and Triomer®: strong market positions maintained

The systemic pain relief medication Algifor® recorded growth significantly above that of the overall OTC pain market in the financial year. This is all the more remarkable considering Algifor® has been the leading brand in this market for some time. Despite the very weak allergy season in 2019, Triofan® and Triomer® were also able to maintain their strong market positions among nasal decongestants in Switzerland. The main reasons for this were advertising measures in connection with the launch of the new Verfora brand and successful new launches such as a Triomer® spray.

Pleasing performance for Perskindol®

In recent years, Products & Brands has worked hard to revitalise the traditional Perskindol® brand and position it in the pain relief market. This sharpening of the brand image, along with portfolio expansion to today's six areas, has had a positive impact on the development of Perskindol® in 2019. For the first time in a long while, the products again achieved above-market growth. In 2019, employees at points of sale were trained in sports massages and kinesiology taping, and new products were introduced. These included Perskindol® Cool Down Shower Gel and Perskindol® Cool Down Massage Oil, along with Perskindol® Infrared Patches, which reflect the infrared rays naturally emitted by the human body to increase blood flow and relieve back, neck and shoulder pain.

102.1

Net sales
in million CHF

Galenica Group CHF 3,301.0 million



140

Number
of employees

Galenica Group 7,071

Health & Beauty Segment – Products & Brands Business sector

Sales of Anti-Brumm® remained stable overall due to the weak mosquito season. Merfen® also contributed to the continued strong position of Products & Brands in wound treatment in 2019. The Excilor® foot care portfolio was expanded with the launch of Excilor® forte and Excilor® Warts. The high demand for the various Magnesium Vital products was also encouraging.

Health and beauty products remain in demand

Pharmacies and drugstores continue to enjoy a high level of customer trust as a source of advice for health and beauty products. There was strong demand for the Lierac, Phyto and A-Derma products sold exclusively in Switzerland by Products & Brands in the year under review, not least thanks to the competent guidance provided by staff.

Outlook

Strengthening of Verfora; expansion of portfolios

Verfora aims to continue to be a strong and reliable partner for the entire specialist retail trade in the future. This includes further developing sales promotion services for the specialist retail trade and further enhancing its effective cooperation with partners. At the same time, the Products & Brands Business sector will consistently expand and complement its existing product portfolio. Towards the end of 2020, Verfora will relaunch Vita-Merfen®, the well-known and popular brand for disinfection and wound healing. Vita-Merfen® was taken off the market in 2015 by its former brand owner due to production difficulties. Verfora acquired the brand together with Merfen® in May 2017 and has since then been working with full commitment towards its relaunch.

Since March 2020 work has also been underway on the launch of the first multivitamin and mineral hot drink Veractiv®, in capsule form.

New partners for Products & Brands

At the beginning of 2020, Verfora took over distribution of the major brand Bucco Tantum® from Italian pharmaceutical company Angelini, helping the Products & Brands Business sector to boost its presence in the cold medication market.

Verfora has also entered into a partnership with Austria-based Institut Allergosan, one of the world's leading centres of competence in the field of microbiome research for over 25 years. Based on this specialisation, Institut Allergosan develops excellent probiotics and prebiotics, currently the fastest-growing segment in the consumer healthcare market. In the first quarter of 2020, Verfora took over distribution of the Omni-Biotic® brand from Institut Allergosan, thus filling a significant gap in its portfolio.

Meanwhile, the contract with Soho Flordis International (SFI) for distributing the product groups Ginsana®, Gincosan® and Equazen® could not be extended, and expired in 2020.



Dermafora®

“I am proud to be able
to help develop Dermafora®
and give the brand its identity.”

Nadine Zosso, Brand Manager Verfora



Modernisation of distribution centre Lausanne-Ecublens

“Galexis is working hard to limit the disadvantages of this project. With the ‘even better for the future’ approach it is only normal for me that we should not question everything.”

Michaël Haroun, pharmacist at the pharmacy des Bergières Lausanne

Services Segment

Investing in the future

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 2,441.0 million in 2019, an increase of 2.9% compared to the previous year. The good sales performance is particularly pleasing given that the federal price reduction measures mandated in 2018 and 2019 continued to impact negatively on sales in the Services segment in the year under review. Excluding the effect of these price reductions for medications by the authorities (-2.3%), sales development for the segment would have amounted to 5.2%.

This was achieved in an overall market whose growth of 2.8% (IQVIA, Pharmaceutical Market Switzerland 2019) was driven especially by the positive sales performance of hospitals of 6.1% (IQVIA, Pharmaceutical Market Switzerland 2019) and high-priced special medications. The latter are usually not supplied via wholesale but directly to hospitals and specialist doctors (doctors: +5.5%, IQVIA, Pharmaceutical Market Switzerland 2019).

The adjusted¹⁾ operating result (EBIT), i.e. excluding the effects of the new lease accounting standard IFRS 16, was CHF 44.7 million (+1.1%). However, the first-time adoption of IFRS 16 in financial year 2019 had with CHF 0.1 million no significant effect on the EBIT of CHF 44.8 million (2018: CHF 44.2 million) of the Services segment.

Adjusted¹⁾ return on sales (ROS) was 1.8% (previous year: 1.9%). Investments by Services in financial year 2019 totalled CHF 31.0 million (previous year: CHF 36.1 million) and were used in particular for the gradual roll-out and implementation of the new enterprise resource planning (ERP) software at Alloga and for the modernisation and renovation of the Galexis distribution centre in Lausanne-Ecublens.

Key figures 2019

- Net sales: CHF 2,441.0 million
- EBIT adjusted¹⁾: CHF 44.7 million
- ROS adjusted¹⁾: 1.8%
- Investments: CHF 31.0 million
- Employees: 1,758 (1,440 full-time equivalents)

2,441.0

Net sales
in million CHF

Galenica Group CHF 3,301.0 million

44.7

EBIT adjusted¹⁾
in million CHF

Galenica Group CHF 166.9 million

¹⁾ See chapter Alternative performance measures from page 92 onwards in the 2019 Annual report (full version)



Pedroni group: New customers at UFD

“UFD is a local, reliable and flexible partner, both in terms of the quality of deliveries and the development of synergies with our Group at cantonal and national level.”

Pedroni family, customer

Services

Business sector

On track in all areas

Focus on ERP replacement at Alloga

Pre-wholesaler Alloga focused on the gradual roll-out of the new ERP (enterprise resource planning) software in the year under review, and successfully migrated the first pilot partner. This project, which is strategically and operatively important for the entire Galenica Group, will see additional pilot partners switch to the new system at Alloga by mid-2020.

At the same time, Alloga was able to gain new partners in 2019. Notably, the Swiss branch of a major pharma company transferred its distribution to Alloga. In addition, partners are making increasing use of Alloga's uninterrupted, temperature-controlled refrigerated logistics, which have been the subject of targeted expansion in recent years.

The switch to e-invoicing in turn has a positive impact on the efficient structuring of processes for major customers such as hospitals, wholesalers and medical centres, resulting in a lower rate of errors and lower paper consumption.

The almost 4,700 solar modules that make up the photovoltaic system on the roof of Alloga in Burgdorf generated around 1,300 megawatt hours of electricity in 2019, covering the calculated consumption of Alloga's entire annual electricity needs. The system was installed together with Solarstadt Burgdorf Ltd. and was put into operation in 2018.

Strategic priorities

- Reinforce customer competitiveness with high-quality services and innovative, tailored offerings.
- Bundle the competences in the domain of pre-wholesale and wholesale 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, drugstores and hospitals, and by taking over direct deliveries from the manufacturer.

Galexis: modernisation work has begun in Lausanne-Ecublens

Despite a challenging market environment, Galexis recorded stronger growth than the market in 2019 and was able to win market share. This was due to the further expansion of Galenica's own pharmacy network as well as gaining new customers (e.g. medical centres) and winning back former customers. In light of increasing regulatory requirements and cost pressure, two partners handed over distribution of their products to Galexis in 2019.

Galexis also launched new products and services. The company revised and expanded its existing quality management system for doctors so that they are able to meet growing official requirements better and more quickly. All medical practices with a practice pharmacy must have this kind of quality management system. Galexis' customers benefit from helpful checklists as well as easy access to all important articles of law and cantonal requirements for managing a practice pharmacy. The e-Galexis online and information system for customers and industry partners was revised in 2019 and now boasts a fresh look and simplified structure. Galexis also opened the new "Fokus Medtech" online shop, where medical practices and pharmacies can order furnishings for examination rooms (e.g. examination tables or infusion stands) and laboratory (e.g. medicine refrigerators or microscopes) and medical technology products (e.g. sphygmomanometers or stethoscopes) at attractive prices.

The modernisation and renovation project at the distribution centre in Lausanne-Ecublens, which is strategically and operationally important for the Galenica Group, proceeded on schedule in the year under review. The renovation works began in September 2019. The building will be modernised and the logistics infrastructure brought up to the state of the art for a total of CHF 30 million by the end of 2021. All of the work is being carried out while operations are ongoing to ensure supply of customers throughout the renovation.

Companies

- Alloga Ltd., www.alloga.ch
- Galexis Ltd., www.galexis.com
- HCI Solutions Ltd., www.hcisolutions.ch
- Medifilm Ltd., www.medifilm.ch
- Pharmapool Ltd., www.pharmapool.ch
- Unione Farmaceutica Distribuzione Ltd., www.ufd.swiss

Continuing positive developments in Ticino

Unione Farmaceutica Distribuzione (UFD) once again had a very successful financial year in 2019. This was due to new customers as well as an increase in demand for the "e-box", a logistics solution for online shops that has been offered throughout Switzerland since 2017. With the "e-box", UFD takes over all logistics processes for associated online shops – from processing customer orders to handing over the package to the courier.

To ensure the quality of logistics services even with rising order volumes, UFD modernised the material handling system for outgoing goods at the distribution centre in Barbengo-Lugano in summer 2019. More boxes of goods can be transported with the new roller conveyor, the workstations for sorting bulky goods are more ergonomic and the new material handling system is easier to maintain.

2,441.0

Net sales
in million CHF

Galenica Group CHF 3,301.0 million



1,758

Number
of employees

Galenica Group 7,071

Services Segment – Services Business sector

Medifilm: new customers thanks to modernised software

As of the end of 2019, Medifilm served more than 10,000 patients, thus increasingly easing the burden of hospital and care home staff responsible for administering medications by hand. In doing so, Medifilm is also making a significant contribution to correct administration and taking of medications, and thus to patient treatment compliance.

Medifilm's software was expanded in the year under review to the effect that it can now also manage medications that are not included in the medifilm, such as eye drops or ointments. This additional information is also printed on the medifilm. This new offering has led to the fact that care homes for people with a disability have also been among Medifilm's customers since 2019.

Moreover, Medifilm further streamlined internal processes, for example for deblistering (unpacking) retail medication packs, and created additional medication storage capacity. In doing so, the company can ensure the supply of blistered medications to customers, even if the original retail packs are unavailable for a certain period.

Progress at HCI Solutions

HCI Solutions has become the central master data specialist within the Galenica Group. For example, since 2019, sets of images have been created for more than 60,000 items based on a uniform standard and made available to all HCI Solutions customers as a web index.

Numerous so-called reference communities are set to commence operation in Switzerland in 2020 in connection with the electronic patient record (EPR). They are currently being

certified by the Federation and can then offer an electronic patient record under federal legislation. These reference communities are being set up by cantonal and interregional healthcare networks such as Cara (cantons of Fribourg, Geneva, Jura, Vaud and Valais) and Axsana (Zurich, Bern, Northwest Switzerland, Central Switzerland, St. Gallen and Schaffhausen). Following negotiations and discussions by HCI Solutions in 2019, the e-medication solution Documedis® will be incorporated into almost all e-health platforms of these healthcare networks.

Outlook

ERP replacement, site modernisation and electronic patient record (EPR) launch

The focus at Alloga in 2020 is on the further implementation of the new ERP system. The pilot projects with various customers will run until summer 2020 and form the basis for the subsequent roll-out.

Galexis will focus on the modernisation and renovation of the Lausanne-Ecublens distribution centre in 2020. Simultaneously, work will begin on the ERP roll-out. The structural changes in the physician market, where there are increasing numbers of group practices and medical centres rather than solo practices, is a trend that Galexis wants to actively support and shape, as well as actively assisting its customers in establishing group practices and medical centres. Shipping capacities will also be increased in Niederbipp.

Online shop and OTC own brand for independent retailers

Services not only further improved internal collaboration with the Retail and Products & Brands Business sectors in 2019 but also launched innovations for independent retailers in a targeted manner. For example, HCI Solutions launched the online shop Quatron in the second half of 2019, via which independent pharmacies can offer the general range from the HCI Solutions web index as well as own products or house specialities. The software includes all relevant tools and functions such as navigational elements, product categories, basket functions and

navigation, so that the shop can be set up in a short amount of time. At the same time, the Felan own-brand range of cost-effective OTC products launched in autumn 2018 by Galexis was expanded with non-pharma products including pregnancy tests, plasters, thermometers and cold/warm compresses in 2019. The logo of the relevant pharmacy can be included on the packaging and enables pharmacists to build up an individual, affordable own-brand range, position themselves and increase customer loyalty.

Medifilm

“By outsourcing time-consuming and demanding set-up work, we save enormous amounts of time. We would always choose to work with Medifilm.”

Sonja Leuenberger, Manager Kastels / am Weinberg Care Homes

Medifilm is working on introducing the next generation of blistering machines in the second half of 2020. To better support pharmacies in optimising their costs, Medifilm has revised its offering and introduced new effort-based terms and conditions with effect from 1 January 2020. Medifilm also wants to address pharmacies' individual patients as a target group and has consequently developed a new communication strategy and a new visual identity, including a new logo. The new logo will be introduced in the first quarter of 2020. Preparations for a new website and a communication campaign to the market and costumers are underway.

HCI Solutions will support the introduction of Documedis® in reference communities and assist them once they are certified by the Federation so that they can offer the electronic patient record.

Key figures wholesale/pre-wholesale 2019

	Wholesale: Galexis, Unione Farmaceutica Distribuzione	Pre-wholesale: Alloga
Storage		
- Number of prepared boxes	> 9,994,000	—
- Number of delivered order lines	> 41,495,000	> 1,683,000
- Number of prepared packages	> 121,905,000	> 86,998,000
Distribution		
- Annual tonnage	> 13,700	> 7,700
- Number of packages	> 129,800	> 551,100
- Number of pallets	—	> 69,800
Structure		
- Number of items in stock	> 50,200	> 10,000
- Number of suppliers/partners	> 950	> 75
- Number of points of sale supplied	> 7,600	> 11,800
Technology		
- Degree of automation in Niederbipp	65%	—
- Degree of automation in Lausanne-Ecublens	31%	—
- Degree of automation in Barbengo-Lugano	43%	—
- Degree of automation in Burgdorf	—	31%

Political environment

According to the KOF Swiss Economic Institute of ETH Zurich, healthcare expenditure increased by 3.7% in 2019, having also risen in the previous two years. This was due, among other factors, to the slight increase in wages in the healthcare sector and the rise in the number of older people. At the same time, the increase in premiums for compulsory health and long-term care insurance for 2020 was very moderate, averaging only 0.2%. According to the Federal Office of Public Health (FOPH), healthcare costs will continue to rise in the future as a result of demographic trends and advances in medical technology. The Federal Council therefore intends to take various measures to help limit the increase and has developed a cost containment programme for this purpose.

Federal Council programme to curb cost growth in the healthcare system

While the increase in health insurance premiums for 2020 is relatively modest, cost containment will remain the focus of health policy in the coming years. In 2017, the Federal Council initiated the discussion on health policy in Switzerland with an expert group report on curbing cost increases in the healthcare system.

The cost containment programme has been divided into two packages of measures. The first package was submitted for parliamentary consultation with the Federal Council's dispatch in August 2019, and discussions will commence in the 2020 spring session.

A reference price system to encourage dispensing of generics

As part of the first package of measures, a reference price system is to be introduced for drugs whose patents have expired, among other things. If at least three drugs with the same combination of active substances are on the specialties list (SL), a reference price is to be determined for the active substance concerned. Compulsory health insurance would cover at most this reference price, and any amount exceeding the reference price would have to be paid by insured persons themselves.

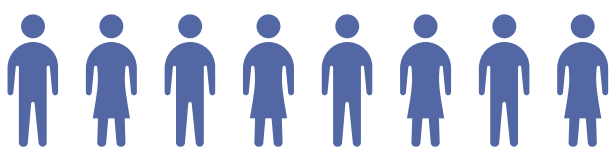
The introduction of a reference price system aims to increase the dispensing of generics and biosimilars and achieve savings under compulsory health insurance. The Federal Council estimates that between CHF 300 million and CHF 500 million could be saved annually by introducing the reference price system. The introduction of the system would require an amendment of the Health Insurance Act (KVG). Due to broad-based opposition, including from all relevant associations in the healthcare market, long and contentious discussions are expected in parliament. One of the main arguments against the reference price system is the increasing constraints on the supply of medications. Lower prices would notably further jeopardise the already limited provision of generics in the small Swiss market.

Additional measures to ease the burden on premium payers

The first package of measures also includes the proposed introduction of a so-called experimental article, which would make it possible to implement innovative, cost-reducing pilot projects to ease the burden on premium payers. This would establish a legal basis for cantons and tariff partners to carry out such pilot projects under the Health Insurance Act (KVG).

In addition, the tariff partners, consisting of the medical profession, hospitals and health insurers, are to create a national tariff organisation for the outpatient medical sector, as exists for the inpatient sector. Service providers would be obliged to provide the tariff organisation, free of charge, with the data the organisation needs to carry out its tasks. This measure is intended to help limit the number of services provided in medical practices and outpatient clinics to what is medically necessary.

Number of employees in the Swiss healthcare system



325,908

Full-time equivalents

(2017, source: Federal Statistical Office)

As a further measure, service providers shall be legally obligated to send insured persons a copy of the invoice in all cases. This copy could also be sent electronically. The move is intended to increase patients' cost awareness.

Second package of measures announced

The second package of measures under the programme to curb cost growth in the healthcare system is to be submitted for consultation in 2020. It is expected to include further measures regarding drug prices, an appropriate distribution margin and greater transparency in the healthcare system.

Adjustment of distribution margin

An adjustment of the distribution share in the pricing of medications (distribution margin) is designed to reduce false incentives when dispensing medications and achieve savings under compulsory health insurance of around CHF 50 million annually. The aims are to reduce negative incentives for the dispensing and sale of medications and to promote dispensing of low-cost generics.

Gradual implementation of the revised TPA

The ordinary revision of the Therapeutic Products Act (second stage) came into force on 1 January 2019. The most important implementation steps can be summarised as follows:

Reclassification of medicinal products

The entry into force of the new Therapeutic Products Act in January 2019 means the dispensing categories are now as follows: A (single dispensing requiring a medical prescription), B (dispensing requiring a medical prescription), D (dispensing on the advice of a specialist) and E (dispensing without advice from a specialist).

Dispensing category C (dispensing on the advice of a medical professional) has been abolished, and dispensing categories D and E have been evaluated and expanded, respectively. The conditions for dispensing medicinal products in dispensing category B have been made more flexible and the boundaries between prescription-only and non-prescription medicinal products less strictly defined. Pharmacists are now able to dispense certain medicinal products in dispensing category B to patients without prescription.

Ordinance on Integrity and Transparency in the Context of Therapeutic Products (OITTP)

The ordinance specifies the details of the revised Therapeutic Products Act (TPA), which gives a new ruling about provisions on material benefits for service providers. The prescription or dispensing of medicinal products subject to prescription may not be influenced by financial incentives of any kind. The Federal Council adopted the OITTP on 10 April 2019. It entered into force on 1 January 2020.

In addition, under the Health Insurance Act, service providers are obliged to pass on the benefits granted to them in the SL and MiGeL (list of means and objects) areas, such as price discounts and reimbursements, to patients or insurers.

Electronic patient record: additional financial assistance for launch

In spring 2019, the Federal Council increased the financial assistance for reference communities to introduce the electronic patient record (EPR) in 2020. Healthcare professionals and their institutions are joining together in various decentralised reference communities to enable patients to open an EPR. By autumn 2020, all hospitals in Switzerland must be affiliated to a certified reference community in order to be able to offer the EPR.



1,806

pharmacies
in Switzerland

(2019, source: Pharmasuisse)



281

hospitals with a total
of 580 locations

(2018, source: Federal Statistical Office)



37,525

physicians
in Switzerland

(2018, source: Swiss Medical Association)

Service-based remuneration: new LOA V tariff model in development

The current tariffs from the service-based remuneration for pharmacists (LOA IV) were originally limited by the Federal Council until mid-2019. At the request of the negotiating partners, the Federal Council extended the tariff agreement in 2019 until the end of 2021. Swiss pharmacy association Pharmasuisse and health insurance associations thus have more time to work out the details.

Periodic review of drug prices

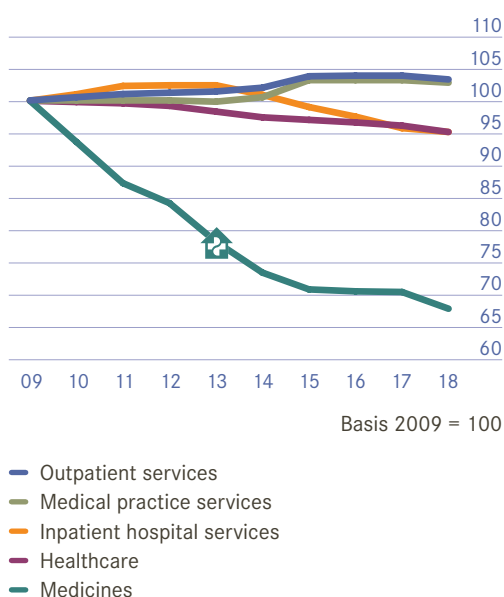
All medicines reimbursed by compulsory health insurance and that are consequently included in the specialties list (SL) are subject to a price review by the Federal Office of Public Health (FOPH) three years after their initial listing. The assessment is based on the criteria of efficacy, suitability and cost-effectiveness and for several years now has also included an international price comparison (IPC) and a therapeutic cross-comparison (TCC).

As part of the three-year review period (2017–2019), the FOPH reviewed the last third in 2019; these include drugs in the fields of cardiovascular diseases, infectious diseases and ophthalmology. The FOPH reduced the prices of 257 originator products by an average of 16.3% during this review period, which should lead to additional savings of around CHF 100 million in subsequent years. Total annual savings amount to over CHF 450 million in the review period 2017 to 2019. The three-year review round will start anew in 2020.

Outlook

The two packages of measures are set to trigger discussions on fundamental issues such as security of supply, quality, patient safety and the financial viability of the healthcare system. The structuring of individual measures will be decisive in determining how and to what extent service providers and the entire supply chain are affected.

Price index medicines and healthcare services



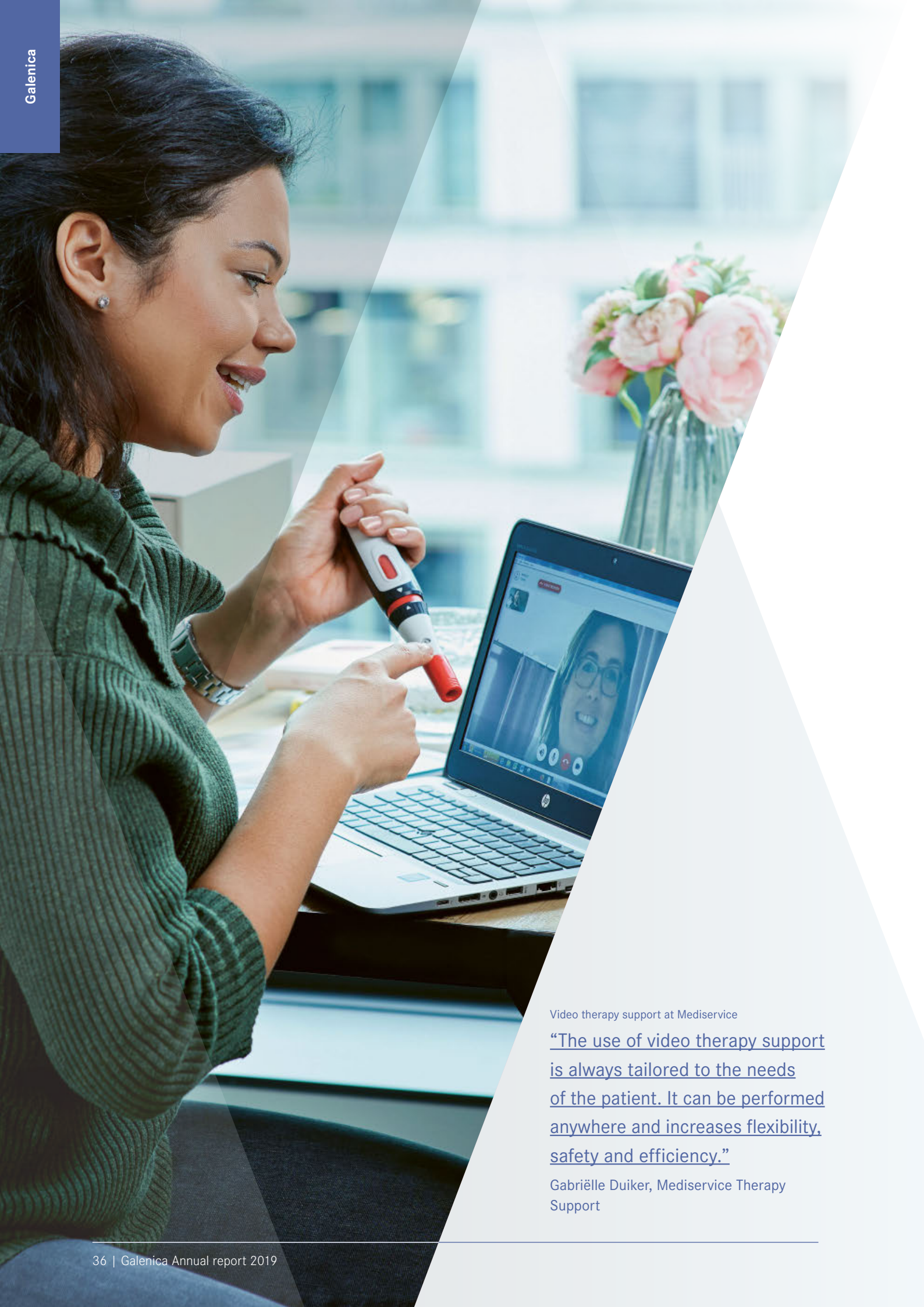
Source: Federal Statistical Office, Swiss consumer price index, IQVIA, conversion basis 2009 Pharmasuisse



Solar roof at Alloga

“Our photovoltaic energy production was increased fourfold thanks to this solar installation – a real success! We greatly appreciate the pleasant cooperation with Alloga.”

Beat Ritler, Managing Director Solarstadt Burgdorf



Video therapy support at Mediservice

“The use of video therapy support is always tailored to the needs of the patient. It can be performed anywhere and increases flexibility, safety and efficiency.”

Gabriëlle Duiker, Mediservice Therapy Support

Better day-to-day quality of life thanks to home care

In-home care and advice significantly improve the quality of life of patients with serious illnesses, helping them to cope with their often difficult situation. Thanks to Mediservice and the expanded offering following the 2019 acquisitions of the Bichsel Group and Curarex Swiss, the Galenica Group provides a unique and specialised range of home care services, considerably enhancing patients' health, wellbeing, safety and independence.

Sometimes help is needed quickly. A patient is at home trying to inject their medication using a "pen", as demonstrated by the Mediservice nurse the week before. They remove the pen cap, unscrew the cartridge holder, turn the threaded end and slide the cartridge into the holder until it clicks. Except that it does not click. The patient takes out his smartphone, opens the link he received and makes a video call. The nurse who visited him previously appears on the screen. She has the same pen and holds it up to the camera to go through the process again, step by step, with the patient. She checks via video that the threaded end is turned as far as it will go and that the cartridge is positioned correctly, and then it finally clicks into place. The patient attaches the needle to the pen and removes the protective cap. The pen is now ready for injection. To ensure the patient is comfortable using the pen, the nurse performs a dummy injection and observes the patient as he carries out the procedure on his own. Before ending the video call, they go over the key steps again together.

Personal advice via video telephony

Mediservice has expanded its home care service with this video therapy support, creating additional advantages for patients. The company operates throughout Switzerland and specialises in supporting patients with chronic and rare diseases who require specific drugs and complex therapies. In addition to home care, Mediservice also offers direct delivery of prescription medicines to patients.

"Our aim is for patients to be able to administer prescribed medications independently and correctly at home, thereby improving their wellbeing. Our new video therapy support is a vital part of this," explains Miriam James, Head of Distance Healthcare at Mediservice, pointing out the positive experiences and benefits of the new contact channel: "Patients appreciate how easy video telephony is to use and the opportunity to talk to a nurse or go through the individual steps again quickly in case of questions or uncertainty. But video telephony is only ever used as a supplement to personal contact and is not equally suited to all patients."

For data protection reasons, the video connection is encrypted, and no data are recorded or stored. Calls to nurses are therefore anonymous. Patients also do not need to download an app or install a program; instead, they simply click on the link sent to them by e-mail.

Care plan depends on the illness and chosen therapy

Patients are registered for therapy support by their doctor or hospital. During an initial home visit, a specialised Mediservice nurse shows the patient and their relatives how to administer the medication correctly, discusses questions about symptoms and how to deal with side effects and provides the necessary materials. This initial contact is important in establishing trust. The further course and intensity of care depend on the illness and chosen therapy. For patients with chronic migraine, for example, one visit at the start of treatment is often sufficient to show them how to use the new therapy. Afterwards, support is mainly provided by video telephony or phone. “For the wellbeing of patients with chronic pain, it is essential that they can communicate with us on a regular basis,” says Gabriëlle Duiker, specialist nurse at Mediservice. Therapy support for patients with an immunodeficiency is different. During the first month, they are visited up to three times a week by the responsible nurse until they feel confident administering infusions, after which video calls are held every three or six months to discuss any problems or questions concerning day-to-day therapy man-

agement. In addition, the nurse regularly exchanges information with the prescribing doctor and informs them of any new developments during the course of therapy. Thanks to home care therapy support, patients can administer infusions themselves at home and no longer have to go to hospital. “Naturally, we will also visit patients if they want or in case of difficulties, and there is a 24-hour hotline that they can call at any time,” adds Miriam James.

Galenica expands home nutrition services

The Galenica Group expands its home care offering in 2019 with the acquisitions of the Bichsel Group and Curarex Swiss. The Bichsel Group specialises in the manufacture of individual medicines and medical devices as well as home care services in home nutrition and home dialysis. It also offers pain, infusion and antibiotic therapy support.

Care services in the area of home nutrition are aimed at patients who are dependent on artificial nutrition because they cannot eat normal food or because normal food is insufficient. Andrea Rohrbach, Head of Home Care at the

Three questions for Gabriëlle Duiker, Home Care Therapy Support, Mediservice



Ms Duiker, what makes a good home care nurse?

We all have experience in dealing with acute situations, for example in emergency or intensive care medicine, as well as working with various doctors and service providers. In addition to technical skills, the ability to work independently is essential, as you are often travelling alone and are rarely able to communicate with other specialists. For this reason, all Mediservice nursing professionals meet once a month. The job is certainly demanding and requires a high degree of flexibility. But seeing the improvement we make to patients' lives with our care gives me a lot back in return.

Describe a typical working day.

There's no such thing. Every day is different. My patients can contact me at any time during my working hours if they have any questions or queries. I then try to set up a video call as promptly as possible. I try to have these types of conversations somewhere quiet if I can – preferably at home and not while travelling. Of course, I also have appointments that I arrange in advance, especially if it's an initial visit to a patient or a follow-up discussion.

Bichsel Group, explains that cancer patients, for example, are often dependent on oral nutritional supplements because they can no longer absorb all vital nutrients such as proteins, carbohydrates, fats, vitamins or minerals from solid food. By contrast, nutritional supplements are often in liquid form and can be drunk by the patient. Bichsel supplies these medically prescribed nutrition drinks to patients once a month. A telephone conversation often takes place before the first delivery, and Bichsel's specialists are also available afterwards to answer questions or clarify issues. "Patients who ingest food directly via the gastrointestinal tract using a feeding tube (enteral nutrition) or ingest nutrients via the bloodstream using an infusion (parenteral nutrition) are closely monitored by our specialists. After registration by their doctor or hospital, an initial home visit is organised. During this visit, we clarify the patient's condition, state of health and need for care, and usually also train their family members or Spitex home carers." Depending on the patient's situation, specialists make regular follow-up visits or provide follow-up care by phone. In case of problems, patients have a 24-hour emergency number at their disposal. "This creates

a sense of security and trust for everyone," explains Andrea Rohrbach, adding: "With our care services, we can give patients back a degree of normality in their everyday lives and make a major contribution to improving their quality of life."

Unique care offering for Parkinson's patients

Curarex Swiss specialises in the care of patients with advanced Parkinson's disease. "We support and assist Parkinson's patients with drug pump therapy so that they can stay at home and not have to go to hospital. Our small team of nursing professionals is active throughout Switzerland," explains Silke Feldmann, founder and Managing Director of Curarex Swiss. In pump therapy, the drug Duodopa® is released directly into the intestine and can thus achieve a continuous effect on the target site, the brain. Curarex Swiss specialises in this Duodopa therapy.

Following registration by the responsible physician or neurologist, an initial personal exchange takes place. A discussion before the start of therapy is essential so that the patient

What has been your experience of video therapy support so far?

Both nurses and patients had to get used to video telephony in the beginning. But we have since grown to really appreciate the advantages it brings. Thanks to video therapy support, we can help patients when they have doubts by showing them procedures again or observing them administer their treatment. We can also get a first impression of problems much more quickly, which in turn means we nurses don't have to travel as often. However, video telephony is not a substitute for professional medical assessments. Sometimes, it's also necessary to visit patients and touch their skin, for example.

Patient safety and health have top priority

The health and safety of patients take top priority at Galenica. In home care, nursing professionals play a key role in ensuring this. They see to it that patients feel confident managing their therapy and administering their prescribed medication independently and correctly. They are also available around the clock in case of queries or emergencies and take an advisory function in the event of questions or problems. The home care teams of Mediservice, Bichsel and Curarex consist mainly of qualified nursing professionals who are extensively trained and have many years of experience in their specialist areas. At the Bichsel Group, dieticians also play an important role in the care of patients with oral and enteral nutrition. The expert team at Curarex Swiss consists of trained Parkinson's nurses and Parkinson's assistants with valuable experience in neurological care and treatment. At Mediservice, specialists with clinical experience and additional training in anaesthesia, intensive care or emergency care make up most of the workforce. As there is no specific training or further education for home care in Switzerland, the nursing professionals are trained internally by the individual companies. Due to the demanding nature of the work, it usually takes six months before carers are able to work independently with their patients. Regular external and internal further training, as well as specific training courses, ensure that they continually update and expand their knowledge. In addition, all three companies have a quality management system that supports employees in their daily work. Written instructions and the involvement of relatives also contribute to increased patient safety.

can decide whether the therapy is suited to them. "We discuss with the patient and their relatives the different ways in which the pump can be worn, the daily routine and other relevant aspects concerning handling of the pump." Patients who opt for pump therapy receive intensive support during the first few weeks. This includes training for the patient as well as for relatives or supporting care organisations. "We visit all our patients once every six months, as problems can often only be identified during a personal visit. In the meantime, however, we are available to patients around the clock either by phone or for home visits in the event of emergencies. We are also in close contact with their relatives," continues Silke Feldmann. "Our offering is unique in Switzerland and contributes to an improved quality of life for our patients," she stresses. The next phase will see Curarex Swiss also launch video therapy support. Silke Feldmann firmly believes that video telephony will quickly prove popular with patients as well as nurses thanks to its considerable benefits.



Acquisition of the Bichsel Group

“I greatly appreciate the cooperation with Laboratorium Dr. G. Bichsel Ltd. The individually manufactured solutions reduce sources of error at application stage, which increases patient safety.”

Dr. pharm. Enea Martinelli, Head Pharmacist
Spitäler fmi Ltd.

Home care in the Galenica Group

Home care
services since

1966

54 employees
care for
8,500
patients

from all therapy
classes

Care for patients
from two weeks to
over several years

Personal care
for patients
for an average of

4 years

Drug pump therapy
at home rather
than in hospital

Oral nutritional supplements; enteral and
parenteral nutrition; pain, infusion and
antibiotic therapy; home haemodialysis
and peritoneal dialysis; metabolic disease;
stoma; individual special products

bichsel

Home delivery of medications,
home care, distance healthcare

MEDI  SERVICE

Care of patients with advanced
Parkinson's disease



1

Registration of the patient
by the doctor or hospital

Delivery of nutritional supplements once a month

4



5

24-hour emergency number



4

Follow-up with home visits, and via video telephony or phone



3

Instructions to patient, training of relatives or care staff



2

Initial visit to the patient at home



4

Intensive support during the first weeks, then home visits at least every six months



Personal care for more than
11,000 patients
since 2007

Specialists with clinical experience, additional training in anaesthesia, intensive care or emergency care

Average patient age

55-70 years



Personnel resource planning ("PEP")

"Thanks to the innovations of PEP, I am more efficient. Sending expense claims or medical certificates is now made very easy and fast for the whole team."

Lauranne Campagnoli, Manager Amavita Pharmacy Granges-Paccot

Human Resources

Together for greater efficiency

The number of Galenica employees continued to grow in the year under review, mainly due to the expansion activities in the Retail Business sector. As of the end of 2019, Galenica employed 7,071 people. Given the increasing number of employees, efficiency is also a major topic when it comes to HR processes. Various projects were launched, continued or brought to completion in 2019 with the aim of making even better use of potential synergies and boosting efficiency. The focus was on the Group-wide harmonisation of personnel regulations. Various personnel regulations were therefore revised and – wherever possible and reasonable to do so – harmonised. From 1 January 2020, Group-wide personnel regulations, revised working time regulations and home office guidelines applicable to all employees have been introduced. Other examples of greater efficiency in Human Resources include a digital system for managing recruitment that all companies of the Galenica Group now have and electronic expense claims in the Retail Business sector. Finally, the new common pension fund for all Galenica Group employees and pension recipients was established, changing the name of the Galenicare Pension Fund to the Galenica Pension Fund as of 1 January 2020.

Number of employees

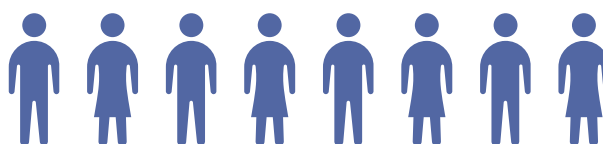


● Galenica Ltd.	39
● Retail	5,134
● Products & Brands	140
● Services	1,758

Training and development

Employee development

Productive cooperation requires regular exchange of knowledge between employees, and, in particular, 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). The UME concept was revised in 2019, meaning that the new employee development programme “Move” can be launched in 2020 as part of pilot events. While the current offer is geared primarily towards new managers, the focus of the new programme has been expanded to provide continuous professional development to a broader audience.



7,071
Number of employees

Number of women and men



5,268
Women (75%)

1,803
Men (25%)

E-learning and events

Group-wide e-learning modules were rolled out in 2019 too, allowing all employees with a business e-mail account to access training on “Information security” and “Anti-corruption”. In 2019, the Retail Business sector also launched an e-learning module on “Culture and values” as part of a pilot project, training new employees on the five key values of the Galenica Group (see page 50). The other Business sectors, too, are conducting e-learning modules tailored to their operational requirements.

New employees were again invited to an induction day (SAM 1) in 2019 to give them a stronger sense of the culture, development and strategies of the Galenica Group and its companies. 195 employees took part in this induction day in the year under review. Additional SAM seminars train participants on various technical and methodological issues.

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 subsequently address “Performance” and “Health”, the FAB 3 seminar “Focus and energy” and FAB 4 “Management of change processes”. These advanced training courses are aimed at members of Senior Management

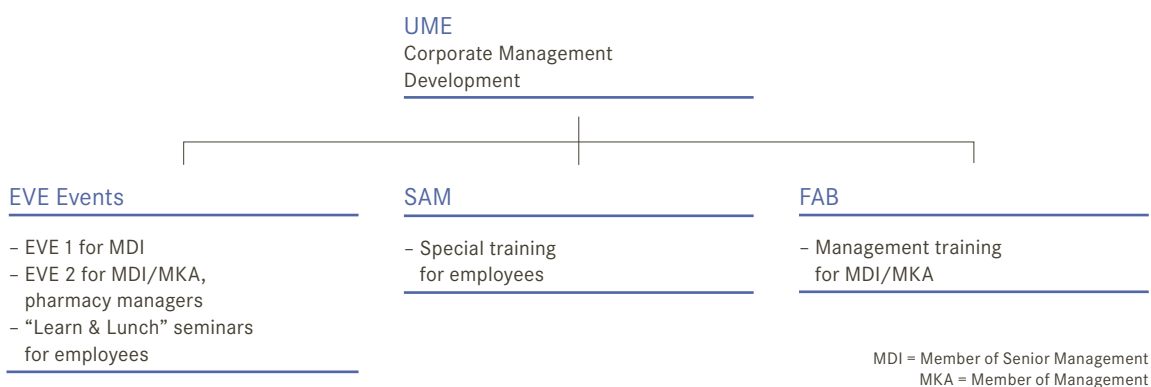
(MDI) and members of Management (MKA). 100 members of management participated in these courses in 2019. A strong corporate culture depends upon the key values of Galenica being fully realised in daily life, so they form an integral part of all FAB modules.

Events

The EVE 1 event is a management platform for communicating strategic objectives. At the EVE 1 event in March 2019, 120 members of Senior Management (MDI) received information on the Galenica Group strategy and saw various short presentations on the topic of digitalisation.

At the EVE 2 event in August 2019, around 500 members of Senior Management (MDI), members of Management (MKA) and pharmacy managers came together. The key topics were the three strategic development axes of Galenica: expansion, innovation and efficiency. Speeches and panel discussions provided plenty of debate and information about examples within the Galenica Group. Guest speaker and top athlete Chantal Cavin, who has been blind since the age of 14, talked about regaining her motivation after losing her sight, achieving top performance as part of a team and using digital innovation to make her day-to-day life easier. As last year, the participants had the possibility during the event to ask questions about items on the agenda via a web app, and they made good use of this opportunity.

Corporate Management Development



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

Expansion, innovation and efficiency – our employees

Through their skills, commitment and ideas, Galenica employees make a significant contribution to ensuring that the Group can continue to grow successfully along the three strategic development axes of expansion, innovation and efficiency.

Various harmonisation measures have been launched to strengthen the sense of belonging to the Group given the growing workforce, with employees' hard work contributing to the successful implementation of these measures. Personnel and working time regulations have been harmonised across the Group, wherever possible and reasonable to do so. The staff committees and the works committee have worked closely and intensively with the companies' HR responsables to achieve the best possible outcome for all employees.

Employees of the Galenica Group are also extremely innovative! The initiatives from the Retail Business sector's Talent Management Programme are proof of this: one example is the idea of a skin-analysis tool to allow skin experts in pharmacies to give customers targeted advice and specific product recommendations. Another example is the integration of the "Ma vie sans Gluten" product line in selected Sun Store pharmacies, originally proposed by an employee in Retail Talent Management. The focus here is on expanding the range in the pharmacies, in this increasingly important area that meets a growing customer need. Taping – a service offered in all Coop Vitality pharmacies – started off as a Talent Management project as well. This involves applying elastic tape to the skin, for example to alleviate muscle pain or tension.

Finally, employees play a key role in the implementation of the current measures aimed at boosting efficiency, with the introduction of a new ERP system at Alloga and Galexis and the modernisation of the Galexis distribution centre in Lausanne-Ecublens, to name just two examples. Major projects of this nature initially involve additional effort for employees on top of their day-to-day work before the results can be seen and processes become more efficient. Every day, Galenica Group employees work with plenty of energy and motivation on all these projects, and therefore contribute to their success. They know that together, we are stronger!



Investing in employees

Galenica offers its employees a range of fringe benefits, with special emphasis on structured training and development. CHF 4.0 million was invested in further training in 2019 (previous year: CHF 4.4 million).

Training in pharmacies

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

The Retail Business sector also covers the costs of the "Specialist Pharmacist in Retail Pharmacy" (FPH in Retail Pharmacy) further training for its pharmacists. Due to the revision of the Federal Act on Medical Professions (MedBG), certified pharmacists now have to complete this federal training course if they want to manage a pharmacy. Galenicare is committed to ensuring that as many pharmacists as possible from all formats complete this training.

In light of the legislation being revised, Galenicare has also developed the FPH certificate of competence in patient history in primary care as further training together with an external provider. This further training strengthens the skills of pharmacists in the area of primary care and qualifies them to diagnose minor ailments and dispense an appropriate prescription drug.

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. Eleven mentees took part in the programme in 2019. Additionally, the Retail Business sector has its own Talent Management Programme (see page 47).

641

Managerial employees



52 %

Women



48 %

Men

Headcount trends

	Number of employees		of which part-time employees <90%		Full-time equivalents	
	2019	2018	2019	2018	2019	2018
Galenica Ltd.	39	37	10	10	34	33
Retail	5,134	4,739	2,433	2,149	3,855	3,573
Products & Brands	140	133	56	56	120	112
Services	1,758	1,671	398	388	1,440	1,388
Total	7,071	6,580	2,897	2,603	5,449	5,106
Total employees in %			41.0%	39.6%		

Number of managerial employees

	Total number of managerial employees		of which women		of which men	
	2019	2018	2019	2018	2019	2018
Galenica Ltd.	25	28	11	13	14	15
Retail	394	378	238	225	156	153
Products & Brands	52	49	27	23	25	26
Services	170	160	59	52	111	108
Total	641	615	335	313	306	302
Total employees in %	9.1%	9.3%	4.7%	4.8%	4.3%	4.6%

Attracting employees

Since 2019, all Group companies have had a system for managing recruitment in place to digitalise the entire application process, resulting in significant time savings.

In the year under review, the Retail and Services Business sectors again relied increasingly on social media, particularly on Xing and LinkedIn, to recruit new employees. Recruitment for pharmacies continues to take in neighbouring countries; however, this has become more complex due to the revised Federal Act on Medical Professions (MedBG) and the requirement for pharmacists to have an FPH in Retail Pharmacy (see page 48). Galenicare further strengthened its presence in Swiss universities to establish direct contact with pharmacy students and make them enthusiastic about a career as a pharmacist. The aim is to reach students while they are still studying and to encourage them to pursue a career up to manager of a Galenica Group pharmacy.

The recruitment of specialist staff continues to be a challenge in all Business sectors, which is why Galenicare and Galexis will also invest in hiring experts in HR marketing and recruitment in 2020.

Training apprentices

Galenica is putting a lot of effort into training future specialists: in 2019, the Group companies trained 841 apprentices – 757 young women and 84 young men. Of these, 265 completed their apprenticeships, many with flying colours. Having qualified, 125 apprentices have since become Group employees. In addition, Galenicare created three new apprenticeship posts in 2019 and now also trains commercial apprentices. Furthermore, the Group companies organise camps for their apprentices and hold induction days for new apprentices, sometimes in collaboration with other companies outside the Group, for example Galexis and the beverage producer Rivella.

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. A programme was launched in the year under review aimed at creating a new, internal digital communication

platform that employees can access from any device, regardless of whether they are office or non-office workers. The overall programme should be realised with different projects, the first of which is scheduled for completion in the second half of 2020.

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. The summer 2019 issue of Spot was published under the overall theme of "Innovation", with the December issue devoted to "Efficiency".

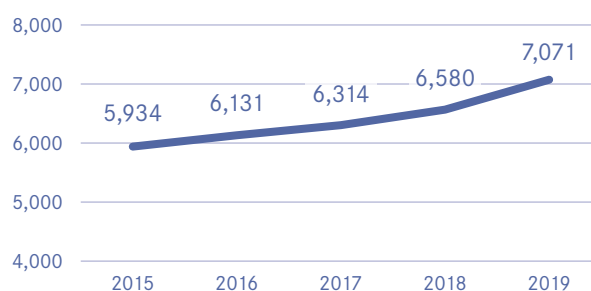
Harmonisation of personnel regulations completed

After much hard work, employees were informed of the new, harmonised personnel and working time regulations in the summer of 2019. The aim of this harmonisation was 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. The new regulations came into force on 1 January 2020.

New ID card and simplified expenses claims

Preparations were completed in 2019 for the rollout of the new ID cards, which were sent to all Galenica Group employees at the end of 2019. These now also allow employees to use their employee discount in the online shops of own pharmacy formats.

Headcount development 2015–2019



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 Retail Business sector completed the digitalisation of its entire expenses process. Employees now scan their receipts in an app for their line managers to sign electronically. The expenses claims are then paid out automatically with the next monthly salary. This results in significant time savings for everyone involved. Furthermore, employees in the Retail Business sector can now buy train tickets online, so the costs are allocated directly to the correct cost centre and do not need to be reimbursed individually.

Employee motivation

The “Comité de Réflexion”

Galenica encourages the exchange of views between employees in all Galenica Group companies and corporate management in an internal think tank, the “Comité de Réflexion”. Among other things, the more than 20 employees from all country and language regions help to firmly anchor and further shape the corporate culture. The committee met twice in the year under review and discussed topics such as e-health.

Annual motto for 2019: Together, let's seize our chances

“Together, let's seize our chances” was the annual motto of the Galenica Group for 2018 and 2019. It built on the key value of “Together, we are stronger” and was an expression of determination and optimism. It was 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. The activity associated with the annual motto was an exchange programme, which gave employees the opportunity to visit Group colleagues at their workplace. This was intended to encourage discussion and collaboration across departments. Multiple teams and employees took advantage of this opportunity and their feedback was highly positive.

Annual motto for 2020: Trust, change, connect!

The annual motto for 2020 and 2021 is “Trust, change, connect!”. The three invitations it contains are a perfect fit with the challenging, changing environment of the Galenica Group. The slogan expands on the key value “We build trust” and encourages employees to shape the future with trust and deal positively with and actively support changes in their day-to-day working life. The annual motto also relates to digitalisation, which focuses on networking systems, supported by numerous projects and innovations.

As in previous years, the Comité de Réflexion will use activities to motivate employees to implement the motto.

“Opinio” employee survey

In 2019, measures resulting from the previous “Opinio” employee survey in 2017 were further implemented. For example, the theme of “Personal perspectives”, which was a major concern for employees,

was included in the revision of the UME programme, and a new internal communication position was created in the Retail Business sector so that this topic can be addressed more proactively. Additional communication platforms for members of Senior Management were also created in the Services Business sector to involve them more closely in the process for establishing objectives.

The next “Opinio” survey will be conducted in autumn 2020.

Work-life balance

Employees now require flexible working hour arrangements, and the Galenica Group offers many opportunities to facilitate this. For example, the Home Office Guidelines were harmonised across the Group and introduced in all Galenica Group companies from 1 January 2020. Employees also appreciate the opportunity to work part time (41.0% of employees work part time; see page 48). Paternity leave was doubled to ten days as part of the harmonisation of personnel and working time regulations, and employees now have the possibility to buy vacation days.

In addition, Galenica teamed up with an external partner to conduct a qualitative survey on gender diversity in the Galenica Group. In collaboration with this partner, measures will be drawn up in 2020 based on the survey results.

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 continued its structured absence management system. Employees were offered the flu vaccine in the Retail and Products & Brands Business sectors. The Retail Business sector also developed an outline concept on “Health in the workplace” in 2019; the first measures will be implemented in 2020. 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).



New competencies of pharmacists

“The Apohealth tool really helps me make decisions in more complex cases – especially when it comes to dispensing a prescription drug.”

Vivian Vu-Lam, Manager Coop Vitality
Pharmacy Silbern, Dietikon

Illnesses

Employees were once again able to take advantage of Galenica Case Management in 2019. 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 illnesses decreased compared to the previous year to 315.

Accidents

Based on data from Suva and private insurers, Galenica accident statistics show an increase in occupational accidents. In 2019, 191 accidents were reported.

Employee profit-sharing programme

All employees were once again paid a profit-sharing bonus in 2019. 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 2019, 18.7% of employees participated in this programme (previous year: 19.1%). 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 81 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

The final steps were taken towards the division of the Galenica Pension Fund in the year under review, completing the project for a uniform, common pension fund for all employees of the Galenica Group as of the end of 2019. The new name of the Galenica Group Pension Fund was introduced on 1 January 2020, thereby completing the logical and legally required step for Galenica and Vifor Pharma to each have their own independent pension funds after the IPO of Galenica in 2017.



The new Galenica Pension Fund

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. In September 2019, the authorities approved the asset transfer agreement, which was then entered in the commercial and land registers. In consequence, at the end of 2019, it was decided to change the name of the Galenicare Pension Fund to the Galenica Pension Fund.

As in the past, the new pension fund 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). Like the previous foundation, it is 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 fund is managed according to the defined contribution principle and is generally funded by contributions from the employee and the employer. The contributions made by employee and employer 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 fund 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 schemes correspond to the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVG2) 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 scheme is 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 fund pays. Further information on reporting and the current coverage ratio can be found in the notes to the Consolidated financial statements (see page 134).

Works committee

Representatives of the Galenica Corporate Executive Committee and HR management from all Business sectors 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 revision of regulations for members of the staff committees and the works committee.

The staff committees meet several times per year and are also informed about the topics and resolutions of the works committee meetings.

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 thus 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 2019. 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 selectively supports other projects in the healthcare sector. Furthermore, Galenica Group companies support a number of 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 2019, 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. Galexis and HCI Solutions provide IT equipment they no longer need to a good cause. Galexis 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 schools 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. Throughout the year, Sun Store sells wallets and donates the proceeds to the organisation. The foundation uses these donations to train health workers in developing countries affected by this disease.

Casa Santa Elisabetta. Instead of flowers, Unione Farmaceutica Distribuzione (UFD) sold cards for International Women’s Day on 8 March 2019 and donated the proceeds to “Casa Santa Elisabetta” in Lugano, an association that supports women and mothers experiencing difficulties.

A photograph of a woman with long brown hair and a young boy with short brown hair, both smiling and looking at a green, bumpy, horned stuffed animal. The woman is holding the animal, and the boy is touching it. They are in a room with shelves in the background, one of which has a box with a green and blue design and some text in German.

Verfora advertising campaign

“With our basic attitude ‘For Life’,
we at Verfora want to be present
in a positive way from the specialist
retail trade to the everyday lives
of consumers.”

Nicole Hochstrasser, Marketing Manager
Verfora, Pain, Merfen



The e-mediplan

“The e-mediplan is a key component towards omni-channel. Above all, the app offers customers convenience and greater safety thanks to reminders or direct contact with their doctor, and can also save them money by recommending generics.”

Damaris Aeschlimann, Head E-Business
Galenicare

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) and 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 75).

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. 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 2019 on page 149. The addresses of the main Group companies are listed on pages 96 and 97. 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 72).

Shareholders

On 31 December 2019, Galenica had 14,452 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

In addition, Norges Bank (Central Bank of Norway), Oslo, Norway, reported various instances of both crossing and falling below the 3% threshold of shares. No other shareholder 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 72).

As of 31 December 2019, the pension fund of the Galenica Group was registered with 0.39%.

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 24 February 2020, there are no further disclosures of shareholdings pursuant to Art. 120 of the FMIA.

Structure of the share capital

Share capital

On 31 December 2019, 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 2019, 49,339,150 shares were outstanding (not including treasury shares). The market capitalisation amounted to CHF 2,952.9 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 2 May 2021 by issuing no more than 5,000,000 fully paid shares.

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 2019, Galenica had no conditional capital.

Structure of the Galenica Group

Status: December 2019

**Changes in the capital**

Information about changes in the share capital, reserves and distributable profit can be found on pages 160 and 161 of the Financial statements 2019.

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, are 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. For the Board of Directors, sustainability is of central importance (on sustainability, see also the feature starting on page 37). 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 Code of Obligations (in particular Art. 716a CO), the company's Articles of Association and its Organisational Regulations (see related links on page 72). 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 2019. Markus R. Neuhaus was elected to the Board of Directors at the Annual General Meeting 2019. The previous Chairman of the Board of Directors, Jörg Kneubühler, stepped down at this time. Daniela Bosshardt was elected the new Chairwoman of the Board of Directors.

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 Markus R. Neuhaus strengthened expertise in finance, corporate strategy and management as well as corporate governance/compliance. The Board of Directors will continue to focus actively on the issue of succession planning and its composition. Attention will be paid in particular to diversity and complementarity in this regard. New members of the Board of Directors are introduced to their responsibilities and gain an overview of the current challenges for the Group and Business sectors at a one-day event. Pascale Bruderer will be proposed as a new member of the Board of Directors at the Annual General Meeting on 19 May 2020. Fritz Hirsbrunner will step down from the Board of Directors at this time. Pascale Bruderer will bring important additional knowledge in the areas of healthcare policy, home care and digitalisation to the Board of Directors. The Board of Directors reviews its functional effectiveness once a year. In 2019, a self-assessment was carried out based on a standardised survey. The Board of Directors views itself as a well constituted team of optimum size, with a range of experience, complementary expertise and a good combination of different personalities. The committees of the Board of Directors also carried out a self-assessment in 2019. The Board of Directors is again planning to carry out an assessment with external support by 2021.

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 reached this limit in 2019.

With the exception of the Chairman of the Board of Directors, Jörg Kneubühler, who stepped down with effect from the Annual General Meeting on 2 May 2019, 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. Based on the criteria of the Swiss Code of Best Practice for Corporate Governance, all members are therefore independent.

Duties of the Chairwoman of the Board of Directors

The Chairwoman is responsible for leading the Board of Directors and the ongoing optimisation of Group strategy. The duties of the Chairwoman 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 Chairwoman monitors implementation of decisions taken by the Annual General Meeting and Board of Directors. She 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 Galexis 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 Chairwoman, 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 Chairwoman 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 Chairwoman. She 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 Chairwoman 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 2019, the Board of Directors held six meetings. The Board of Directors is also informed on a regular basis about the current state and general development of the Business sectors.

As part of its risk management, the Board of Directors receives from the Corporate Executive Committee an overview of the most important risks, along with preventive measures to be implemented Group-wide as part of the risk management process. This is provided when circumstances require it, but at least twice a year. Further information on this topic can be found on page 70.

Committees

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

- Governance and Nomination Committee
- Remuneration Committee
- Audit and Risk Committee
- Strategy Committee

The Governance and Nomination Committee has been a standing committee since the Annual General Meeting on 2 May 2019 (previously ad hoc).

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 72).

Governance and Nomination Committee

The Governance and Nomination Committee comprises four members. This committee supports the Chairwoman 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 2019, the Governance and Nomination Committee prepared in particular the nomination of a new CEO as well as a successor on the Board of Directors in seven meetings and several teleconferences. The members were Daniela

Committees of the Board of Directors and their chairs and members 2019

	Name	Member since	Independent	Remuneration Committee	Audit and Risk Committee	Strategy Committee	Governance and Nomination Committee ¹⁾
Board of Directors	Daniela Bosshardt Chairwoman of the Board of Directors ²⁾	2017	Yes			Member	Chairwoman
	Bertrand Jungo Vice-Chairman ³⁾	2018	Yes			Chairman	Member
	Michel Burnier	2017	Yes	Member			
	Fritz Hirsbrunner	2017	Yes	Chairman	Member		Member
	Markus R. Neuhaus	2019	Yes		Member	Member	Member
	Philippe Nussbaumer	2017	Yes			Member	
	Andreas Walde	2017	Yes	Member	Chairman		
Number of meetings 2019	6			4	5	5	7
Honorary Chairman	Etienne Jornod						
General Secretary	Markus Dill						

¹⁾ The Governance and Nomination Committee has been a standing committee since the Annual General Meeting on 2 May 2019 (previously ad hoc)

²⁾ Chairwoman of the Board of Directors since the Annual General Meeting on 2 May 2019, succeeding Jörg Kneubühler, who stepped down from the Board of Directors with effect from 2 May 2019

³⁾ Vice-Chairman of the Board of Directors since 2 May 2019

Bosshardt (Chairwoman), Bertrand Jungo, Fritz Hirsbrunner and Markus R. Neuhaus. Marc Werner, the new CEO, will take up his role from 1 April 2020. Pascale Bruderer is to be proposed for election as a new member of the Board of Directors at the Annual General Meeting on 19 May 2020.

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 Chairwoman, 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 Chairwoman of the Board of Directors.

For the regulations in the Articles of Association governing remuneration, see page 65 and the Remuneration report from page 75. The activities and focuses of the Remuneration Committee in the year under review are detailed in the Remuneration report (see page 77).

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;

Continued on page 64 ►

Members of the Board of Directors



Daniela Bosshardt, Chairwoman of the Board of Directors, elected since 2017

- Born 1972, Swiss citizen
- Pharmacist, Federal Diploma in Pharmacy, Federal Institute of Technology, Zurich (ETHZ)
- Financial analyst at Bank am Bellevue (1998–2002) and M2 Capital (2003–2004)
- Management consultant in the pharmaceutical, medical technology and biotechnology sectors since 2004
- Member of the Board of Directors of Reprisk Ltd.
- Former Board mandates at Vifor Pharma Ltd. (2008–2019), investiere.ch – Verve Capital Partners Ltd. (2017–2019) and Nobel Biocare Ltd. (2010–2014)



Bertrand Jungo, Vice-Chairman of the Board of Directors, 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
- With Admeira Ltd. since 2017, until February 2020 as CEO, since then member of the Board of Directors
- Member of the Advisory Board of the International Retail Summit (IRS) of the Gottlieb Duttweiler Institute (GDI)



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 (former council member and Treasurer) and Swiss Society of Hypertension (former President)
- 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. from 2007 to 2009
- Member of the Board of Directors of Vifor Pharma Ltd.



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, Deputy CEO and CFO from 1992 to 2011. Head Investor Relations from 2012 to 2014 (mandate basis)
- Member of the Board of Trustees of IST Investmentstiftung
- Member of the Board of Directors of Berlac Ltd., IVF Hartmann Holding Ltd. and Vencap 6 Ltd.
- Former Board member of Vifor Pharma Ltd. (2012–2019)



Dr. Markus R. Neuhaus, elected since 2019

- Born 1958, Swiss citizen
- Dr. iur., certified tax expert
- Various roles at PwC from 1985, including CEO of PwC Switzerland from 2003 to 2012, member of PwC's Global Board from 2005 to 2007, member of the PwC Network Executive Team from 2010 to 2013, member of PwC's Office of the Global Chairman from 2013 to 2016 and Chairman of PwC Switzerland from 2012 to 2019
- Various other functions, including Chairman of the Zürcher Volkswirtschaftlichen Gesellschaft (Economic Society Zurich), Vice Chairman of the Zurich Chamber of Commerce, Vice Chairman of Avenir Suisse and Chairman of the Finance and Tax Commission of Economiesuisse
- Member of the Board of Directors of Barry Callebaut AG (Vice Chairman), Baloise Holding AG, Orior AG (Vice Chairman) and Jacobs Holding AG



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, founder and member of the Board of Directors of the Medi-Centre Ltd. medical centre in La Chaux-de-Fonds
- Member of the Board of Directors of Veripharm Ltd.

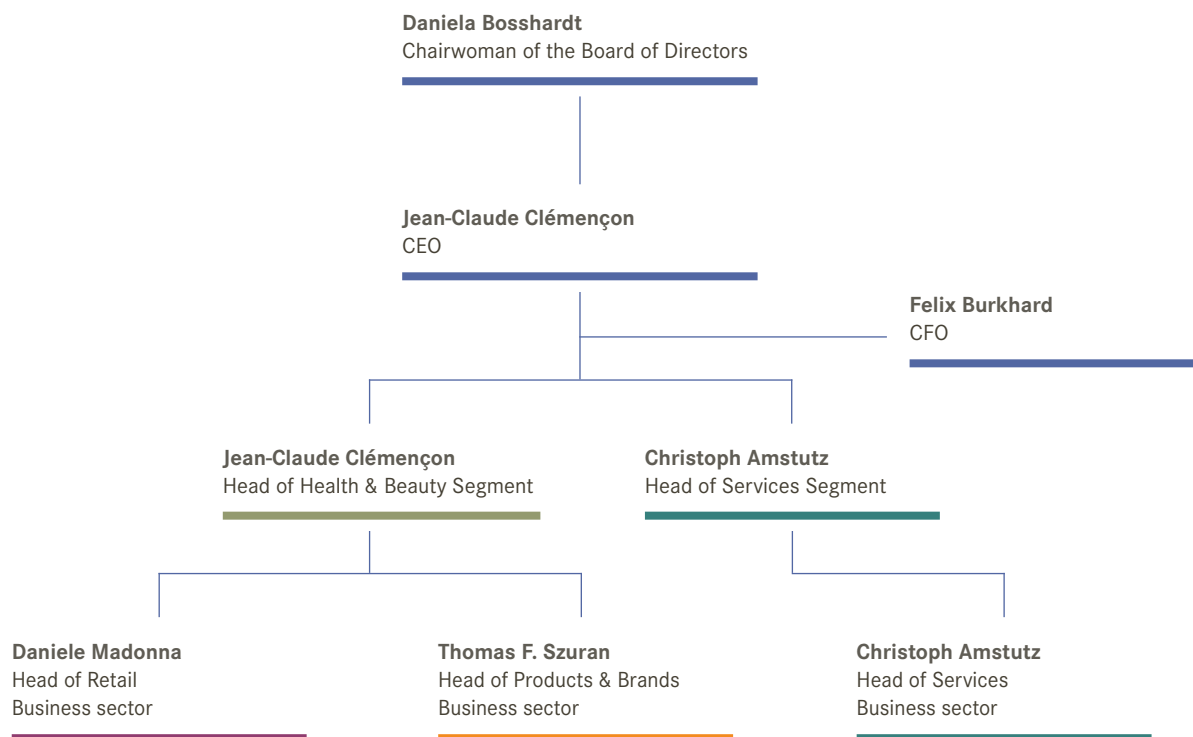


Dr. Andreas Walde, elected since 2017

- 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., former Galenica Group, since 2013
- Member of the Board of Swiss-Holdings, and the Board of Scienceindustries
- Former (Board) mandates for several private and (non-Swiss) listed companies as well as former member of the Board of the Society of Swiss Enterprises in Germany

Leadership organisation

Status: December 2019



- 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 of 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 2019

In 2019, the Board of Directors held six meetings, together with members of the Corporate Executive Committee. The Remuneration Committee met four times, the Audit and Risk Committee five times and the Strategy Committee five times. The Governance and Nomination Committee met seven times and held numerous teleconferences. In principle, all the members participate in all the meetings of the Board of Directors. Attendance of meetings of the Board of Directors in 2019 was 93% and that of committee meetings was 96%.

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 Chairwoman. Together with the Chairwoman, 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 Committee allocated to the relevant Business sector and approves the budget. Compliance with these targets is monitored based on monthly reports to the Board, which include key figures and reporting on important events and developments, and on the planning cycle. In the first quarter, the results for the previous year are compared with the planning for that year. In the second quarter, the current financial year is evaluated by means of a "Last Estimate 1", and a medium-term plan for the next three years is drawn up. In the third quarter, the results for the first half-year are prepared and reviewed, and in the fourth quarter, the expected annual result, "Last Estimate 2", is discussed and the budget for the following year agreed.

The Articles of Association of Galenica Ltd. restrict the ability of the members of the Corporate Executive Committee to act in the highest management and administrative bodies of other companies, limiting such outside activity to one mandate in listed companies and three mandates in total, subject to prior approval by the Board of Directors (Art. 20 (3) of the Articles of Association). None of the members of the Corporate Executive Committee reached this limit in 2019.

Further information on the other duties of the Board of Directors, Chairwoman and Corporate Executive Committee can be found in the Organisational Regulations published on the Galenica website (see related links on page 72).

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 75.

Continued on page 68 ►

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 Ltd. (Rheinsulz) and CEO of Raintec GmbH (Dogern, Germany)
- Joined the former Galenica Group in 1995 as Operations Manager Galexis Zurich; Head of Schönbühl Distribution Centre from 1999; Head of Galexis from 2002; Head Logistics Business sector from 2005 to 2015 and, in addition, in charge of Healthcare Information from 2010; member of the Corporate Executive Committee of the Galenica Group from 2010; Head Retail Business sector from 2015 to 2017
- CEO Galenica Group since 2017



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 Ltd. (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 the Galenica Group since 2010; Head Strategic Projects from 2015 to 2017
- CFO Galenica Group since 2017



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 Ltd. (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 Ltd. (Egg/Zurich)
- Head of G-Pharma Ltd. from 2010 to 2011; Head of Alloa Ltd. in 2011; Head Services Business Sector since 2015
- Member of the Corporate Executive Committee of Galenica Group since 2017



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; CEO of Coop Vitality Ltd. in Bern from 2014 to 2017
- Since 2017 Head Retail Business sector and member of the Corporate Executive Committee of the Galenica Group



Dr. Thomas F. Szuran,
Head Products & Brands Business sector

- 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 Ltd. (Dübendorf) in 2008 as Marketing Director, and was CEO of Biomed Ltd. from 2011 to 2018
- Since 2012 member of the Executive Board and since 2013 President of the Association of the Swiss Self-Medication Industry (ASSGP)
- Head Products & Brands Business sector and member of the Corporate Executive Committee of the Galenica Group since 2019

Members of the Corporate Executive Committee

Name	Member since	Role
Jean-Claude Cléménçon ¹⁾	2017	CEO
Marc Werner ²⁾	2020	CEO
Felix Burkhard	2017	CFO
Christoph Amstutz	2017	Head Services Business sector
Daniele Madonna	2017	Head Retail Business sector
Thomas F. Szuran	2019	Head Products & Brands Business sector

¹⁾ CEO until 31 March 2020

²⁾ CEO from 1 April 2020

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 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 72).

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 58 and 59 for further details.

Procedure and conditions for lifting restrictions on voting rights

For restrictions on voting rights to be lifted, shareholders who together represent not less than 5 % of the share capital entered in the commercial register must request in writing that such an item be included on

the agenda no later than 40 days before the Annual General Meeting. The Annual General Meeting must indicate its approval based on at least two-thirds of the votes represented and the absolute majority of the nominal capital represented.

Quorums under the Articles of Association

In addition to the cases cited in Art. 704 of the 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 2019 that are to be dealt with at the Annual General Meeting on 19 May 2020 must be submitted no later than 9 April 2020, and those for the Annual General Meeting

on 12 May 2021 no later than 9 April 2021. The items to be included on the agenda must be specified along with the motion on which the shareholder requests a vote.

Shareholders' register

There are no regulations in the Articles of Association regarding a deadline for entry in the shareholders' register. However, for practical reasons the shareholders' register remains closed to entries for several days prior to an Annual General Meeting. This will be the case from Tuesday 12 May 2020 for financial year 2019 and from Wednesday 5 May 2021 for financial year 2020. Shareholders entered in the shareholders' register by Monday 11 May 2020 and Tuesday 4 May 2021 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 20 April 2020, 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 Friday 15 May 2020 for the 2020 Annual General Meeting and by Monday 10 May 2021 for the 2021 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, have been the Galenica Group's auditors since 2017. Roland Ruprecht, certified accountant, a partner at Ernst & Young, is in charge of the audit since 2017. The fees paid to the Group's auditors Ernst & Young in 2019 for their audit of Galenica and companies within the Galenica Group totalled CHF 800,000.

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 193,000 for additional advice in audit matters.

In 2019, 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 3 March 2020.

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 compliance training sessions were again held in 2019, including Group-wide anticorruption training. Galenica enforces a zero-tolerance approach to corruption and bribery on the part of employees, partners, suppliers and representatives of third parties. Training on competition law was carried out on site at all Group companies in 2019. The Board of Directors determined the current status of the various compliance measures at a meeting in the year under review. The Code of Conduct of the Galenica Group is particularly important

to the Board of Directors. It 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. The Galenica Group Code of Conduct and the Supplier Code of Conduct are published on the Galenica website (see related links on page 72).

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 2019 on pages 143 and 144.

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 publications are available on the Galenica website (see related links on page 72). 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 "Swiss Official Gazette of Commerce".

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 72).

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 2020/2021

- Annual General Meeting 2020: 19 May 2020
- Half-year report 2020: 4 August 2020
- Annual report 2020: 9 March 2021
- Annual General Meeting 2021: 12 May 2021

Further important dates can be found on the Galenica website (see related links on page 72).

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's 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.

Company brands of the Group**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.

Many of the 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 as needed for new employees; the sessions are also open to established employees interested in refreshing or deepening their knowledge.

Related links

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

- **SIX Swiss Exchange; Significant shareholders:** News / Published notifications / Significant shareholders
-

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 15.

Protection of product and service brands

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

Main brands of the Galenica Group

Umbrella brand

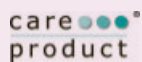


Brands of the Galenica Group companies

Retail



Formats



Products & Brands



Services



Product and service brands



Algifor®



Trioфан®

Triomer®

MAGNESIUM
VITAL

Merfen®

Itinerol B6®

DERMAFORA
+

Otalgan®

TOP MEDICAL

TOP HOMECARE

GALecoline®



FELAN®
Meine preiswerte Eigenmarke.

compendium.ch®
by HCI Solutions

pharmaVISTA®

Documedis®

pharma4

triaPHARM®



Generic substitution by pharmacies

“By regularly offering generic products and thus informing our customers about possible alternatives, we are contributing to cost containment in the healthcare system.”

Jeannette Zavodny, Manager Sun Store
Pharmacy Bern Storchengässchen

Remuneration report

Letter from the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of the Board of Directors and the Remuneration Committee of Galenica, I am pleased to present the Remuneration report for 2019.

The remuneration policy of Galenica aims to recruit, motivate and retain best-in-class employees who are entrepreneurially minded, success-oriented 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 the overall market position of the company 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.

The Galenica Group performed very well in a challenging market environment in 2019. As a result, the short-term bonus targets were exceeded with a target achievement of 132.0% while the target achievement of the LTI plan 2017-2019 due in 2020 was 121.1%.

Our remuneration system was unchanged in 2019. However, further efforts were made to provide an even more transparent disclosure, including additional explanations of the Galenica economic profit (GEP) achieved, including reference to the new chapter Alternative performance measures in the Annual report 2019 (full version) from page 92 onwards, a new chart of the ratio of fixed to variable remuneration, and a new table showing the activities of the Remuneration Committee during the year.

You can find detailed information on our remuneration system and remuneration for 2019 for the Board of Directors and the Corporate Executive Committee in this report. The Remuneration report will be submitted to shareholders at the Annual General Meeting on 19 May 2020 for a non-binding consultative vote.

We will continue to regularly assess and review our remuneration in the future to ensure an appropriate, sustainable remuneration policy.

We would like to thank our employees for their commitment and hard work, and you, dear shareholders, for your trust.



Fritz Hirsbrunner
Chairman of the Remuneration Committee

General

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 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.

2019 reporting year

The current Galenica was listed on the SIX Swiss Exchange in 2017. In the view of the Board of Directors and the Remuneration Committee, the remuneration model introduced in 2017 and the remuneration components have proved to be effective. They are appropriate, in line with the market, and are designed to achieve the goal of the remuneration policy and to ensure that the corporate strategy is sustainably supported, and the interests of shareholders are pursued. The maximum total remuneration for the Board of Directors for the year 2019 was increased from CHF 1.65 million to CHF 1.9 million by the 2018 Annual General Meeting. This takes account of the increase from six to seven board members. The maximum total remuneration for the Corporate Executive Committee in 2019 remains unchanged at CHF 5.8 million. At the request of the Remuneration Committee, the Board of Directors adjusted the remuneration of the Board of Directors in 2019. The remuneration of the Chair of the Board of Directors was set at the new level of CHF 350,000 (previous year: CHF 490,000). Remuneration for the role of chair of a committee is CHF 30,000.

A comparative benchmark study of the remuneration of the Corporate Executive Committee and members of Senior Management was carried out by the Remuneration Committee in 2018. The Board of Directors received support on this from Klingler Consultants. Overall, the benchmark study showed the remuneration of the Corporate Executive Committee and of members of Senior Management to be in line with the market in terms of structure and scale. The benchmark includes listed and private companies of a similar size

(in terms of market capitalisation) that are active in comparable sectors in Switzerland (with a focus on health, logistics and retail). The salaries of the Board of Directors were also reviewed in 2018. This market comparison had been carried out by A. Blust Consulting. Approximately 20 Swiss industrial companies of a similar size to Galenica in terms of market capitalisation (between CHF 1 billion and CHF 4 billion), sales and number of employees that are listed on the SIX Swiss Exchange were used as a benchmark (excluding the financial sector). The salaries of the Board of Directors were also judged to be in line with the market. The Remuneration Committee is planning to undertake another external benchmark study of the remuneration of the Corporate Executive Committee and of the salaries of the Board of Directors by 2021. The Annual General Meeting on 2 May 2019 approved the Remuneration report 2018 with a substantial majority (80.5%). Nevertheless, at the recommendation of the Remuneration Committee, the Board of Directors decided to provide an even more transparent disclosure in the Remuneration report 2019.

The Remuneration Committee also performed its regular duties in 2019, 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 discussions and decision-making as efficient and targeted, and the support of the Board of Directors in matters of remuneration 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 as well as 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 88). 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 (Art. 22 (1) of the Articles of Association).

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 Chairwoman and the CEO as well as the aggregate remuneration for the other members of the Corporate Executive Committee based on a proposal from the Remuneration Committee. The remuneration of members of the Board of Directors, which may be paid in the form of shares blocked for five years, is decided by the Board of Directors based on a proposal from 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 Annual General Meeting. At the 2019 Annual General Meeting, Fritz Hirsbrunner (Chairman), Michel Burnier and Andreas Walde (new member) were elected as members of the Remuneration Committee. Due to his management functions in various listed companies, Andreas Walde has extensive and long-standing experience in the area of remuneration and incentive systems. Having been appointed Chairwoman of the Board of Directors, Daniela Bosshardt stepped down from the Remuneration Committee with effect from the 2019 Annual General Meeting. She is regularly invited as a guest to the meetings of the Remuneration Committee, except those dealing with her own remuneration. The CEO is only invited to the meetings on a case-by-case basis, and not to discussions of agenda items that concern him personally. The Remuneration Committee reviews and approves the remuneration principles and programmes of the Galenica Group, evaluates the measurement criteria for the CEO and members of the Corporate Executive Committee to achieve the targets set by the Board of Directors, and assesses the extent to which these targets have been achieved. The Remuneration Committee is responsible for deciding on the individual remuneration of the members of the Corporate Executive Committee, and proposes the CEO's remuneration to the Board of Directors in consultation with the Chairwoman. 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. At each meeting of the Board of Directors, the Chair of the Remuneration Committee reports on the Remuneration Committee's current topics of discussion and decisions.

Further details on the Remuneration Committee can be found in the Corporate Governance section (see page 61) as well as in the Remuneration Committee Charter, which can be found on the Galenica website (see related links on page 88).

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 also 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 (Long-term Incentive Programme, 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.

Overview of remuneration components

**Fixed base salary****Bonus**
(Short-term Incentive Programme, STI)**Long-term remuneration**
(Long-term Incentive Programme, LTI)

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.

Variable remuneration consists of the bonus and the long-term remuneration (LTI) paid out to members of the Corpo-

rate 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 2019 on page 147 and in the Human Resources section on page 52).

Lastly, all employees, including members of the Corporate Executive Committee, receive employer's contributions to the pension fund.

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 inter-

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	yes	yes	yes (individual members)

Activities of the Remuneration Committee during the year

Subject	1 st quarter	2 nd /3 rd quarter	4 th quarter
Remuneration policy		– Benchmarking	
Board of Directors		– Review of regulations	– Review of salaries (following year)
Corporate Executive Committee	<ul style="list-style-type: none"> – Performance evaluation (previous year) – Bonus (STI, previous year) – LTI (Calculation of the effective LTI and setting of GEP target) 		<ul style="list-style-type: none"> – Target remuneration (basic salary following year) – Target bonus (STI, following year)
Governance	<ul style="list-style-type: none"> – Remuneration report – AGM preparations (max. total remuneration for Board of Directors and Corporate Executive Committee together with comments on remuneration-related votes) 		<ul style="list-style-type: none"> – Preparation of Remuneration report – Identification of topics (following year) – Galenica Group salary review (following year) – Remuneration Committee self-assessment

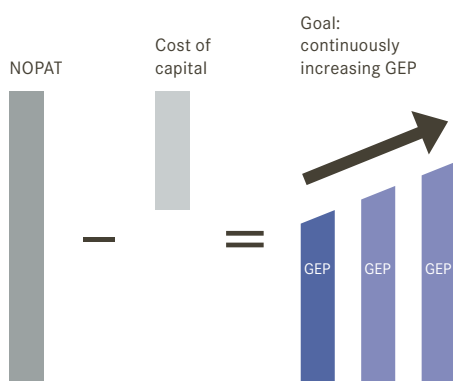
Responsibility for the remuneration process

Level of authority	CEO	Chairwoman	Remuneration Committee	Board of Directors	Annual General Meeting
Remuneration of the Chairwoman			proposes	approves	approves maximum possible remuneration for the Board of Directors including the Chairwoman for the following year
Remuneration of members of the Board			proposes	approves	
Remuneration of the CEO		recommends	proposes (in consultation with Chairwoman)	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 Chairwoman)	recommends	approves (remuneration per member)	is informed, approves (total amount)	

The Chairwoman is invited to all meetings of the Remuneration Committee (right of attendance, no voting rights), except those dealing with her own remuneration. The CEO is invited to attend discussions on a case-by-case basis, but not to discussions of agenda items that concern his performance or remuneration.

Relevant parameter: Galenica economic profit (GEP)

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



ests 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. GEP is the key indicator in Galenica's value-based management concept. It comprises different values, such as net operating profit (NOPAT), cost of capital (WACC) and invested capital. The Board of Directors considers the economic value added (EVA) approach to be a sound, recognised and meaningful concept that is in line with sustainable value creation. GEP is calculated as the net operating profit (before interest and after amortisation and tax; NOPAT) less the weighted average cost of capital (WACC) over the average invested capital. The extent to which the GEP increases, or the target for return on invested capital (ROIC; for the LTI plan 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. 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. Further information on GEP can be found in the Value based management section, under Alternative performance measures in the Annual report 2019 (full version) from page 92 onwards.



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 in 13 monthly instalments.



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 threshold, a target, a payment curve and a cap are defined against which the results are assessed. The bonus curve for GEP attainment and achievement of personal targets starts when a threshold is reached, which gives entitlement to 50% of the target bonus. Achievement of the target results in a bonus payment of 100%. 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 by the other members of the Corporate Executive Committee is assessed by the CEO and, in consultation with the Chairwoman, 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 and other members of the Corporate Executive Committee are required to draw 32% of the bonus in Galenica shares; the rest is paid out in cash. A discount of currently 25% on the average stock market price for the month of December of the preceding year is granted as the shares remain blocked for five years. If employment ends due to termination, the calculation and payment for a completed assessment period (=calendar year) are based on the effective performance and results. In the event of departure during an assessment period that is still ongoing, 80% of the target bonus is paid on a pro rata basis.



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 too, 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 motivation among 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 share units (PSU), which are granted to participants after the release of the results of the preceding year and which convert into shares of Galenica subject to the attainment of a performance target defined by the Remuneration Committee over a three-year period. PSU are virtual; no real units are issued. The number of PSU 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 PSU 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 PSU are transformed into a corresponding number of shares of Galenica. Accordingly, the main factor influencing the transformation of PSU 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 PSU and a maximum target attainment of 200% (cap). Target achievement of 100% gives entitlement to 100% of the allocated PSU. 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 is terminated during a current assessment period prior to publication, an LTI payment of 80% of the pro-rata target entitlement for the current cycles will be made. Where a 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 the event of a change of control at Galenica Ltd., the allocated performance share units (PSU) will be treated as if the LTI were completed and the target had been 100% achieved.

Presentation of total amounts

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 (STI) or attributed (LTI) in

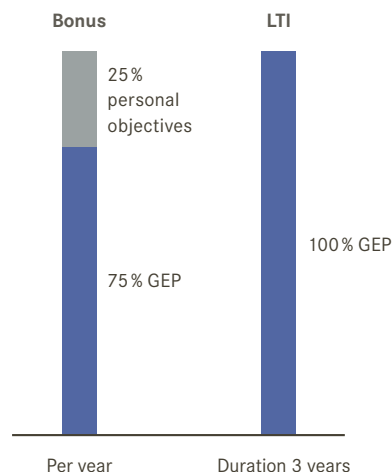
2019 is presented on the same basis from the perspective of costs to the company. Accordingly, Galenica shares allocated as a component of remuneration are disclosed at market value on the allocation date. In the case of the STI, the added value of the 25% discount granted in connection with the blocking period of five years, is offset and incorporated into total remuneration (see tables on page 85).

Pensions and other employee benefits

Employee benefit plans consist mainly of retirement plans and insurance plans that are designed to protect employees against the risks of 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 corresponds to the legal requirements of the Swiss Federal Law on Occupational Pension Schemes (BVG) and is in line with what is being offered in the market.

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 use of company cars is of a salary nature and is disclosed at fair value in the remuneration table under other remuneration.

Influence on variable remuneration of the GEP increase



Remuneration of the Board of Directors 2019

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 chair 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 2019, i.e. CHF 60.07 per share, net of a 25% discount.

The members of the Board of Directors do not participate in the employee benefit plans. The only exception was Jörg Kneubühler, who, as former CEO of the Galenica Santé business unit, is still insured with the pension fund. However, Galenica does not finance any pension fund contributions for him. Jörg Kneubühler stepped down from the Board of Directors with effect from the Annual General Meeting of 2 May 2019.

LTI three-year programme

2017	2018	2019	2020		
	2018	2019	2020	2021	
		2019	2020	2021	2022
ROIC	GEP	GEP	GEP	GEP	

Remuneration of the members of the Board of Directors in 2019

in thousand CHF	Number of months		Salary			Number of shares	
		Salary in cash	Equivalent in shares ¹⁾	Other remuneration ²⁾	Total	Held as at 31.12.2019 ³⁾	Allocated for 2019
Chair of the Board of Directors							
Jörg Kneubühler, Chairman (until 2 May 2019) ⁴⁾	4	82	109	11 ⁵⁾	202	n/a	1,813
Daniela Bosshardt, Chairwoman (from 3 May 2019)	8	—	311	12	323	7,822	5,179
Members of the Board of Directors							
Daniela Bosshardt (until 2 May 2019)	4	—	71	6	77	n/a ⁶⁾	1,184
Michel Burnier	12	—	160	6	166	4,239	2,664
Fritz Hirsbrunner	12	—	200	7	207	7,157	3,330
Bertrand Jungo	12	80	107	11	198	1,187	1,776
Markus R. Neuhaus (from 3 May 2019)	8	—	124	7	131	1,740	2,072
Philippe Nussbaumer	12	—	160	8	168	7,605	2,664
Andreas Walde	12	—	196	10	206	7,023	3,256
Remuneration of the members of the Board of Directors⁷⁾		162	1,438	78	1,678	36,773	23,938
<i>Maximum amount according to GM resolution</i>					1,900		

¹⁾ The amounts include the calculated discount of 25 %, granted due to the five-year blocking period

²⁾ Other remuneration corresponds to the social security costs due from the member of the Board of Directors but paid by Galenica. Employer's contributions to social security costs for 2019 amounted to CHF 78,000

³⁾ Shares held by related parties of members of the Board of Directors are included in the declaration of the totals disclosed above

⁴⁾ Jörg Kneubühler received CHF 300,000 for consultancy from 3 May 2019

⁵⁾ The employer's contributions to the pension fund as well as the employee's contributions were paid by Jörg Kneubühler

⁶⁾ Included in the balance above (7,822 shares)

⁷⁾ See from page 60 of the Corporate Governance section for roles and membership of committees

Remuneration of the members of the Board of Directors in 2018

in thousand CHF	Salary				Number of shares	
	Salary in cash	Equivalent in shares	Other remuneration ¹⁾	Total	Held as at 31.12.2018 ²⁾	Allocated for 2018
Jörg Kneubühler, Chairman	245	326	30 ³⁾	601	29,250	7,270
Daniela Bosshardt	—	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
Remuneration of the members of the Board of Directors⁴⁾	345	1,192	75	1,612	44,995	26,558
<i>Maximum amount according to GM resolution</i>				1,650		

¹⁾ 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

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

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

⁴⁾ See from page 52 of the Corporate Governance section for roles and membership of committees (Annual report 2018)

Remuneration report

The annual salary of the Chair of the Board of Directors was set by the Board of Directors at CHF 350,000 with effect from the Annual General Meeting of 2 May 2019 (2018: CHF 490,000). Otherwise, the 2019 remuneration amounts for the Board of Directors were the same as in the previous year.

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

Chair of the Board of Directors	350 ¹⁾
Board member	110
Vice-Chair	20
Committee chair	30
Committee member	10

¹⁾ Until 2 May 2019, CHF 490,000

Remuneration of the Corporate Executive Committee 2019

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 77 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 (Art. 22 (7) Articles of Association of Galenica Ltd.; see further links on page 88).

In 2019, a GEP of CHF 48.0 million was achieved (see Value based management section, under Alternative performance measures in the Annual report 2019 [full version], in the Financial statements 2019 from page 92 onwards). This corresponds to an increase in GEP of 9.0 % over the prior year. For the bonus payment (STI), this represents a target achievement of 132.0 % for the financial year 2019, indicat-

Level of target achievement 2018 and 2019

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

2018		131.2 %
2019		132.0 %

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

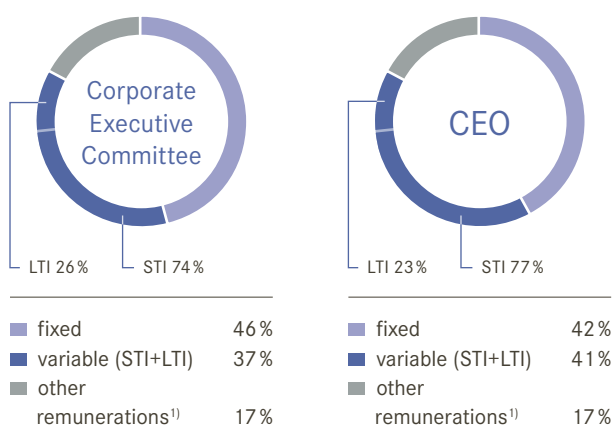
2016–2018		117.3 %
2017–2019		121.1 %

ing that the short-term bonus targets were exceeded. This corresponds to 60.0 % of the maximum possible bonus for the year. For the LTI plan 2019–2021, the allocation of PSU has been defined on the basis of the average share price from February 2019 and the GEP target defined by the Remuneration Committee. The stated GEP represents a target achievement of 121.1 % for the LTI plan 2017–2019 payable in 2020. This means that the level of achievement as regards long-term targets is slightly higher than the previous year. Compared to the previous year, it is worth noting the CEO's lower LTI (due to 2020 departure) and for the total amount, the change of the Head of Products & Brands Business sector.

In 2019, Jean-Claude Cléménçon, CEO, was the member of the Corporate Executive Committee with the highest remuneration.

Continued on page 87 ►

Fixed – variable ratio 2019



¹⁾ Including costs for employee benefit plans and social security charges

Remuneration of the members of the Corporate Executive Committee in 2019

in thousand CHF	Total	of which Jean-Claude Cléménçon, CEO
Base salary	2,029	450
Bonus in cash (STI)	792	206
Bonus in shares (STI) ¹⁾	437	129
Long-term Incentive Programme ²⁾	430	99
Contributions to pension funds	387	103
Other remuneration ³⁾	57	11
Remuneration received⁴⁾	4,132	998
Social security costs	292	68
Remuneration of the members of the Corporate Executive Committee⁴⁾	4,424	1,066
<i>Maximum amount according to GM resolution</i>	<i>5,800</i>	

Five members in 2019

¹⁾ The amounts include the calculated discount of 25 %, granted due to the five-year blocking period

²⁾ Performance share units falling due after three years are included with the fair value at allocation based on the estimated target achievement (IFRS 2). The total remuneration of the LTI Programme 2019–2021 for the Corporate Executive Committee amounts to CHF 430,000, whereof CHF 99,000 is related to Jean-Claude Cléménçon. Calculated with 19/36 months for the CEO as retired with effect from 31 July 2020

³⁾ Including private use of company car

⁴⁾ Including remuneration of Torvald de Coverly Veale, member of the Corporate Executive Committee and Head Products & Brands Business sector until 13 January 2019

Remuneration of the members of the Corporate Executive Committee in 2018

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

Five members in 2018

¹⁾ The shares are blocked for five years

²⁾ PSU falling due after three years are included with the fair value at allocation 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

³⁾ Including private use of company car

Remuneration report

Shareholdings and rights to performance share units of members of the Corporate Executive Committee 2019

	Number of shares held as at 31.12.2019 ¹⁾	Long-term Incentive Programme (LTI) Performance share units (PSU) ²⁾			
		PSU granted in 2019 (potential vesting at 31.12.2021) ³⁾	PSU granted in 2018 (potential vesting at 31.12.2020) ³⁾	PSU granted in 2017 (settled at 31.12.2019) ³⁾	PSU pending
Jean-Claude Cléménçon	5,191	2,634	4,152	5,739	12,525
Felix Burkhard	14,080	3,028	2,925	3,527	9,480
Christoph Amstutz	5,779	1,719	1,661	1,980	5,360
Daniele Madonna	3,690	1,612	1,529	1,467	4,608
Thomas F. Szuran	80	1,983	—	—	1,983

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

²⁾ Each PSU transforms at vesting into one share

³⁾ The allocated PSU are settled with the target value. The shares corresponding to the PSU are transferred to the beneficiaries in the subsequent year

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

	Number of shares held as at 31.12.2018 ¹⁾	Long-term Incentive Programme (LTI) Performance share units (PSU) ²⁾			PSU pending
		PSU granted in 2018 (potential vesting at 31.12.2020) ³⁾	PSU granted in 2017 (potential vesting at 31.12.2019) ³⁾	PSU granted in 2016 (settled at 31.12.2018) ³⁾	
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

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

²⁾ Each performance share unit transforms at vesting into one share

³⁾ The allocated PSU are settled with the target value. The shares corresponding to the PSU are transferred to the beneficiaries in the subsequent year

neration. 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 2018. Further information on the bonus can be found on page 80 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 2018. Further information on the LTI can be found on pages 81 and 82 of the Remuneration report.

The share of personal targets in the total variable remuneration (bonus and LTI) for 2019 for members of the Corporate Executive Committee (excluding CEO) averaged 10.2%.

Other remuneration

Employment contracts

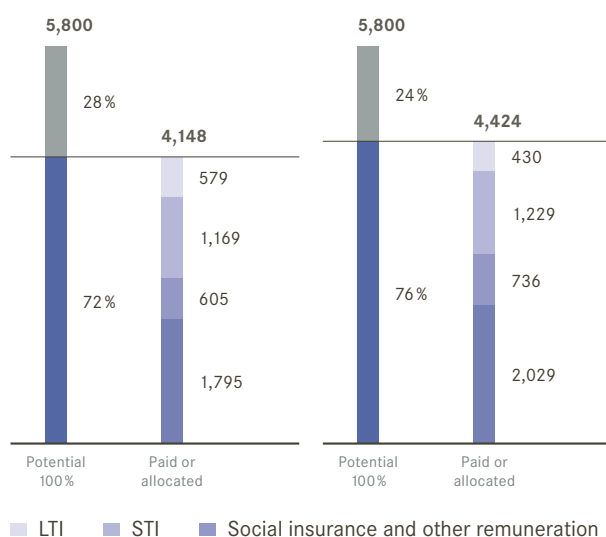
The CEO and the members of the Corporate Executive Committee are employed under employment contracts of unlimited duration and are subject to a notice period of a maximum of 12 months. They are not entitled to any severance packages, termination payments or change-of-control payments. With regard to clawback, the statutory claims for repayment apply (see amongst others Art. 678 (2) of the Code of Obligations, CO).

Options

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

Remuneration of all the members of the Corporate Executive Committee

in thousand CHF
2018

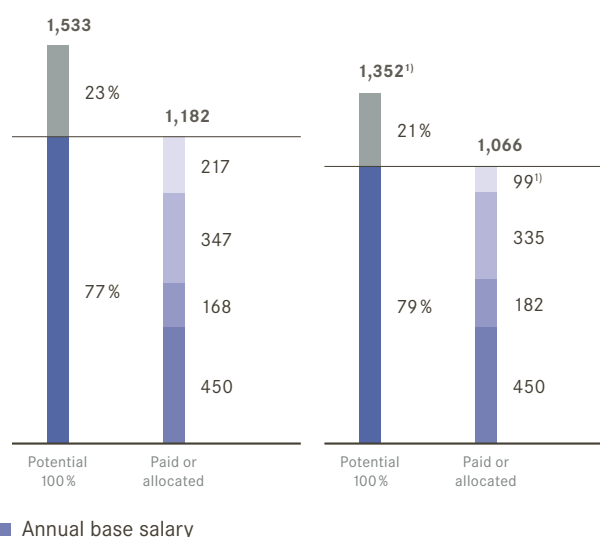


¹⁾ LTI reduced pro rata due to 2020 departure

Highest remuneration in the Corporate Executive Committee

CEO Galenica Group

in thousand CHF
2018



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 2019.

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 2019.

Developments and outlook

In 2019, as in the previous year, the Board of Directors consisted of seven members. The Strategy Committee newly established in 2018 continued its work in the year under review. In addition, the Governance and Nomination Committee was established as a standing committee (previously ad hoc). The maximum total amount approved for 2019 by the Annual General Meeting of 9 May 2018, namely CHF 1.9 million, was maintained. The remuneration granted to members of the Corporate Executive Committee for financial year 2019 was also in line with the maximum total amount of CHF 5.8 million approved by the Annual General Meeting of 9 May 2018. A comparison of the levels of target achievement in 2019 versus the previous year is shown in the table on page 84.

At the Annual General Meeting on 19 May 2020, 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 2021 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 (STI) and the LTI Programme (with blocked shares and PSU valued at the allocation date). The effective payout for 2019 is much lower than the maximum possible remuneration for 2019. The remuneration of the CEO in 2019 amounted to 79% of the maximum possible remuneration. The remuneration of the members of the Corporate Executive Committee for 2019 in aggregate reached 76% of the maximum possible remuneration.

Related links

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
-



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To the General Meeting of
Galenica Ltd., Berne

Berne, 3 March 2020

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Galenica Ltd. for the year ended 31 December 2019. 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 82 to 88 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 accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

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

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



Opinion

In our opinion, the remuneration report for the year ended 31 December 2019 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)

Simone Wittwer
Licensed audit expert



Galexis offer: Felan

“As a small independent pharmacy, it’s not possible for us to launch our own brand. For this reason, Galexis offers a welcome opportunity to set us apart from the competition with Felan.”

Edith Kleisner, Federal Diploma in Pharmacy ETH / Owner Kempten Pharmacy and Drugstore, Wetzikon

Financial statements

Consolidated statement of income

in thousand CHF	2019	2018
Net sales	3,301,002	3,165,019
Other income	13,516	15,936
Operating income	3,314,518	3,180,955
Cost of goods	(2,453,528)	(2,379,327)
Personnel costs	(464,119)	(474,453)
Other operating costs	(142,191)	(180,158)
Share of profit from associates and joint ventures	5,656	6,999
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	260,336	154,016
Depreciation and amortisation	(90,845)	(40,991)
Earnings before interest and taxes (EBIT)	169,491	113,025
Financial income	727	1,061
Financial expenses	(6,825)	(3,177)
Earnings before taxes (EBT)	163,393	110,909
Income taxes	(38,093)	36,755
Net profit	125,300	147,664
Attributable to:		
– Shareholders of Galenica Ltd.	124,992	147,546
– Non-controlling interests	308	118
in CHF		
Earnings per share	2.54	3.00
Diluted earnings per share	2.53	3.00

Consolidated statement of comprehensive income

in thousand CHF	2019	2018
Net profit	125,300	147,664
Translation differences	(1)	(1)
Items that may be reclassified subsequently to profit or loss	(1)	(1)
Remeasurement of net defined benefit liability	24,390	(1,059)
Income taxes from remeasurement of net defined benefit liability	(5,225)	47
Share of other comprehensive income from joint ventures	(92)	(2,023)
Items that will not be reclassified to profit or loss	19,073	(3,035)
Other comprehensive income	19,072	(3,036)
Comprehensive income	144,372	144,628
Attributable to:		
– Shareholders of Galenica Ltd.	144,132	144,510
– Non-controlling interests	240	118

Consolidated statement of financial position

Assets

in thousand CHF	2019		2018	
Cash and cash equivalents		90,532		104,970
Trade and other receivables		421,518		371,648
Inventories		277,804		276,628
Prepaid expenses and accrued income		32,995		28,290
Current assets	37.2 %	822,849	42.0 %	781,536
Property, plant and equipment		267,558		244,990
Right-of-use assets		224,934		–
Intangible assets		846,226		767,910
Investments in associates and joint ventures		21,482		27,281
Financial assets		16,454		13,908
Deferred tax assets		10,076		24,463
Non-current assets	62.8 %	1,386,730	58.0 %	1,078,552
Assets	100.0 %	2,209,579	100.0 %	1,860,088

Liabilities and shareholders' equity

in thousand CHF	2019		2018	
Financial liabilities		44,630		29,674
Lease liabilities		47,796		–
Trade and other payables		323,921		298,167
Tax payables		13,798		14,199
Accrued expenses and deferred income		119,535		97,880
Provisions		3,727		2,657
Current liabilities	25.1 %	553,407	23.8 %	442,577
Financial liabilities		380,870		380,910
Lease liabilities		182,772		–
Deferred tax liabilities		37,019		25,579
Employee benefit liabilities		53,031		73,707
Provisions		2,940		3,716
Non-current liabilities	29.7 %	656,632	26.0 %	483,912
Liabilities	54.8 %	1,210,039	49.8 %	926,489
Share capital		5,000		5,000
Reserves		988,497		924,463
Equity attributable to shareholders of Galenica Ltd.		993,497		929,463
Non-controlling interests		6,043		4,136
Shareholders' equity	45.2 %	999,540	50.2 %	933,599
Liabilities and shareholders' equity	100.0 %	2,209,579	100.0 %	1,860,088

Consolidated statement of cash flows

in thousand CHF	2019	2018
Net profit	125,300	147,664
Income taxes	38,093	(36,755)
Depreciation and amortisation	90,845	40,991
(Gain)/loss on disposal of non-current assets	(340)	(111)
Increase/(decrease) in provisions and employee benefit liabilities	116	39,503
Net financial result	6,098	2,116
Share of profit from associates and joint ventures	(5,656)	(6,999)
Other non-cash items	5,408	5,632
Interest received	638	1,018
Interest paid	(4,889)	(2,345)
Other financial receipts/(payments)	(277)	(145)
Dividends received	4,165	3,731
Income taxes paid	(22,096)	(13,290)
Cash flow from operating activities before working capital changes	237,405	181,010
Change in trade and other receivables	(29,447)	18,057
Change in inventories	6,809	1,838
Change in trade and other payables	20,020	(64)
Change in other net current assets	15,651	(27,291)
Working capital changes	13,033	(7,460)
Cash flow from operating activities	250,438	173,550
Investments in property, plant and equipment	(33,749)	(26,962)
Investments in intangible assets	(19,839)	(20,490)
Investments in associates and joint ventures	–	(2,259)
Investments in financial assets	(9,901)	(4,950)
Proceeds from property, plant and equipment and intangible assets	617	995
Proceeds from financial assets	3,214	3,823
Proceeds from assets held for sale	1,872	–
Purchase of subsidiaries (net cash flow)	(77,108)	(37,739)
Cash flow from investing activities	(134,894)	(87,582)
Dividends paid	(83,924)	(81,145)
Purchase of treasury shares	(346)	(304)
Proceeds from sale of treasury shares	2,880	2,930
Proceeds from financial liabilities	86,676	6,182
Repayment of financial liabilities	(87,645)	(4,887)
Payment of lease liabilities	(47,622)	–
Purchase of non-controlling interests	–	(59)
Cash flow from financing activities	(129,981)	(77,283)
Effects of exchange rate changes on cash and cash equivalents	(1)	(2)
Increase in cash and cash equivalents	(14,438)	8,683
Cash and cash equivalents as at 1 January ¹⁾	104,970	96,287
Cash and cash equivalents as at 31 December¹⁾	90,532	104,970

¹⁾ Cash and cash equivalents include cash, sight deposits at financial institutions and time deposits with an original term of three months or less. Cash and cash equivalents are measured at nominal value.

Consolidated statement of changes in equity

in thousand CHF	Share capital	Treasury shares	Retained earnings	Equity attributable to shareholders of Galenica Ltd.	Non-controlling interests	Equity
Balance as at 1 January 2018	5,000	(38,720)	890,268	856,548	4,233	860,781
Net profit			147,546	147,546	118	147,664
Other comprehensive income			(3,036)	(3,036)		(3,036)
Comprehensive income			144,510	144,510	118	144,628
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)
Balance as at 31 December 2018	5,000	(32,199)	956,662	929,463	4,136	933,599
Change in accounting standards ¹⁾			(4,811)	(4,811)	(11)	(4,822)
Balance as at 1 January 2019	5,000	(32,199)	951,851	924,652	4,125	928,777
Net profit			124,992	124,992	308	125,300
Other comprehensive income			19,140	19,140	(68)	19,072
Comprehensive income			144,132	144,132	240	144,372
Dividends			(83,758)	(83,758)	(166)	(83,924)
Transactions on treasury shares		6,235	(3,376)	2,859	—	2,859
Share-based payments			5,612	5,612	—	5,612
Addition to scope of consolidation			—	—	1,844	1,844
Balance as at 31 December 2019	5,000	(25,964)	1,014,461	993,497	6,043	999,540

¹⁾ Adjustment upon adoption of IFRS 16

Addresses of companies of the Galenica Group

Addresses of companies of the Galenica Group

Galenica Group

Headquarters

Galenica Ltd.

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Pension fund

Galenica Pension Fund

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Phone +41 58 852 87 00, fax +41 58 852 87 01

www.galenica-pk.ch

Retail Business sector

Amavita Health Care Ltd.

Industriestrasse 2, 4704 Niederbipp, Switzerland

Phone +41 58 851 72 58, fax +41 58 851 72 57

Careproduct Ltd.

Lielistrasse 85, 8966 Oberwil-Lieli, Switzerland

Phone +41 56 649 90 00, fax +41 56 649 90 09

www.careproduct.ch

Curarex Swiss Ltd.

Ziegeleistrasse 3, 8500 Frauenfeld, Switzerland

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www.curarex.ch

Galenicare Ltd.

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Galenicare Holding Ltd.

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www.galenicare.com

Galenicare Management Ltd.

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www.apotheke-bichsel.ch

Laboratorium Dr. G. Bichsel Ltd.

Weissenaustrasse 73, 3800 Interlaken, Switzerland

Phone +41 33 827 80 00

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Mediservice Ltd.

Ausserfeldweg 1, 4528 Zuchwil, Switzerland

Phone +41 32 686 20 20, fax +41 32 686 20 30

www.mediservice.ch

Sun Store Health Care Ltd.

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Winconcept Ltd.

Untermattweg 8, 3027 Bern, Switzerland

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Not fully consolidated:

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www.coopvitality.ch

Coop Vitality Management Ltd.

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www.coopvitality.ch

Coop Vitality Health Care Ltd.

Industriestrasse 2, 4704 Niederbipp, Switzerland

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Status: December 2019

Products & Brands Business sector

G-Pharma Ltd.

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Phone +41 58 851 72 58, fax +41 58 851 72 57

Swiss Pharma GmbH

Rheinzaberner Strasse 8, 76761 Rülzheim, Germany
Phone +49 58 851 93 00

Verfora Ltd.

Route de Moncor 10, 1752 Villars-sur-Glâne, Switzerland
Phone +41 58 851 93 00, fax +41 58 851 95 95
www.verfora.ch

Services Business sector

Alloga Ltd.

Buchmattstrasse 10, 3401 Burgdorf, Switzerland
Phone +41 58 851 45 45, fax +41 58 851 46 00
www.alloga.ch

Dauf Ltd.

Via Figino 6, 6917 Barbengo-Lugano, Switzerland
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www.dauf.ch

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Distribution Center Niederbipp,
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Distribution Center Lausanne-Ecublens,
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HCI Solutions Ltd.

Bureau de référencement
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www.hcisolutions.ch

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Ostringstrasse 10, 4702 Oensingen, Switzerland
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www.medifilm.ch

Pharmapool Ltd.

Unterlettenstrasse 18, 9443 Widnau, Switzerland
Phone +41 71 727 25 25, fax +41 71 727 25 55
www.pharmapool.ch

Unione Farmaceutica Distribuzione Ltd.

Via Figino 6, 6917 Barbengo-Lugano, Switzerland
Phone +41 91 985 61 11, fax +41 91 994 47 62
www.ufd.swiss

Picture overview



Pharmacy collection points

(Page 14)

“The collection points expand our range of services and meet the needs of our customers. I am very proud to offer this new service – it’s simple, fast and efficient!”

Eliza Wszola, Manager Sun Store Pharmacy Morges Centre

“Now I can finally collect my orders outside of pharmacy opening hours, allowing me to organise better and save time. Great idea!”

Edyta L., customer



Pharmacy acquisition in Payerne

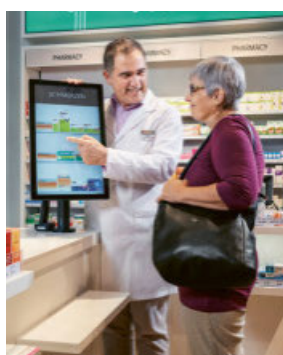
(Page 16)

“I felt honoured to have Ms Viret’s trust. My colleagues and I are proud that we were able to integrate this specialist pharmacy in terms of know-how and quality into the Group.”

Nazih Sultan, Head Expansion Western Switzerland

“The Galenicare team was very professional. It ensured a smooth transition and continuity for the operation of the pharmacy as well as for customers and my team.”

Isabelle Viret, Manager Alpha Pharmacy Payerne



Digitalisation at POS

(Page 21)

“Thanks to the new screen, customers have a visual tool to help them in their decision-making. It also looks smart and is space-saving. All in all, a practical and innovative piece of equipment!”

Karo Issa, Manager Coop Vitality Pharmacy Zurich Airport

“For me as a customer, the screen is great because I can see different products on the same topic and choose which one I want.”

Casilda S., customer



Partnership with Procter & Gamble

(Page 22)

“My team and I take great pleasure in supporting and distributing brands like Vicks®, Clearblue®, Oral-B®, Kukident® and Metamucil® in Switzerland.”

Michael Severus, Marketing Manager Partner Brands Verfora

“This strong partnership with Verfora is based on trust, cooperation and efficiency. I am very confident that it will help our products reach new heights in Switzerland.”

Michael Mignonat, Commercial Associate Director Europe, Asia Pacific, Middle East & Africa, P&G



Dermafora®

(Page 25)

"I am proud to be able to help develop Dermafora® and give the brand its identity."

Nadine Zosso, Brand Manager Verfora

"Dermafora® is my favourite derma-cosmetics range and I always recommend the products to my customers to give them the best of science and nature. What a privilege for us and our customers!"

Beatrice Güdel, Manager Amavita Pharmacy Tripet



Modernisation of distribution centre Lausanne-Ecublens

(Page 26)

"I firmly believe that the decision to renovate and modernise our distribution centre in Lausanne-Ecublens will enable us to maintain the leading position we enjoy in our field."

Ariel Choffat, Sales Manager Western Switzerland Galexis

"Galexis is working hard to limit the disadvantages of this project. With the 'even better for the future' approach it is only normal for me that we should not question everything."

Michaël Haroun, pharmacist at the pharmacy des Bergières Lausanne



Pedroni Group: new customers at UFD

(Page 28)

"We are pleased to offer our services to the Pedroni pharmacies. This success is the culmination of our commitment in the last few years to maintain quality and meet customer needs."

Daniele Graziano, Head UFD

"UFD is a local, reliable and flexible partner, both in terms of the quality of deliveries and the development of synergies with our Group at cantonal and national level."

Pedroni family, customer



Medifilm

(Page 31)

"I am proud that Medifilm is helping care homes save time and improve quality. Carers are thus able to focus on tasks that can only be performed by humans."

Madeleine Kocher, Head Marketing & Sales / Customer Support, Medifilm

"By outsourcing time-consuming and demanding set-up work, we save enormous amounts of time. We would always choose to work with Medifilm."

Sonja Leuenberger, Manager Kastels / am Weinberg Care Homes

Picture overview



Solar roof at Alloga

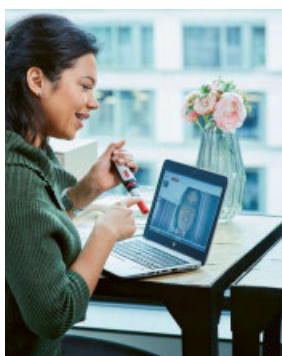
(Page 35)

“We are very happy about the cooperation with Solarstadt Burgdorf and that we are making an important contribution to sustainable energy production by installing the solar power system on our roof.”

Ulrich Walt, Head Alloga

“Our photovoltaic energy production was increased fourfold thanks to this solar installation – a real success! We greatly appreciate the pleasant cooperation with Alloga.”

Beat Ritler, Managing Director Solarstadt Burgdorf



Video therapy support at Mediservice

(Page 36)

“The use of video therapy support is always tailored to the needs of the patient. It can be performed anywhere and increases flexibility, safety and efficiency.”

Gabriëlle Duiker, Mediservice Therapy Support

“Video therapy support is especially useful and innovative because I can easily show any problems I am having. I also really appreciate being able to see someone as well as hearing their voice.”

Theresa R., patient



Acquisition of the Bichsel Group

(Page 41)

“We work closely with hospital pharmacies in the production of special solutions to find the ideal solution for the user and the patient.”

Tobias Bichsel, Operations Manager Laboratorium Dr. G. Bichsel Ltd.

“I greatly appreciate the cooperation with Laboratorium Dr. G. Bichsel Ltd. The individually manufactured solutions reduce sources of error at application stage, which increases patient safety.”

Dr. pharm. Enea Martinelli, Head Pharmacist Spitäler fmi Ltd.



Personnel resource planning (“PEP”)

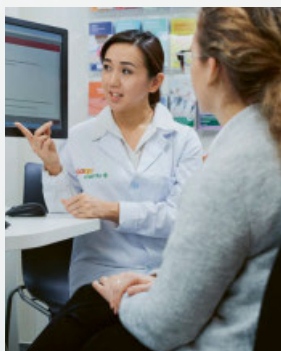
(Page 44)

“Thanks to the innovations of PEP, I am more efficient. Sending expense claims or medical certificates is now made very easy and fast for the whole team.”

Lauranne Campagnoli, Manager Amavita Pharmacy Granges-Paccot

“I can check my schedule on my phone at any time. If I am away on a training course, I can enter my expense claims directly in PEP, which is great.”

Isaline Baudois, Head Perfumery at Amavita Granges-Paccot



New competencies of pharmacists

(Page 51)

“The Apohealth tool really helps me make decisions in more complex cases – especially when it comes to dispensing a prescription drug.”

Vivian Vu-Lam, Manager Coop Vitality Pharmacy Silbern, Dietikon

“I am surprised at how much time they take for the consultation, feel well taken care of and find it great that I am spared a trip to the doctor. This saves time and money!”

Florence H., customer



Verfora advertising campaign

(Page 55)

“With our basic attitude ‘For Life’, we at Verfora want to be present in a positive way from the specialist retail trade to the everyday lives of consumers.”

Nicole Hochstrasser, Marketing Manager Verfora, Pain, Merfen



The e-mediplan

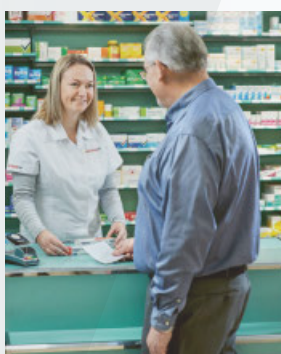
(Page 56)

“Managing medication is a challenge for many patients. With the app, we want to promote adherence and support patients with their medication. The app is a step towards digitalisation and e-health.”

Neslihan Umeri-Sali, Product Manager HCI Solutions

“The e-mediplan is a key component towards omni-channel. Above all, the app offers customers convenience and greater safety thanks to reminders or direct contact with their doctor, and can also save them money by recommending generics.”

Damaris Aeschlimann, Head E-Business Galenicare



Generic substitution by pharmacies

(Page 74)

“By regularly offering generic products and thus informing our customers about possible alternatives, we are contributing to cost containment in the healthcare system.”

Jeannette Zavodny, Manager Sun Store Pharmacy Bern Storchengässchen

“I think generic products are good because I need a very expensive product myself and I can get a generic for a third of the original price from the pharmacy.”

Peter S., customer

Picture overview



Galexis offer: Felan

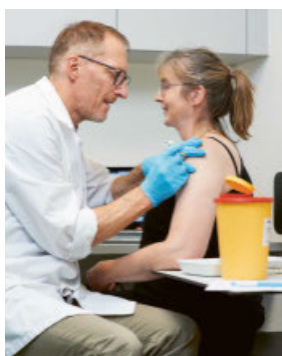
(Page 90)

“Felan is the perfect solution to strengthen customer loyalty and advisory expertise in the specialist retail trade. Pharmacies and drugstores benefit from attractive margins and high recognition value.”

Christine Fuchs, Head Special Affairs Galexis

“As a small independent pharmacy, it’s not possible for us to launch our own brand. For this reason, Galexis offers a welcome opportunity to set us apart from the competition with Felan.”

Edith Kleisner, Federal Diploma in Pharmacy ETH / Owner Kempten Pharmacy and Drugstore, Wetzikon



Vaccination in the pharmacy

(Page 103)

“Vaccination in the pharmacy is an important service, that we can use to successfully position ourselves as a provider in the Swiss healthcare system for the future.”

Markus Meyer, Manager Amavita Pharmacy Breitenrain

“I am glad that I can save myself a trip to the doctor by simply having my booster vaccination in the pharmacy.”

Doris B., customer

Vaccination in the pharmacy

“I am glad that I can save myself a trip to the doctor by simply having my booster vaccination in the pharmacy.”

Doris B., customer



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