

Full Version

# Annual report 2019

of the Galenica Group and Galenica Ltd.



 **GALENICA**

Galenica – the first choice for health, beauty and wellbeing

## 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.

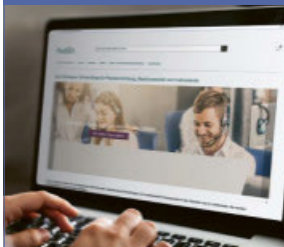
## October

>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 166 to 170.

### Information regarding the Sustainability report

As definitive sustainability data are not yet available during the drafting of the Annual report, the Sustainability report is published in the second quarter of the following year. Accordingly, it does not form part of the Annual report and is published on the website at the appropriate time: [www.galenica.com](http://www.galenica.com). There is, however, one feature on a selected sustainability topic in this Annual report 2019.

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Key figures 2019

# Key figures 2019

## Net sales

in million CHF



● Health & Beauty <sup>1)</sup>	1,620.8
● Services <sup>1)</sup>	2,441.0

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

in million CHF



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

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

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

<sup>3)</sup> 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



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 <sup>1)</sup>	2.54	3.00
Earnings per share comparable <sup>1)2)</sup>	2.72	2.54
Shareholders' equity per share <sup>1)</sup>	20.16	18.93
Gross dividend per share <sup>3)</sup>	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 <sup>4)</sup>	3.0%	3.9%
Pay-out ratio comparable <sup>5)</sup>	66.2%	66.9%
Price-earnings ratio (P/E) comparable <sup>6)</sup>	22.0	17.0

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

<sup>2)</sup> Net profit comparable divided by average number of outstanding shares

<sup>3)</sup> According to Board of Directors' proposal to Annual General Meeting of 19 May 2020

<sup>4)</sup> Gross dividend per share in relation to the share price at reporting date

<sup>5)</sup> Gross dividend per share in relation to earnings per share comparable

<sup>6)</sup> 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

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## Key figures 2019

- Net sales: CHF 3,301.0 million
  - EBIT adjusted<sup>1)</sup>: CHF 166.9 million
  - Net profit comparable<sup>2)</sup>: CHF 134.2 million
  - Investments: CHF 53.0 million
  - Employees: 7,071 (5,449 full-time equivalents)
- 

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

<sup>2)</sup> 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 adjusted<sup>1)</sup> operating result was CHF 166.9 million (8.3% more than in the previous year). Adjusted<sup>1)</sup> 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 Galexis 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, adjusted<sup>1)</sup> **net debt** of CHF 326.1 million remained unchanged compared to the previous year at 1.5 × adjusted<sup>1)</sup> EBITDA.

<sup>1)</sup> 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 Galaxis 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 million<sup>1)</sup> 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 Galaxis 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

<sup>1)</sup> 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](http://www.amavita.ch)
- Bichsel Group, [www.bichsel.ch](http://www.bichsel.ch)
- Careproduct Ltd., [www.careproduct.ch](http://www.careproduct.ch)
- Coop Vitality Ltd., [www.coopvitality.ch](http://www.coopvitality.ch)
- Curarex Swiss Ltd., [www.curarex.ch](http://www.curarex.ch)
- Galenicare Management Ltd., [www.galenicare.com](http://www.galenicare.com)
- Mediservice Ltd., [www.mediservice.ch](http://www.mediservice.ch)
- Sun Store pharmacies, [www.sunstore.ch](http://www.sunstore.ch)
- Winconcept Ltd., [www.winconcept.ch](http://www.winconcept.ch)



## Products & Brands Business sector

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**<sup>®</sup>, **Perskindol**<sup>®</sup>, **Anti-Brumm**<sup>®</sup>, **Triofan**<sup>®</sup> and **Merfen**<sup>®</sup>. Verfora also launches and distributes pharmaceutical and parapharmaceutical products and brands of international companies such as **Vicks**<sup>®</sup> 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**<sup>®</sup> in 2019.

### Companies

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

medications blister-packed  
by Medifilm per day

### Companies

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

# Our ambition

The first choice  
for health, beauty  
and wellbeing



# Our strategy

Galenica has a unique network in the Swiss healthcare market. Based on this,

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

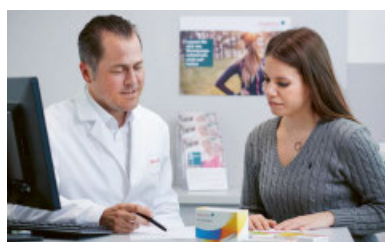
# Our self-perception

Galenica is a dynamic company that ...

... helps to shape the Swiss healthcare market of the future through innovation, ...



... is a reliable, attractive partner and employer, and ...



... aims at generating reliable, attractive returns with manageable risks.



# Strategy of the three Business sectors

## Retail

### Largest pharmacy network with the best offerings

Retail offers 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

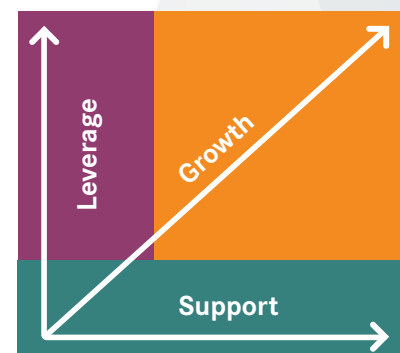
As a leading partner, Services provides support with integrated logistics and IT solutions from a single source to all participants in the Swiss healthcare market.

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 adjusted<sup>1)</sup> 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.

Adjusted<sup>1)</sup> 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 dermocosmetics range Dermafora<sup>®</sup> in close collaboration with the Retail Business sector and taking over exclusive distribution of the Vicks<sup>®</sup> and Metamucil<sup>®</sup> 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 adjusted<sup>1)</sup>: CHF 123.7 million
- ROS adjusted<sup>1)</sup>: 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 adjusted<sup>1)</sup>  
in million CHF

Galenica Group CHF 166.9 million

<sup>1)</sup> 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).

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### 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](http://www.amavita.ch)
- Bichsel Group, [www.bichsel.ch](http://www.bichsel.ch)
- Careproduct Ltd., [www.careproduct.ch](http://www.careproduct.ch)
- Coop Vitality Ltd., [www.coopvitality.ch](http://www.coopvitality.ch)
- Curarex Swiss Ltd., [www.curarex.ch](http://www.curarex.ch)
- Galenicare Management Ltd., [www.galenicare.com](http://www.galenicare.com)
- Mediservice Ltd., [www.mediservice.ch](http://www.mediservice.ch)
- Sun Store pharmacies, [www.sunstore.ch](http://www.sunstore.ch)
- Winconcept Ltd., [www.winconcept.ch](http://www.winconcept.ch)

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

<sup>1)</sup> Fully consolidated

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

### Independent partners

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

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 million<sup>1)</sup> 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.

<sup>1)</sup> 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



# 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.

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

## 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](http://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

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 adjusted<sup>1)</sup> 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.

Adjusted<sup>1)</sup> 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 adjusted<sup>1)</sup>: CHF 44.7 million
- ROS adjusted<sup>1)</sup>: 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 adjusted<sup>1)</sup>  
in million CHF

Galenica Group CHF 166.9 million

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



# 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.

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

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

### 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.

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2,441.0

Net sales  
in million CHF

Galenica Group CHF 3,301.0 million

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1,758

Number  
of employees

Galenica Group 7,071

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## 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: Galaxis, Unione Farmaceutica Distribuzione	Pre-wholesale: Alloga
<b>Storage</b>		
- 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
<b>Distribution</b>		
- Annual tonnage	> 13,700	> 7,700
- Number of packages	> 129,800	> 551,100
- Number of pallets	–	> 69,800
<b>Structure</b>		
- 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
<b>Technology</b>		
- 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)

## Political environment

### 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

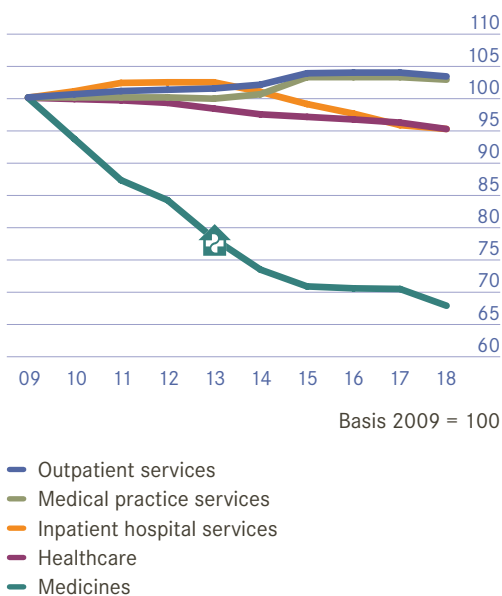
All medicines reimbursed by compulsory health insurance and that are consequently included in the specialties list (SL) are subject to a price review by the Federal Office of Public Health (FOPH) three years after their initial listing. The assessment is based on the criteria of efficacy, suitability 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.

## Sustainability coverage

**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

**CURAREX**  
Healthcare Consulting  
SWISS AG

**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

Average patient age

**55-70 years**

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



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

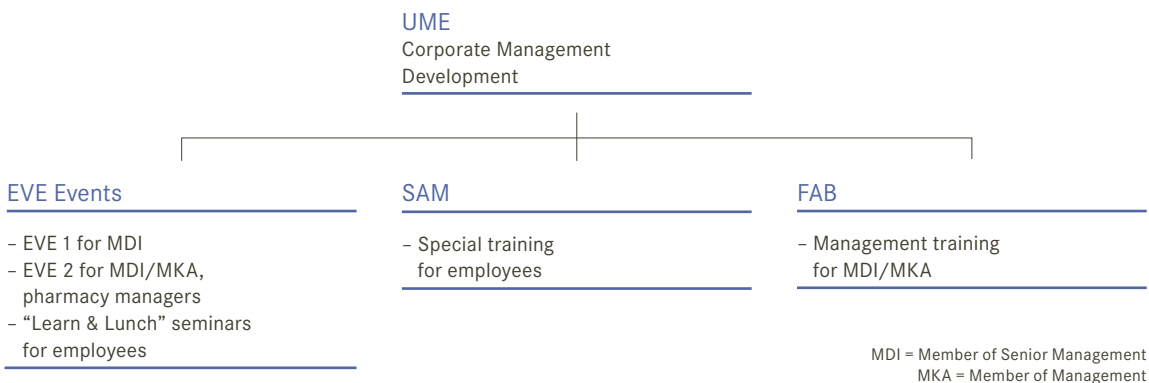
(MDI) and members of Management (MKA). 100 members of management participated in these courses in 2019. A strong corporate culture depends upon the key values of Galenica being fully realised in daily life, so they form an integral part of all FAB modules.

### 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 Galaxis and the modernisation of the Galaxis 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
<b>Total</b>	<b>7,071</b>	<b>6,580</b>	<b>2,897</b>	<b>2,603</b>	<b>5,449</b>	<b>5,106</b>
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
<b>Total</b>	<b>641</b>	<b>615</b>	<b>335</b>	<b>313</b>	<b>306</b>	<b>302</b>
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".

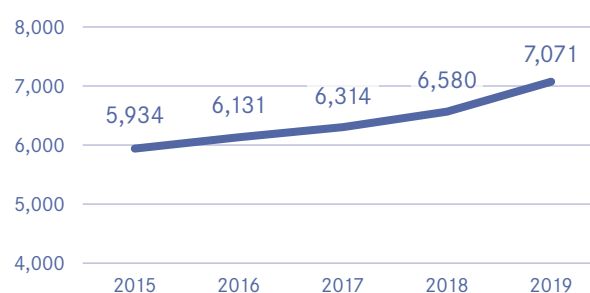
### Harmonisation of personnel regulations completed

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 (BVV2) and the Swiss GAAP FER accounting and reporting recommendations. Assets and liabilities are recognised on the basis of the financial situation of the pension fund as of the balance sheet date only.

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

The recording and assessment of benefit obligations in the Consolidated financial statements of the Galenica Group is in accordance with International Financial Reporting Standards (IFRS). The pension 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 and a young boy smiling and looking at a green and blue plush toy monster. The woman is holding the toy, and the boy is touching it. They are in a brightly lit room, possibly a pharmacy or a store, with shelves and posters in the background. The poster in the background has German text: "Schmerzmittel mit entzündungshemmender und febrifenwirkender Wirkung".

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 164 and 165. 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 <sup>1)</sup>
Board of Directors	Daniela Bosshardt Chairwoman of the Board of Directors <sup>2)</sup>	2017	Yes			Member	Chairwoman
	Bertrand Jungo Vice-Chairman <sup>3)</sup>	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						

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

<sup>2)</sup> 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

<sup>3)</sup> 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.

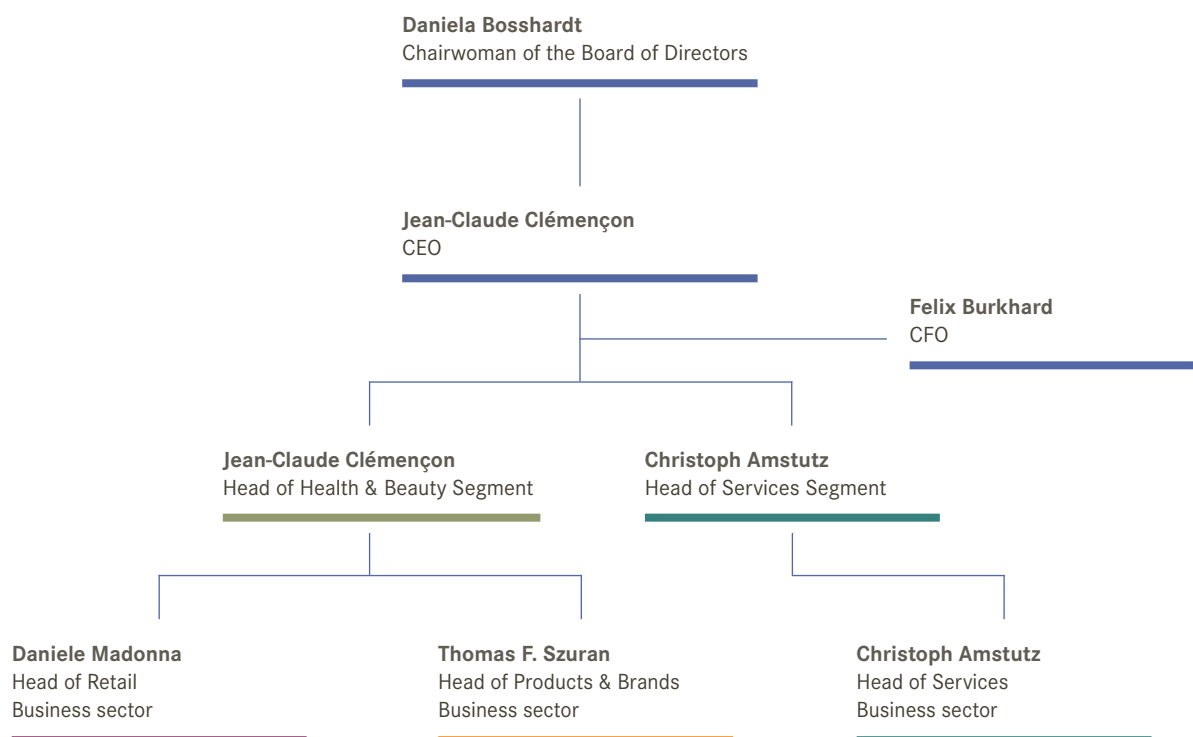


#### Dr. Andreas Walde, elected since 2017

- 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 Alloga 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 <sup>1)</sup>	2017	CEO
Marc Werner <sup>2)</sup>	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

<sup>1)</sup> CEO until 31 March 2020

<sup>2)</sup> 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.

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### Related links

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

- **Organisation:** [About Galenica / Organisation](#)
- **Board of Directors:** [About Galenica / Organisation / Board of Directors](#)
- **Publications:** [Publications](#)
- **Articles of Association:** [Publications / Downloadcenter / Corporate Governance](#)
- **Organisational Regulations:** [Publications / Downloadcenter / Corporate Governance](#)
- **Committees of the Board of Directors:** [About Galenica / Organisation / Board of Directors / Downloads](#)
- **Annual General Meeting:** [Investors / Information for shareholders / Annual General Meeting](#)
- **Code of Conduct of the Galenica Group:** [Publications / Downloadcenter / Company](#)
- **Supplier Code of Conduct:** [Publications / Downloadcenter / Company](#)
- **Press releases:** [Media / Press releases](#)
- **Dates to remember:** [Investors / Investor calendar](#)

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

- **SIX Swiss Exchange; Significant shareholders:** [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

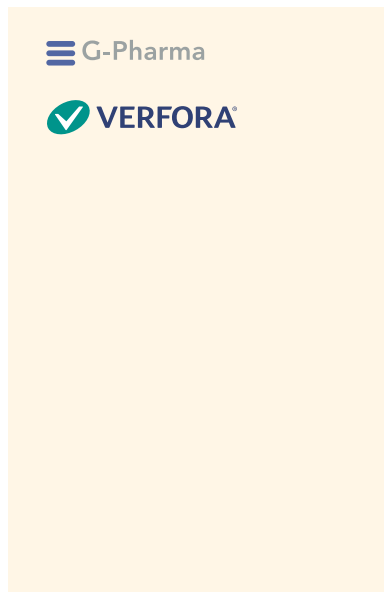


## Brands of the Galenica Group companies

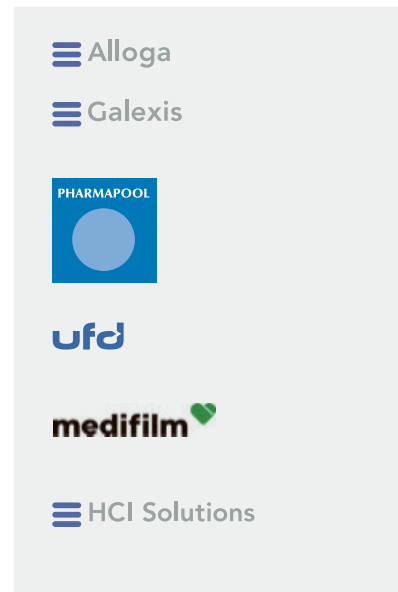
### Retail



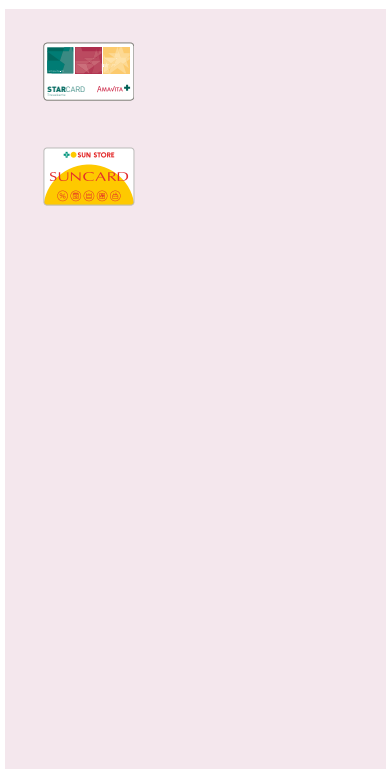
### Products & Brands



### Services



## Product and service brands





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

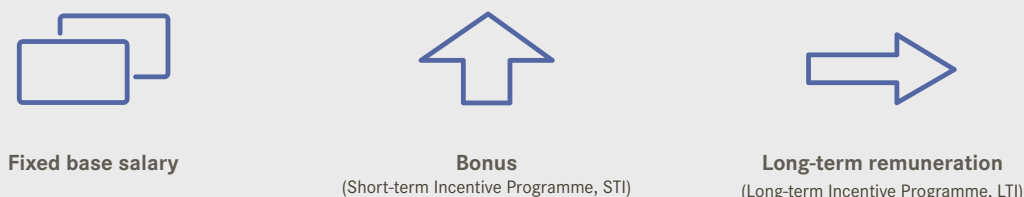
In order to attract talented employees, reward performance, promote the loyalty of key talents and ensure their long-term engagement towards Galenica, Galenica offers competitive remuneration. The remuneration model is based on three components: a fixed base salary, a short-term bonus and long-term remuneration.

#### 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



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

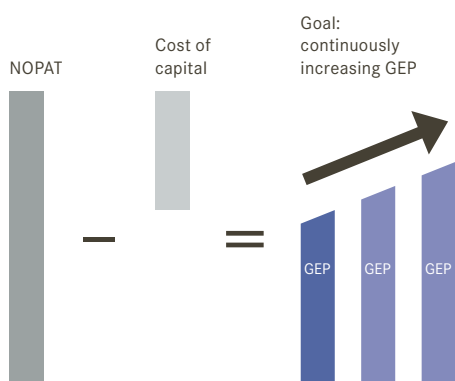
### Responsibility for the remuneration process

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 Galénica 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 Galénica 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, Galénica 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 Galénica, 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 Galénica Group and the share price performance of Galénica 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 Galénica 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 Galénica. Accordingly, the main factor influencing the transformation of PSU into Galénica shares is the operating performance of the Galénica 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 Galénica 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

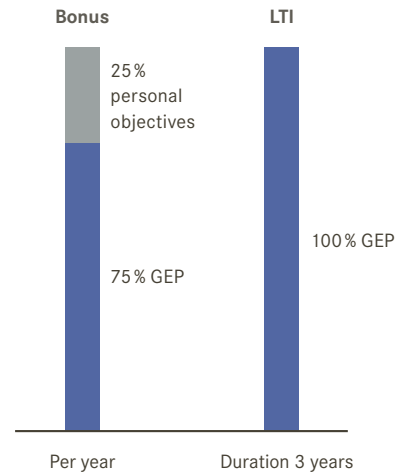
2019 is presented on the same basis from the perspective of costs to the company. Accordingly, Galenica shares allocated as a component of remuneration are disclosed at market value on the allocation date. In the case of the STI, the added value of the 25% discount granted in connection with the blocking 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**

Year	2017	2018	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 <sup>1)</sup>	Other remuneration <sup>2)</sup>	Total	Held as at 31.12.2019 <sup>3)</sup>	Allocated for 2019
<b>Chair of the Board of Directors</b>							
Jörg Kneubühler, Chairman (until 2 May 2019) <sup>4)</sup>	4	82	109	11 <sup>5)</sup>	202	n/a	1,813
Daniela Bosshardt, Chairwoman (from 3 May 2019)	8	–	311	12	323	7,822	5,179
<b>Members of the Board of Directors</b>							
Daniela Bosshardt (until 2 May 2019)	4	–	71	6	77	n/a <sup>6)</sup>	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
<b>Remuneration of the members of the Board of Directors<sup>7)</sup></b>		162	1,438	78	1,678	36,773	23,938
<i>Maximum amount according to GM resolution</i>					1,900		

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

<sup>2)</sup> 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

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

<sup>4)</sup> Jörg Kneubühler received CHF 300,000 for consultancy from 3 May 2019

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

<sup>6)</sup> Included in the balance above (7,822 shares)

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

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

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

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

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

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 <sup>1)</sup>
Board member	110
Vice-Chair	20
Committee chair	30
Committee member	10

<sup>1)</sup> 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)

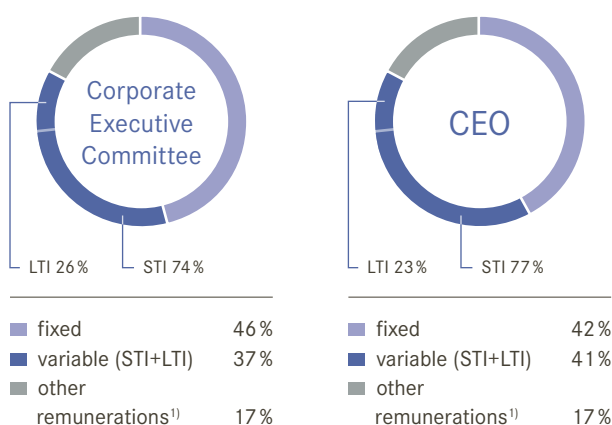
2016–2018		117.3%
2017–2019		121.1%

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



<sup>1)</sup> 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) <sup>1)</sup>	437	129
Long-term Incentive Programme <sup>2)</sup>	430	99
Contributions to pension funds	387	103
Other remuneration <sup>3)</sup>	57	11
<b>Remuneration received<sup>4)</sup></b>	<b>4,132</b>	<b>998</b>
Social security costs	292	68
<b>Remuneration of the members of the Corporate Executive Committee<sup>4)</sup></b>	<b>4,424</b>	<b>1,066</b>
<i>Maximum amount according to GM resolution</i>	<i>5,800</i>	

Five members in 2019

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

<sup>2)</sup> 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

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

<sup>4)</sup> 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) <sup>1)</sup>	424	122
Long-term Incentive Programme <sup>2)</sup>	579	217
Contributions to pension funds	291	80
Other remuneration <sup>3)</sup>	36	11
<b>Remuneration received</b>	<b>3,870</b>	<b>1,105</b>
Social security costs	278	77
<b>Remuneration of the members of the Corporate Executive Committee</b>	<b>4,148</b>	<b>1,182</b>
<i>Maximum amount according to GM resolution</i>	<i>5,800</i>	

Five members in 2018

<sup>1)</sup> The shares are blocked for five years

<sup>2)</sup> 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

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

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

	Number of shares held as at 31.12.2019 <sup>1)</sup>	Long-term Incentive Programme (LTI) Performance share units (PSU) <sup>2)</sup>			
		PSU granted in 2019 (potential vesting at 31.12.2021) <sup>3)</sup>	PSU granted in 2018 (potential vesting at 31.12.2020) <sup>3)</sup>	PSU granted in 2017 (settled at 31.12.2019) <sup>3)</sup>	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

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

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

<sup>3)</sup> 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 <sup>1)</sup>	Long-term Incentive Programme (LTI) Performance share units (PSU) <sup>2)</sup>			PSU pending
		PSU granted in 2018 (potential vesting at 31.12.2020) <sup>3)</sup>	PSU granted in 2017 (potential vesting at 31.12.2019) <sup>3)</sup>	PSU granted in 2016 (settled at 31.12.2018) <sup>3)</sup>	
Jean-Claude Cléménçon	7,944	4,821	4,739	2,450	12,010
Felix Burkhard	15,807	2,925	2,913	1,910	7,748
Christoph Amstutz	3,356	1,661	1,635	868	4,164
Torvald de Coverly Veale	3,542	1,928	1,898	1,012	4,838
Daniele Madonna	1,849	1,529	1,212	385	3,126

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

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

<sup>3)</sup> The 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

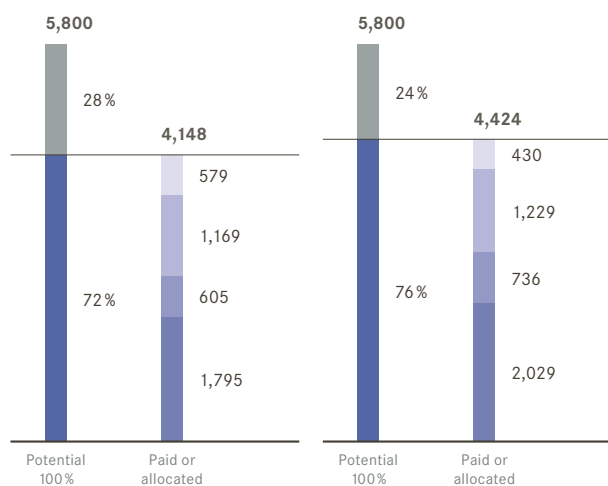
The CEO and the members of the Corporate Executive Committee are employed under employment contracts of unlimited duration and are subject to a notice period of a maximum of 12 months. They are not entitled to any severance packages, termination payments or change-of-control payments. With regard to 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



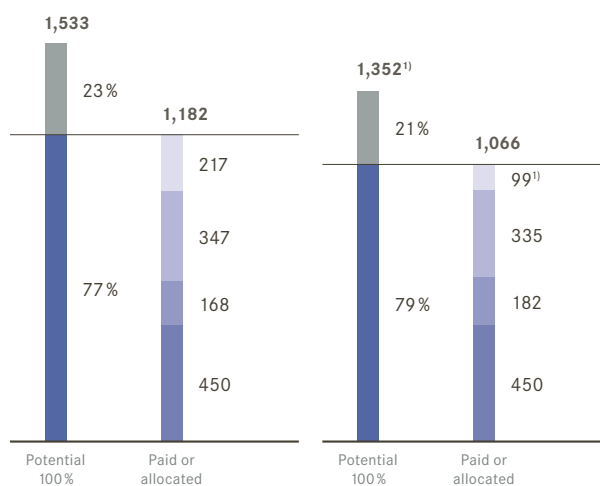
■ LTI ■ STI ■ Social insurance and other remuneration ■ Annual base salary

<sup>1)</sup> 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.

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### Related links

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

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





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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

# Alternative performance measures and Financial statements

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# Alternative performance measures 2019 of the Galenica Group

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## Definitions of alternative performance measures

The annual report, the half year report and other communication to investors contain certain financial performance measures, which are not defined by IFRS. In addition to information based on IFRS, management uses these alternative performance measures to assess the financial and operational performance of the Group. Management believes that these non-IFRS financial performance measures provide useful information regarding Galenica's financial and operational performance. Alternative performance measures are used in Galenica's value-based management as the basis for management's incentive and remuneration schemes. Such measures may not be comparable to similar measures presented by other companies. The main alternative performance measures used by Galenica are explained and/or reconciled with the IFRS measures in this section.

The alternative performance measures are unaudited.

### IAS 19 – Employee benefits

The pension plans of Galenica are organised in legally independent pension funds and are based purely on the defined contribution principle as stated in the Swiss "BVG" law. Nevertheless, Galenica's pension plans are classified as defined benefit pension plans under IAS 19.

Galenica's results are influenced by external parameters that cannot be managed by the Group and the management is of the opinion that such an impact should be excluded when it comes to assess the performance of the Galenica Group. For this reason, Galenica also evaluates its performance by adjusting personnel costs as if those plans were defined contribution plans (adjustments for the effects of IAS 19). For these adjustments, the costs of defined benefit plans and long-service awards determined in accordance with IAS 19 are replaced by an expense based on the employer's contribution and long-service awards for the period of service.

### IFRS 16 – Leases

Since 1 January 2019 lessees have to account for most leases on balance sheet by recognising lease liabilities and corresponding right-of-use assets. The right-of-use assets are depreciated over the lease term and the lease liabilities generate interest expense in the statement of income. Variable lease payments, not dependent on an index or rate, such as sales-based rental expenses are accounted for as operating expenses when they are incurred. With its large network of retail pharmacies, the introduction of IFRS 16 has a significant impact on Galenica's balance sheet and the presentation of lease related expenses in the consolidated statement of income.

Galenica has lease agreements with fixed and variable lease payments and these payments affect various line items in the statement of income making comparisons across individual pharmacies and points-of-sale difficult. For this reason management also monitors results by adjusting the statement of income and balance sheet as if lease agreements were still accounted for as operating leases, e.g. all lease expense is presented in other operating costs on a straight-line basis and the depreciation of the right-of-use assets and the interest expense on the lease liabilities are removed. Income taxes are also adjusted accordingly.

These adjustments allow management to evaluate results with periods prior to the introduction of IFRS 16. In addition, IFRS 16 adjusted measures are important for Galenica's value-based management and therefore for management's incentive and remuneration schemes. As the type and duration of rental agreements under IFRS 16 have a significant influence on the invested capital and accordingly on the return on invested capital (ROIC) and on the Galenica economic profit (GEP), the invested capital is stated after removing lease liabilities. This minimises the risk that management makes decisions that are not in the interest of Galenica due to potential incentives when concluding leases.

## Organic growth of net sales

Organic growth of net sales shows the development of net sales for the two most important business sectors Retail and Services excluding the effects of acquisitions, openings and closings (effect of net expansion). It provides a “like-for-like” comparison with previous periods. In the Retail business sector, organic growth of net sales is calculated only including points of sale with a full year period comparison. In order to show the impact of mandatory price reductions of medications reimbursed by health insurers on net sales transparently, organic growth of net sales is also disclosed without the effect of price reductions.

### Organic growth of net sales 2019

in thousand CHF	Retail	Services
Net sales	1,515,726	2,441,048
Change to previous period	6.0%	2.9%
Effect of net expansion <sup>1)</sup>	79,836	—
In % of net sales of previous period	5.6%	—
<b>Net sales excluding effect of net expansion</b>	<b>1,435,890</b>	<b>2,441,048</b>
<b>Organic growth of net sales</b>	<b>0.4%</b>	<b>2.9%</b>
Mandatory price reductions <sup>2)</sup>	26,329	54,466
In % of net sales of previous period	1.8%	2.3%
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,462,219</b>	<b>2,495,514</b>
<b>Organic growth of net sales excluding price reductions</b>	<b>2.2%</b>	<b>5.2%</b>

<sup>1)</sup> Growth of net sales of pharmacies without full year comparative periods 2018 and 2019 (acquisitions, openings and closings)

<sup>2)</sup> Mandatory price reductions of medications reimbursed by health insurers of the specialities list (SL/LS) released by the Federal Office of Public Health (FOPH), calculated based on volumes of previous period

### Organic growth of net sales 2018

in thousand CHF	Retail	Services
Net sales	1,430,526	2,372,308
Change to previous period	3.1%	0.4%
Effect of net expansion <sup>1)</sup>	35,959	—
In % of net sales of previous period	2.6%	—
<b>Net sales excluding effect of net expansion</b>	<b>1,394,567</b>	<b>2,372,308</b>
<b>Organic growth of net sales</b>	<b>0.5%</b>	<b>0.4%</b>
Mandatory price reductions <sup>2)</sup>	21,993	57,273
In % of net sales of previous period	1.6%	2.4%
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,416,560</b>	<b>2,429,581</b>
<b>Organic growth of net sales excluding price reductions</b>	<b>2.1%</b>	<b>2.8%</b>

<sup>1)</sup> Growth of net sales of pharmacies without full year comparative periods 2017 and 2018 (acquisitions, openings and closings)

<sup>2)</sup> Mandatory price reductions of medications reimbursed by health insurers of the specialities list (SL/LS) released by the Federal Office of Public Health (FOPH), calculated based on volumes of previous period

## Adjusted consolidated statement of income

Galenica's consolidated statement of income adjusted by IAS 19 effects related to employee benefits (defined benefit plans and long-service awards) and IFRS 16 lease effects allowing financial results to be assessed on a comparable basis.

### Adjusted consolidated statement of income 2019

in thousand CHF	As reported	Adjustments		Adjusted
		IAS 19	IFRS 16	
<b>Net sales</b>	<b>3,301,002</b>	–	–	<b>3,301,002</b>
Health & Beauty <sup>1)</sup>	1,620,785	–	–	1,620,785
Services <sup>1)</sup>	2,441,048	–	–	2,441,048
Other income	13,516	–	–	13,516
<b>Operating income</b>	<b>3,314,518</b>	–	–	<b>3,314,518</b>
Cost of goods	(2,453,528)	–	–	(2,453,528)
Personnel costs	(464,119)	91	–	(464,028)
Other operating costs	(142,191)	–	(50,031)	(192,222)
Share of profit from associates and joint ventures	5,656	(23)	53	5,686
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>260,336</b>	<b>68</b>	<b>(49,978)</b>	<b>210,426</b>
Health & Beauty <sup>1)</sup>	194,220	–	(47,749)	146,471
Services <sup>1)</sup>	68,003	–	(2,229)	65,774
Depreciation and amortisation	(90,845)	–	47,294	(43,551)
<b>Earnings before interest and taxes (EBIT)</b>	<b>169,491</b>	<b>68</b>	<b>(2,684)</b>	<b>166,875</b>
Return on sales (ROS) <sup>2)</sup>	5.1%	–	(0.1%)	5.1%
Health & Beauty <sup>1)</sup>	126,270	–	(2,570)	123,700
Return on sales (ROS) <sup>2)</sup>	7.8%	–	(0.2%)	7.6%
Services <sup>1)</sup>	44,793	–	(114)	44,679
Return on sales (ROS) <sup>2)</sup>	1.8%	–	–	1.8%
Net financial expenses	(6,098)	459	2,471	(3,168)
<b>Earnings before taxes (EBT)</b>	<b>163,393</b>	<b>527</b>	<b>(213)</b>	<b>163,707</b>
Income taxes <sup>3)</sup>	(38,093)	41	145	(37,907)
<b>Net profit<sup>4)</sup></b>	<b>125,300</b>	<b>568</b>	<b>(68)</b>	<b>125,800</b>
Attributable to:				
– Shareholders of Galenica Ltd.	124,992	561	(69)	125,484
– Non-controlling interests	308	7	1	316

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

<sup>2)</sup> Calculated as EBIT divided by net sales

<sup>3)</sup> Including one-off expense of CHF 8.4 million related to the change of provisions for deferred taxes due to Swiss Tax Reform

<sup>4)</sup> Net profit comparable of CHF 134.2 million is calculated as net profit adjusted without one-off tax expense of CHF 8.4 million. Earnings per share comparable would be CHF 2.72

in CHF	As reported	Adjustments		Adjusted
		IAS 19	IFRS 16	
Earnings per share	2.54	0.01	–	2.55
Diluted earnings per share	2.53	0.01	–	2.54

## Alternative performance measures of the Galenica Group

## Adjusted consolidated statement of income 2018

in thousand CHF	As reported	Adjustments IAS 19	Adjusted
<b>Net sales</b>	<b>3,165,019</b>	–	<b>3,165,019</b>
Health & Beauty <sup>1)</sup>	1,524,822	–	1,524,822
Services <sup>1)</sup>	2,372,308	–	2,372,308
Other income	15,936	–	15,936
<b>Operating income</b>	<b>3,180,955</b>	–	<b>3,180,955</b>
Cost of goods	(2,379,327)	–	(2,379,327)
Personnel costs	(474,453)	40,746	(433,707)
Other operating costs	(180,158)	–	(180,158)
Share of profit from associates and joint ventures	6,999	301	7,300
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>154,016</b>	<b>41,047</b>	<b>195,063</b>
Health & Beauty <sup>1)</sup>	130,439	–	130,439
Services <sup>1)</sup>	65,568	–	65,568
Depreciation and amortisation	(40,991)	–	(40,991)
<b>Earnings before interest and taxes (EBIT)</b>	<b>113,025</b>	<b>41,047</b>	<b>154,072</b>
Return on sales (ROS) <sup>2)</sup>	3.6%	1.3%	4.9%
Health & Beauty <sup>1)</sup>	110,385	–	110,385
Return on sales (ROS) <sup>2)</sup>	7.2%	–	7.2%
Services <sup>1)</sup>	44,206	–	44,206
Return on sales (ROS) <sup>2)</sup>	1.9%	–	1.9%
Net financial expenses	(2,116)	225	(1,891)
<b>Earnings before taxes (EBT)</b>	<b>110,909</b>	<b>41,272</b>	<b>152,181</b>
Income taxes <sup>3)</sup>	36,755	(8,042)	28,713
<b>Net profit<sup>4)</sup></b>	<b>147,664</b>	<b>33,230</b>	<b>180,894</b>
Attributable to:			
– Shareholders of Galenica Ltd.	147,546	33,230	180,776
– Non-controlling interests	118	–	118

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

<sup>2)</sup> Calculated as EBIT divided by net sales

<sup>3)</sup> The final tax assessments for the fiscal year 2016 of group companies involved in an internal restructuring in 2016 were received in 2018. As a consequence of these final assessments, deferred tax liabilities on outside basis differences in an amount of CHF 56.2 million have been released. The deferred tax assets are released as the tax losses are utilised.

<sup>4)</sup> Net profit comparable of CHF 124.7 million is calculated as net profit adjusted without one-off tax income of CHF 56.2 million. Earnings per share comparable would be CHF 2.54

in CHF	As reported	Adjustments IAS 19	Adjusted
Earnings per share	3.00	0.68	3.68
Diluted earnings per share	3.00	0.68	3.68



## Free cash flow

The free cash flow shows Galenica's capacity to pay dividends and repay debt and repay equity. It provides information on the remaining cash and cash equivalents from the operating cash flow, reduced by all lease payments and after consideration of investment activities.

### Free cash flow

in thousand CHF	2019	2018
Cash flow from operating activities before working capital changes	237,405	181,010
Payment of lease liabilities	(47,622)	–
<b>Cash flow from operating activities before working capital changes adjusted</b>	<b>189,783</b>	<b>181,010</b>
Working capital changes	13,033	(7,460)
<b>Cash flow from operating activities adjusted</b>	<b>202,816</b>	<b>173,550</b>
Cash flow from investing activities without M&A <sup>1)</sup>	(57,786)	(49,843)
<b>Free cash flow before M&amp;A</b>	<b>145,030</b>	<b>123,707</b>
Cash flow from M&A <sup>2)</sup>	(77,108)	(37,739)
<b>Free cash flow</b>	<b>67,922</b>	<b>85,968</b>

<sup>1)</sup> Cash flow from investing activities without purchase and sale of subsidiaries (net cash flow)

<sup>2)</sup> Cash flow from purchase and sale of subsidiaries (net cash flow)

### Cash conversion

	2019	2018
Cash conversion <sup>1)</sup>	74.8%	74.4%

<sup>1)</sup> Calculated as EBITDA adjusted less CAPEX (investments in property, plant and equipment and intangible assets) divided by EBITDA adjusted

## Capital management

The capital of Galenica is managed and monitored at Group level. The objective of capital management at Galenica is to ensure the continuity of operations, increase enterprise value on a sustainable basis, provide an adequate return to investors, provide the financial resources to enable investments in areas that deliver future benefits for patients and customers and further returns to investors.

Galenica defines the capital that it manages as invested interest-bearing liabilities and equity. Galenica uses a system of financial control based on various key performance indicators. Capital is monitored based on the gearing, for example, which expresses net debt as a percentage of shareholders' equity including non-controlling interests and is communicated regularly to management as part of internal reporting. The debt coverage expresses net debt as a multiple of earnings before interest, taxes, depreciation and amortisation (EBITDA). Debt coverage ratio provide information about the creditworthiness of the Group. Galenica has no covenants requiring a minimum level of debt coverage.

Total assets and shareholders' equity are adjusted for the cumulative effects of the IAS 19 and IFRS 16 adjustments and net debt is adjusted for lease liabilities.

### Total assets

in thousand CHF	2019	2018
<b>Total assets</b>	<b>2,209,579</b>	<b>1,860,088</b>
Cumulative effects of IAS 19 adjustments	(4,154)	(11,776)
Cumulative effects of IFRS 16 adjustments	(224,419)	–
<b>Total assets adjusted</b>	<b>1,981,006</b>	<b>1,848,312</b>

### Net debt

in thousand CHF	2019	2018
Current financial liabilities <sup>1)</sup>	44,630	28,025
Current lease liabilities	47,796	–
Non-current financial liabilities <sup>1)</sup>	380,800	380,910
Non-current lease liabilities	182,772	–
Cash and cash equivalents	(90,532)	(104,970)
Interest-bearing receivables	(8,811)	(3,517)
<b>Net debt</b>	<b>556,655</b>	<b>300,448</b>
Lease liabilities (current and non-current)	(230,568)	–
<b>Net debt adjusted</b>	<b>326,087</b>	<b>300,448</b>

<sup>1)</sup> Excluding non-interest-bearing financial liabilities

### Shareholders' equity

in thousand CHF	2019	2018
<b>Shareholders' equity</b>	<b>999,540</b>	<b>933,599</b>
Cumulative effects of IAS 19 adjustments	48,246	61,931
Cumulative effects of IFRS 16 adjustments	4,754	–
<b>Shareholders' equity adjusted</b>	<b>1,052,540</b>	<b>995,530</b>

## Alternative performance measures of the Galenica Group

## Equity ratio

	2019	2018
Equity ratio <sup>1)</sup>	45.2%	50.2%
Equity ratio adjusted <sup>2)</sup>	53.1%	53.9%

<sup>1)</sup> Calculated as shareholders' equity divided by total assets

<sup>2)</sup> Calculated as shareholders' equity adjusted divided by total assets adjusted

## Gearing

	2019	2018
Gearing <sup>1)</sup>	55.7%	32.2%
Gearing adjusted <sup>2)</sup>	31.0%	30.2%

<sup>1)</sup> Calculated as net debt divided by shareholders' equity

<sup>2)</sup> Calculated as net debt adjusted divided by shareholders' equity adjusted

## Debt coverage

	2019	2018
Debt coverage <sup>1)</sup>	2.1 ×	2.0 ×
Debt coverage adjusted <sup>2)</sup>	1.5 ×	1.5 ×

<sup>1)</sup> Calculated as net debt divided by EBITDA

<sup>2)</sup> Calculated as net debt adjusted divided by EBITDA adjusted

## Value based management

Galenica has an integrated value-based management concept in place that derived from an economic value added (EVA) approach. It is based on the understanding that in the interest of shareholders and other important groups of stakeholders, Galenica will strive to achieve a long-term investment return which exceeds the weighted average cost of capital (WACC). Targets, plans, performance measurement and management compensation are aligned to increase the enterprise value.

### Invested capital

Invested capital corresponds to current and fixed operating assets less cash and cash equivalents and non-interest-bearing current liabilities. In the following, invested capital is calculated indirectly via equity and net debt.

in thousand CHF	2019	2018
Shareholders' equity adjusted	1,052,540	995,530
Net debt adjusted	326,087	300,448
Deferred tax assets <sup>1)</sup>	–	(9,721)
Deferred tax liabilities <sup>1)</sup>	38,570	25,579
<b>Invested capital</b>	<b>1,417,197</b>	<b>1,311,836</b>
<b>Average invested capital</b>	<b>1,364,517</b>	<b>1,279,829</b>

<sup>1)</sup> Without deferred taxes due to IAS 19 and IFRS 16 as already taken into account in shareholders' equity adjusted

### Net operating profit after tax (NOPAT) and return on invested capital (ROIC)

Net operating profit after tax (NOPAT) is the profit before interest and after depreciation, amortisation and taxes. It is calculated from the operating result (EBIT adjusted) less calculatory income taxes.

Return on invested capital (ROIC) is calculated as NOPAT divided by the average of invested capital. This measure of performance integrates both measures of profitability and measures of capital efficiency.

in thousand CHF	2019	2018
EBIT adjusted	166,875	154,072
Net financial income from financial assets	(253)	987
<b>Net operating profit before taxes</b>	<b>166,622</b>	<b>155,059</b>
Calculatory tax rate (20%)	(33,324)	(31,012)
<b>Net operating profit after taxes (NOPAT)</b>	<b>133,298</b>	<b>124,047</b>
<b>Return on invested capital (ROIC)<sup>1)</sup></b>	<b>9.8%</b>	<b>9.7%</b>

<sup>1)</sup> Calculated as NOPAT in % of average invested capital

### Galenica economic profit (GEP)

The most important key figure in Galenica's value-based management concept is the Galenica economic profit (GEP). The GEP illustrates the result of the Galenica Group after consideration of the cost of capital. GEP is a measure designed to reflect the principles of value-based management derived from an economic value added (EVA) approach. GEP is calculated as the NOPAT less the WACC over the average invested capital.

in thousand CHF	2019	2018
Net operating profit after taxes (NOPAT)	133,298	124,047
Cost of capital <sup>1)</sup>	(85,282)	(79,989)
<b>Galenica economic profit (GEP)</b>	<b>48,016</b>	<b>44,058</b>

<sup>1)</sup> Calculated as average invested capital multiplied with WACC (weighted average cost of capital) of 6.25%

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## Consolidated statement of income

## Consolidated statement of income

in thousand CHF	Notes	2019	2018
Net sales	5	3,301,002	3,165,019
Other income	6	13,516	15,936
<b>Operating income</b>		<b>3,314,518</b>	<b>3,180,955</b>
Cost of goods		(2,453,528)	(2,379,327)
Personnel costs	7, 23	(464,119)	(474,453)
Other operating costs	8	(142,191)	(180,158)
Share of profit from associates and joint ventures	17	5,656	6,999
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>260,336</b>	<b>154,016</b>
Depreciation and amortisation	14, 15, 16	(90,845)	(40,991)
<b>Earnings before interest and taxes (EBIT)</b>		<b>169,491</b>	<b>113,025</b>
Financial income	9	727	1,061
Financial expenses	9	(6,825)	(3,177)
<b>Earnings before taxes (EBT)</b>		<b>163,393</b>	<b>110,909</b>
Income taxes	11	(38,093)	36,755
<b>Net profit</b>		<b>125,300</b>	<b>147,664</b>
Attributable to:			
- Shareholders of Galenica Ltd.		124,992	147,546
- Non-controlling interests		308	118
in CHF			
Earnings per share	10	2.54	3.00
Diluted earnings per share	10	2.53	3.00

# Consolidated statement of comprehensive income

in thousand CHF	Notes	2019	2018
<b>Net profit</b>		<b>125,300</b>	<b>147,664</b>
Translation differences		(1)	(1)
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>(1)</b>	<b>(1)</b>
Remeasurement of net defined benefit liability	23	24,390	(1,059)
Income taxes from remeasurement of net defined benefit liability	11	(5,225)	47
Share of other comprehensive income from joint ventures	17	(92)	(2,023)
<b>Items that will not be reclassified to profit or loss</b>		<b>19,073</b>	<b>(3,035)</b>
<b>Other comprehensive income</b>		<b>19,072</b>	<b>(3,036)</b>
<b>Comprehensive income</b>		<b>144,372</b>	<b>144,628</b>
Attributable to:			
– Shareholders of Galenica Ltd.		144,132	144,510
– Non-controlling interests		240	118

## Consolidated statement of financial position

## Consolidated statement of financial position

## Assets

in thousand CHF	Notes	2019	2018
Cash and cash equivalents		90,532	104,970
Trade and other receivables	13	421,518	371,648
Inventories	12	277,804	276,628
Prepaid expenses and accrued income		32,995	28,290
<b>Current assets</b>		37.2% <b>822,849</b>	42.0% <b>781,536</b>
Property, plant and equipment	14	267,558	244,990
Right-of-use assets	15	224,934	–
Intangible assets	16	846,226	767,910
Investments in associates and joint ventures	17	21,482	27,281
Financial assets	18	16,454	13,908
Deferred tax assets	11	10,076	24,463
<b>Non-current assets</b>		62.8% <b>1,386,730</b>	58.0% <b>1,078,552</b>
<b>Assets</b>		100.0% <b>2,209,579</b>	100.0% <b>1,860,088</b>

## Liabilities and shareholders' equity

in thousand CHF	Notes	2019	2018
Financial liabilities	19	44,630	29,674
Lease liabilities	15	47,796	–
Trade and other payables	20	323,921	298,167
Tax payables		13,798	14,199
Accrued expenses and deferred income		119,535	97,880
Provisions	21	3,727	2,657
<b>Current liabilities</b>		25.1% <b>553,407</b>	23.8% <b>442,577</b>
Financial liabilities	19	380,870	380,910
Lease liabilities	15	182,772	–
Deferred tax liabilities	11	37,019	25,579
Employee benefit liabilities	23	53,031	73,707
Provisions	21	2,940	3,716
<b>Non-current liabilities</b>		29.7% <b>656,632</b>	26.0% <b>483,912</b>
<b>Liabilities</b>		54.8% <b>1,210,039</b>	49.8% <b>926,489</b>
Share capital	24	5,000	5,000
Reserves		988,497	924,463
<b>Equity attributable to shareholders of Galenica Ltd.</b>		<b>993,497</b>	<b>929,463</b>
Non-controlling interests		6,043	4,136
<b>Shareholders' equity</b>	24	45.2% <b>999,540</b>	50.2% <b>933,599</b>
<b>Liabilities and shareholders' equity</b>		100.0% <b>2,209,579</b>	100.0% <b>1,860,088</b>



# 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)
<b>Cash flow from operating activities before working capital changes</b>	<b>237,405</b>	<b>181,010</b>
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)
<b>Working capital changes</b>	<b>13,033</b>	<b>(7,460)</b>
<b>Cash flow from operating activities</b>	<b>250,438</b>	<b>173,550</b>
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)
<b>Cash flow from investing activities</b>	<b>(134,894)</b>	<b>(87,582)</b>
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)
<b>Cash flow from financing activities</b>	<b>(129,981)</b>	<b>(77,283)</b>
Effects of exchange rate changes on cash and cash equivalents	(1)	(2)
<b>Increase in cash and cash equivalents</b>	<b>(14,438)</b>	<b>8,683</b>
Cash and cash equivalents as at 1 January <sup>1)</sup>	104,970	96,287
<b>Cash and cash equivalents as at 31 December<sup>1)</sup></b>	<b>90,532</b>	<b>104,970</b>

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

## Consolidated statement of changes in equity

## Consolidated statement of changes in equity

in thousand CHF	Share capital	Treasury shares	Retained earnings	Equity attributable to shareholders of Galenica Ltd.	Non-controlling interests	Equity
<b>Balance as at 1 January 2018</b>	<b>5,000</b>	<b>(38,720)</b>	<b>890,268</b>	<b>856,548</b>	<b>4,233</b>	<b>860,781</b>
Net profit			147,546	147,546	118	147,664
Other comprehensive income			(3,036)	(3,036)		(3,036)
<b>Comprehensive income</b>			<b>144,510</b>	<b>144,510</b>	<b>118</b>	<b>144,628</b>
Dividends			(81,029)	(81,029)	(116)	(81,145)
Transactions on treasury shares		6,521	(2,746)	3,775		3,775
Share-based payments			5,619	5,619		5,619
Change in non-controlling interests			40	40	(99)	(59)
<b>Balance as at 31 December 2018</b>	<b>5,000</b>	<b>(32,199)</b>	<b>956,662</b>	<b>929,463</b>	<b>4,136</b>	<b>933,599</b>
Change in accounting standards <sup>1)</sup>			(4,811)	(4,811)	(11)	(4,822)
<b>Balance as at 1 January 2019</b>	<b>5,000</b>	<b>(32,199)</b>	<b>951,851</b>	<b>924,652</b>	<b>4,125</b>	<b>928,777</b>
Net profit			124,992	124,992	308	125,300
Other comprehensive income			19,140	19,140	(68)	19,072
<b>Comprehensive income</b>			<b>144,132</b>	<b>144,132</b>	<b>240</b>	<b>144,372</b>
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
<b>Balance as at 31 December 2019</b>	<b>5,000</b>	<b>(25,964)</b>	<b>1,014,461</b>	<b>993,497</b>	<b>6,043</b>	<b>999,540</b>

<sup>1)</sup> Adjustment upon adoption of IFRS 16 (refer to note 2 and note 15)

# Notes to the consolidated financial statements of the Galenica Group

## 1. Group organisation

### General information

Galenica is a fully-integrated healthcare provider in Switzerland. Galenica operates a network of pharmacies, develops and offers own brands and products, exclusive brands and products from business partners as well as a variety of on-site health services and tests for customers. Galenica is also a provider of pre-wholesale and wholesale distribution and database services in the Swiss healthcare market.

The parent company is Galenica Ltd., a Swiss company limited by shares with its head office in Bern. The registered office is at Untermattweg 8, 3027 Bern, Switzerland. Shares in Galenica Ltd. are traded on the SIX Swiss Exchange under securities no. 36067446 (ISIN CH0360674466).

The Board of Directors released the consolidated financial statements 2019 for publication on 3 March 2020. The 2019 consolidated financial statements will be submitted for approval to the Annual General Meeting on 19 May 2020.

## 2. Accounting principles

### Basis of preparation

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

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

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

Galenica's consolidated financial statements are prepared in Swiss francs (CHF) and, unless otherwise indicated, figures are rounded to the nearest CHF 1,000. Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. Totals are calculated using the underlying amount rather than the presented rounded number.

Foreign currencies are not of relevance for the consolidated financial statements.

### Classification as current or non-current

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

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

## Notes to the consolidated financial statements of the Galenica Group

### Estimation uncertainty, assumptions and judgments

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

### Leases (note 15)

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee is reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, Galenica applies judgment in assessing whether it is reasonably certain that the option will be exercised. This will take into account the length of the time remaining before the option is exercisable, current trading, future trading forecasts as to the ongoing profitability of the point of sale and the level and type of planned future capital investment. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and a material adjustment to the associated balances.

### Goodwill and intangible assets (note 16)

Goodwill and other intangible assets with an indefinite useful life are tested for impairment at least once a year. This involves estimating the value in use of the cash-generating unit (CGU) or group of CGUs to which the goodwill is allocated. It also requires a forecast of expected future cash flows as well as the application of an appropriate discount rate to calculate the present value of these cash flows.

### Employee benefit plans and other non-current employee benefits (note 23)

The costs of the employee benefit plans and other long-term employee benefits are determined using actuarial valuations. These valuations involve making assumptions about the discount rate, future salary and pension developments, mortality and the employee turnover rate. Galenica considers the discount rate, the selection of mortality tables and the development of salaries to be key assumptions.

### Scope of consolidation

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

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

Details of changes in the scope of consolidation in the reporting period are included in note 4, Business combinations and disposals.

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

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

Assets and liabilities as well as income and expenses of subsidiaries are consolidated from the acquisition date, i.e. the date on which Galenica obtains control.

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

### Amendments to IFRS

As at 1 January 2019 Galenica adopted the following amended International Financial Reporting Standards:

- IFRS 16 – Leases (1 January 2019)
- IFRIC 23 – Uncertainty over Income Tax Treatments (1 January 2019)
- Annual Improvements 2015–2017 Cycle (1 January 2019)
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement (1 January 2019)

IFRS 16 replaces IAS 17 and sets out the principles for recognition, measurement, presentation and disclosure of leases. The new standard requires most lease contracts that were previously unrecognised ‘operating leases’ to be recognised as right-of-use assets and lease liabilities in the consolidated statement of financial position.

Depreciation of right-of-use assets and interest expense on lease liabilities replace operating lease expenses in the consolidated statement of income. While the profit before tax impact may be limited, this has a significant effect upon levels of operating profit (EBITDA, EBIT) and finance expenses.

Galenica applied the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method without restating comparative figures for the prior year. The effect of adopting IFRS 16 on 1 January 2019 is detailed in note 15.

Galenica elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 at the date of initial application. Galenica also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). Furthermore, Galenica adjusted the right-of-use assets by the amount of any provisions for onerous lease contracts in the balance sheet immediately before the date of initial application. Lease liabilities were discounted using a weighted average incremental borrowing rate of 1.03% at the date of initial application.

Further information concerning IFRS 16 is disclosed in note 15.

Other IFRS changes had no impact for Galenica. Galenica has not early adopted any other standard or interpretation that has been issued but is not yet effective.

### Future amendments to IFRS

The IASB has issued various new and amended standards and interpretations with effective dates in the financial year 2020 or later. Galenica has not early adopted any of the following amendments to standards or interpretations that are potentially relevant for Galenica. Galenica intends to apply the new or amended standards for the first time in the financial year beginning on or after the date shown below:

- Amendments to IFRS 3 – Definition of a Business (1 January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (1 January 2020)
- Amendments to IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform (1 January 2020)
- Amendments to IAS 1 – Amendments to the classification of liabilities as current or non-current (1 January 2022)

Galenica is currently assessing the impact of these amendments. Based on a preliminary analysis, Galenica does not expect a material impact on the consolidated financial statements.

### 3. Operating segment information

The management approach is used to determine the reportable operating segments. Accordingly, external segment reporting is based on the internal organisational and management structures of Galenica and the internal financial reporting to the chief operating decision maker (CODM). The CODM of Galenica is the Board of Directors of Galenica Ltd. Galenica operates in Switzerland within the two operating segments Health & Beauty and Services.

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

#### Health & Beauty

With the largest pharmacy network in Switzerland, Galenica offers unparalleled potential for selling strong brands – own brands as well as brands from business partners. The Health & Beauty operating segment comprises the two business sectors Retail and Products & Brands.

Retail operates at 513 locations Galenica's pharmacy network, the largest in Switzerland. With 356 pharmacies of its own and 157 partner pharmacies, Retail has attractive outlets throughout the country. Galenica's own pharmacies comprise the Amavita brand with 171 branches and the Sun Store brand with 94 branches. Galenica also operates a chain of 84 pharmacies in partnership with Coop under the Coop Vitality brand. Galenica's pharmacy network also covers the speciality pharmacy Mediservice, which is focused on medication for treatment of patients at home, 6 majority interests in pharmacies and 150 Winconcept partner pharmacies and 7 Amavita partner pharmacies.

Products & Brands launches and distributes a complete portfolio of consumer health products which is sold to Swiss pharmacies and drugstores. The companies of the Products & Brands business sector launch and distribute pharmaceutical and parapharmaceutical products and offer marketing and sales services to all partners in the healthcare market.

#### Services

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

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

#### Corporate

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

Corporate charges management fees to the other business units and operating segments for the organisational and financial management services that it provides.

#### Eliminations

Operating activities involve the sales of goods and services between the operating segments.

Sales of goods and services between the operating segments and resulting unrealised gains are eliminated in the Eliminations column. In addition, Eliminations include adjustments recorded on Group level which mainly consist of costs for IAS 19 from defined benefit plans and long-service awards.

Segment assets and liabilities include loans and current accounts held with respect to other segments. These positions are eliminated in the Eliminations column.

## Notes to the consolidated financial statements of the Galenica Group

## Operating segment information 2019

in thousand CHF	Health & Beauty	Services	Corporate	Eliminations	Group
Net sales	1,620,785	2,441,048	18,279	(779,110)	3,301,002
Intersegmental net sales	(83,751)	(678,370)	(16,989)	779,110	–
<b>Net sales to third parties</b>	<b>1,537,034</b>	<b>1,762,678</b>	<b>1,290</b>	<b>–</b>	<b>3,301,002</b>
Other income	4,963	9,138	654	(1,239)	13,516
Share of profit from associates and joint ventures	6,332	–	–	(676)	5,656
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>194,220</b>	<b>68,003</b>	<b>(233)</b>	<b>(1,654)<sup>1)</sup></b>	<b>260,336</b>
Depreciation and amortisation	(67,950) <sup>2)</sup>	(23,210)	(50)	365	(90,845)
<b>Earnings before interest and taxes (EBIT)</b>	<b>126,270</b>	<b>44,793</b>	<b>(283)</b>	<b>(1,289)<sup>1)</sup></b>	<b>169,491</b>
Interest income					720
Interest expense					(5,650)
Other net financial result					(1,168)
<b>Earnings before taxes (EBT)</b>					<b>163,393</b>
Income taxes					(38,093)
<b>Net profit</b>					<b>125,300</b>
<b>Assets</b>	<b>1,515,577</b>	<b>837,523</b>	<b>986,135</b>	<b>(1,129,656)<sup>3)</sup></b>	<b>2,209,579</b>
Investments in associates and joint ventures	25,215	–	–	(3,733)	21,482
<b>Liabilities</b>	<b>1,133,723</b>	<b>545,373</b>	<b>600,885</b>	<b>(1,069,942)<sup>4)</sup></b>	<b>1,210,039</b>
Investments in property, plant and equipment	19,496	14,924	–	(258)	34,162 <sup>5)</sup>
Investments in intangible assets	2,970	16,035	–	(152)	18,853 <sup>6)</sup>
Employees as at 31 December (FTE)	3,975	1,440	34	–	5,449

<sup>1)</sup> Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF –0.1 million

<sup>2)</sup> Including net impairment of CHF –0.1 million (refer to note 15)

<sup>3)</sup> Of which elimination of intercompany positions CHF –1,120.1 million and other unallocated amounts CHF –9.5 million

<sup>4)</sup> Of which elimination of intercompany positions CHF –1,120.1 million and other unallocated amounts CHF 50.2 million

<sup>5)</sup> Of which non-cash investments of CHF 0.7 million

<sup>6)</sup> Of which non-cash investments of CHF 0.9 million

## Geographic areas

in thousand CHF	Switzerland	Other countries	Group
Net sales to third parties	3,278,616	22,386	3,301,002
Non-current assets <sup>1)</sup>	1,360,200	–	1,360,200

<sup>1)</sup> Without financial assets and deferred tax assets

The Board of Directors of Galenica Ltd. acting as chief operating decision maker (CODM) allocates resources and monitors performance of the Group's operating segments Health & Beauty and Services on the basis of information prepared in accordance with IFRS with exception of defined benefit plans and long-service awards, which are recognised at Group level.

In the Health & Beauty segment with its large network of pharmacies the accounting for leases is of particular importance. The Group continues to prepare information as if its leases were accounted for as operating leases (e.g. in line with Galenica's accounting policies prior to the adoption of IFRS 16). Those figures are relevant for management incentive and remuneration plans. However, Galenica has determined that the figures including the effects of IFRS 16 are used by the CODM for monitoring and resource allocation decisions and therefore presents its segment reporting as above.

## Notes to the consolidated financial statements of the Galenica Group

## Operating segment information 2018

in thousand CHF	Health & Beauty	Services	Corporate	Eliminations	Group
Net sales	1,524,822	2,372,308	17,469	(749,580)	3,165,019
Intersegmental sales	(74,960)	(658,441)	(16,179)	749,580	–
<b>Net sales to third parties</b>	<b>1,449,862</b>	<b>1,713,867</b>	<b>1,290</b>	<b>–</b>	<b>3,165,019</b>
Other income	4,937	10,899	1,280	(1,180)	15,936
Share of profit from associates and joint ventures	7,300	–	–	(301)	6,999
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>130,439</b>	<b>65,568</b>	<b>(260)</b>	<b>(41,731)<sup>1)</sup></b>	<b>154,016</b>
Depreciation and amortisation	(20,054)	(21,362)	(36)	461	(40,991)
<b>Earnings before interest and taxes (EBIT)</b>	<b>110,385</b>	<b>44,206</b>	<b>(296)</b>	<b>(41,270)<sup>1)</sup></b>	<b>113,025</b>
Interest income					1,028
Interest expense					(2,760)
Other net financial result					(384)
<b>Earnings before taxes (EBT)</b>					<b>110,909</b>
Income taxes					36,755
<b>Net profit</b>					<b>147,664</b>
<b>Assets</b>	<b>1,143,809</b>	<b>770,628</b>	<b>933,519</b>	<b>(987,868)<sup>2)</sup></b>	<b>1,860,088</b>
Investments in associates and joint ventures	30,247	–	–	(2,966)	27,281
<b>Liabilities</b>	<b>852,299</b>	<b>475,802</b>	<b>514,294</b>	<b>(915,906)<sup>3)</sup></b>	<b>926,489</b>
Investments in property, plant and equipment	13,674	13,987	–	(218)	27,443 <sup>4)</sup>
Investments in intangible assets	420	22,140	6	(7)	22,559 <sup>5)</sup>
Employees as at 31 December (FTE)	3,685	1,388	33	–	5,106

<sup>1)</sup> Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF –41.0 million

<sup>2)</sup> Of which elimination of intercompany positions CHF –987.2 million and other unallocated amounts CHF –0.7 million

<sup>3)</sup> Of which elimination of intercompany positions CHF –987.2 million and other unallocated amounts CHF 71.3 million

<sup>4)</sup> Of which non-cash investments of CHF 0.5 million

<sup>5)</sup> Of which non-cash investments of CHF 2.1 million

## Geographic areas

in thousand CHF	Switzerland	Other countries	Group
Net sales to third parties	3,145,082	19,937	3,165,019
Non-current assets <sup>1)</sup>	1,040,181	–	1,040,181

<sup>1)</sup> Without financial assets and deferred tax assets



## 4. Business combinations

### Accounting principles

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

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

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

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

If a cash-generating unit (CGU) or group of CGUs is sold, goodwill is taken into account when calculating the profit or loss on disposal. The profit or loss on deconsolidation is recognised in operating income or other operating costs.

### Business combinations 2019

**Acquisition of pharmacies.** Galenicare Holding acquired 100% of the interests in pharmacies in various locations in Switzerland. Upon acquisition, the pharmacies were merged with Galenicare Ltd.

The purchase consideration amounted to CHF 34.9 million, of which CHF 34.8 million was settled in cash. The deferred purchase price consideration of CHF 0.1 million falls due in the year 2022. The fair value of the net identifiable assets amounts to CHF 14.9 million at the acquisition date. The goodwill of CHF 20.0 million was allocated to the Retail business sector and corresponds to the added value of the pharmacies based on their locations. Transaction costs were insignificant.

**Acquisition of Bichsel Interlaken Holding AG.** On 1 May 2019, Galenica acquired 95% of the shares in the Swiss company Bichsel Interlaken Holding AG. Bichsel Interlaken Holding AG is the parent company of the Bichsel Group with its two operating companies Grosse Apotheke Dr. G. Bichsel AG, where Galenica held already 25% of the shares and Laboratorium Dr. G. Bichsel AG (refer to note 17). The Bichsel Group is specialised in manufacturing individual medicines and medical devices, offering home care services in the field of home dialysis and clinical home nutrition throughout Switzerland and operates a public pharmacy situated in a prime location. The remaining 5% of the shares were retained by the Bichsel family. Non-controlling interests have been measured at the proportionate share of net identifiable assets.

The purchase consideration amounted to CHF 72.3 million and was fully settled in cash. The fair value of the net identifiable assets amounted to CHF 36.9 million at the acquisition date. The goodwill of CHF 44.0 million was allocated to the Retail business sector and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening the leading position in the market of home care for patients, broadening the access to hospitals and healthcare providers and the know-how of the employees gained. The disclosed amounts were determined provisionally. Transaction costs of CHF 0.2 million were recognised in other operating costs.

### Pro forma figures for acquisitions made in 2019 for the full 2019 financial year

Since their inclusion in Galenica's scope of consolidation, the businesses acquired contributed net sales of CHF 62.7 million and an operating result (EBIT) of CHF 2.7 million to the Group's results. If these acquisitions had occurred on 1 January 2019, they would have contributed additional net sales of CHF 34.6 million and increased EBIT by CHF 2.6 million.

## Notes to the consolidated financial statements of the Galenica Group

## Business combinations

in thousand CHF			2019	2018
	Bichsel Group	Pharmacies	Total	Total
Cash and cash equivalents	25,612	5,863	31,475	13,771
Trade receivables	7,985	5,005	12,990	5,749
Inventories	5,105	2,880	7,985	4,248
Assets held for sale	–	1,872	1,872	–
Property, plant and equipment	23,065	1,689	24,754	1,548
Right-of-use assets	6,763	7,755	14,518	–
Intangible assets	3,153	16	3,169	582
Other current and non-current assets	2,427	2,892	5,319	1,484
Trade payables	(4,307)	(1,144)	(5,451)	(2,337)
Financial liabilities	(14,831)	(2,431)	(17,262)	(1,665)
Lease liabilities	(6,763)	(7,755)	(14,518)	–
Deferred tax liabilities	(4,579)	(509)	(5,088)	(87)
Employee benefit liabilities	(3,194)	–	(3,194)	(1,819)
Other current and non-current liabilities	(3,557)	(1,185)	(4,742)	(1,819)
<b>Fair value of net assets</b>	<b>36,879</b>	<b>14,948</b>	<b>51,827</b>	<b>19,655</b>
Goodwill	43,996	19,976	63,972	58,137
Non-controlling interests	(1,844)	–	(1,844)	–
Fair value of previously held interests	(6,738)	–	(6,738)	(22,700)
<b>Purchase consideration</b>	<b>72,293</b>	<b>34,924</b>	<b>107,217</b>	<b>55,092</b>
Cash acquired	(25,612)	(5,863)	(31,475)	(13,771)
Offset against loans (financial assets)	–	–	–	(2,400)
Contingent/deferred consideration	–	(70)	(70)	(1,332)
<b>Net cash flow from current business combinations</b>	<b>46,681</b>	<b>28,991</b>	<b>75,672</b>	<b>37,589</b>
Payment of consideration due to previous business combinations			1,436	150
<b>Net cash flow from business combinations</b>			<b>77,108</b>	<b>37,739</b>

## Business combinations 2018

**Acquisition of pharmacies.** Galenicare Holding acquired 100% of the interests in pharmacies in various locations in Switzerland and the remaining 51% of the shares in the Swiss company Bahnhof Apotheke Zürich AG. Upon acquisition, most of these pharmacies were merged with Galenicare Ltd.

The purchase consideration amounted to CHF 51.1 million, of which CHF 47.4 million was settled in cash and CHF 2.4 million was offset against loans. The deferred purchase price consideration of CHF 1.3 million was paid in 2019. The fair value of the net identifiable assets amounted to CHF 19.2 million at the acquisition date. The goodwill of CHF 54.5 million was allocated to the Retail business sector and corresponds to the added value of the pharmacies based on their locations. Transaction costs were insignificant.

**Other acquisition.** On 3 January 2018 Galenicare Holding acquired 100% of the shares in the Swiss company Careproduct AG. The company offers efficient solutions to support and increase the mobility in everyday life of older and disabled people. Careproduct supplies walking frames, wheelchairs, incontinence products and other medical aids both online and offline.

The purchase consideration amounted to CHF 4.0 million was settled in cash. The fair value of the net identifiable assets amounted to CHF 0.4 million at the acquisition date. The goodwill of CHF 3.6 million was allocated to the Retail business sector and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition and the growth in market share particularly in the online distribution. Transaction costs were insignificant.

## 5. Net sales

### Accounting principles

Net sales represent revenue from contracts with customers from the sale of goods or rendering of services. Revenue is recognised in the amount that reflects the consideration to which Galenica expects to be entitled when the promised goods or services are transferred to customers. Revenue is stated net of any price, volume, cash or other types of discounts (e.g. slotting fees that do not represent a distinct performance obligation) and exclusive of VAT.

Where invoices are issued, payment terms in Switzerland usually range between 10 and 30 days, for both goods and services.

### Sale of goods

Revenue from sale of goods is recognised at the point in time the Group satisfies a performance obligation by transferring control over the products to its customers. For retail pharmacy sales, this is when the customer takes possession of the products at the point-of-sale and for wholesale transactions control transfers upon shipment of the products to the customer.

Galenica has determined that its customer loyalty programs represent separate performance obligations to which revenue is allocated based on relative stand-alone selling prices, which considers historical redemption patterns. Revenue is deferred and recognised when the award credits are redeemed, which is typically 2 to 4 months after the sale of the initial products. At the end of each period, unredeemed credits are reflected as contract liabilities and included in trade and other payables in consolidated statement of financial positions.

Refund liabilities from contracts with customers are estimated based on actual sales volumes for the financial year and refund percentages as agreed with customers. These liabilities are usually settled in the subsequent financial year. Revenue from gift cards purchased by customers is deferred as contract liabilities until goods or services are transferred, which is typically within 12 months after the sale of the gift card. Any amounts not expected to be redeemed are recognised based on historical redemption patterns.

Customer returns are not material.

### Sale of services

Revenue from services includes logistics services, the processing and sale of information and IT services as well as other contractually agreed services. The performance obligations are either satisfied over time or at a point in time (i.e. when volumes are handled) depending on the type of services rendered. Revenue is recognised using a pattern of transfer that depicts Galenica's performance.

### Net sales 2019

in thousand CHF	Health & Beauty		Services	Corporate	Eliminations	Group
	Product & Brands	Retail				
Sale of goods	100,753	1,449,135	2,339,719	–	(731,273)	3,158,334
Sale of services	1,368	66,591	101,329	18,279	(44,899)	142,668
<b>Net sales</b>	<b>102,121</b>	<b>1,515,726</b>	<b>2,441,048</b>	<b>18,279</b>	<b>(776,172)</b>	<b>3,301,002</b>
Intersegmental net sales	(53,549)	(27,264)	(678,370)	(16,989)	776,172	–
<b>Net sales to third parties</b>	<b>48,572</b>	<b>1,488,462</b>	<b>1,762,678</b>	<b>1,290</b>	<b>–</b>	<b>3,301,002</b>
– of which sale of goods to third parties	47,204	1,422,885	1,688,245	–	–	3,158,334
– of which sale of services to third parties	1,368	65,577	74,433	1,290	–	142,668

## Notes to the consolidated financial statements of the Galenica Group

## Net sales 2018

in thousand CHF	Health & Beauty		Services	Corporate	Eliminations	Group
	Product & Brands	Retail				
Sale of goods	90,289	1,373,735	2,276,444	–	(706,205)	3,034,263
Sale of services	1,459	56,791	95,864	17,469	(40,827)	130,756
<b>Net sales</b>	<b>91,748</b>	<b>1,430,526</b>	<b>2,372,308</b>	<b>17,469</b>	<b>(747,032)</b>	<b>3,165,019</b>
Intersegmental net sales	(46,488)	(25,924)	(658,441)	(16,179)	747,032	–
<b>Net sales to third parties</b>	<b>45,260</b>	<b>1,404,602</b>	<b>1,713,867</b>	<b>1,290</b>	<b>–</b>	<b>3,165,019</b>
– of which sale of goods to third parties	43,801	1,348,560	1,641,902	–	–	3,034,263
– of which sale of services to third parties	1,459	56,042	71,965	1,290	–	130,756

## 6. Other income

in thousand CHF	2019	2018
Income from own work capitalised	5,235	6,323
Rental income from operating leases	2,496	2,708
Gain on disposal of property, plant and equipment	360	277
Other operating income	5,425	6,628
<b>Other income</b>	<b>13,516</b>	<b>15,936</b>

## 7. Personnel costs

in thousand CHF	2019	2018
Salaries and wages	383,168	359,207
Social security costs and pension expenses	52,194	89,021
Other personnel costs	28,757	26,225
<b>Personnel costs</b>	<b>464,119</b>	<b>474,453</b>
Average number of employees (FTE)	5,264	4,949

Personnel costs contain expenses for defined benefit plans of CHF 25.6 million (previous year: CHF 64.9 million). In 2018, the expenses for defined benefit plans includes one-off past service costs of CHF 41.2 million due to the reorganisation of the Group pension funds (refer to note 23). Expenses for share-based payments of CHF 5.4 million (previous year: CHF 5.6 million) are also a part of personnel costs (refer to note 28).

## 8. Other operating costs

in thousand CHF	2019	2018
Maintenance and repairs	16,262	14,167
Operating and production costs	52,260	47,173
Rental and other lease expenses <sup>1)2)</sup>	10,248	57,924
Administration costs	32,950	27,386
Marketing and sales costs	28,849	32,447
Non-income taxes	1,602	895
Loss on disposal of property, plant and equipment	20	166
<b>Other operating costs</b>	<b>142,191</b>	<b>180,158</b>

<sup>1)</sup> In 2019, IFRS 16 replaced operating lease expenses by depreciation of right-of-use assets and interest expense on lease liabilities, which is the reason for the significant decrease in rental and other lease expenses (refer to note 15)

<sup>2)</sup> Of which other lease expenses (incidental expenses) of CHF 4.4 million

## Notes to the consolidated financial statements of the Galenica Group

**Research and development**

During the reporting period, expenses for research and development totalling CHF 13.4 million were recognised directly in other operating costs (previous year: CHF 11.9 million).

**9. Financial result**

in thousand CHF	2019	2018
Interest income	720	1,028
Other financial income	7	33
<b>Financial income</b>	<b>727</b>	<b>1,061</b>
Interest expense	2,720	2,760
Net interest expense from employee benefit plans	459	225
Interest expense on lease liabilities	2,471	–
Other financial costs	994	38
Net foreign exchange differences	181	154
<b>Financial expenses</b>	<b>6,825</b>	<b>3,177</b>
<b>Net financial expenses</b>	<b>6,098</b>	<b>2,116</b>

**10. Earnings per share**

When calculating diluted earnings per share, the weighted average number of outstanding shares during the reporting period is adjusted assuming conversion of all potentially dilutive effects that would occur if Galenica's obligations were converted.

	2019	2018
Number of shares	50,000,000	50,000,000
Average number of treasury shares	(729,702)	(893,506)
<b>Average number of outstanding shares</b>	<b>49,270,298</b>	<b>49,106,494</b>
Effect from share-based payments	80,529	78,598
<b>Theoretical average number of outstanding shares (diluted)</b>	<b>49,350,827</b>	<b>49,185,092</b>

	2019	2018
Net profit – attributable to shareholders of Galenica Ltd. (in thousand CHF)	124,992	147,546
<b>Earnings per share (in CHF)</b>	<b>2.54</b>	<b>3.00</b>
<b>Diluted earnings per share (in CHF)</b>	<b>2.53</b>	<b>3.00</b>

## 11. Income taxes

### Accounting principles

The expected current income tax charge is calculated and accrued on the basis of taxable profit for the current year and is recognised in profit or loss unless the underlying transaction is recognised outside profit or loss.

Deferred taxes are taxes on temporary differences between the value of assets and liabilities in the tax accounts and the carrying amounts included in Galenica's consolidated financial statements. Deferred taxes are calculated using the liability method on the basis of enacted or substantively enacted tax rates expected to apply when the asset is realised or the liability is settled. Tax effects from losses carried forward and other deductible temporary differences are only capitalised when it is probable that they will be realised in the future. Changes in deferred tax assets and deferred tax liabilities are recognised in profit or loss except for deferred taxes on transactions that are recognised directly in comprehensive income or equity.

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

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

in thousand CHF	2019	2018
Current income taxes	21,606	16,647
Income taxes of prior periods	(295)	82
Deferred income taxes	16,782	(53,484)
<b>Income taxes</b>	<b>38,093</b>	<b>(36,755)</b>

### Tax reconciliation

in thousand CHF	2019	2018
Earnings before taxes (EBT)	163,393	110,909
Weighted income tax rate in % of EBT	19.2%	20.0%
<b>Expected income taxes</b>	<b>31,327</b>	<b>22,143</b>
Effects of income that is taxable at a lower rate or tax-free	–	(443)
Effects of changes in tax rates	(513)	(158)
Effects of unrecognised losses in the current year	15	–
Release of deferred tax liabilities on investments	–	(56,234)
Realisation of unrecognised tax losses of prior periods	(380)	(17)
Recognition of tax losses of prior periods	(243)	–
Items from prior periods and other items	7,887	(2,046)
<b>Effective income taxes</b>	<b>38,093</b>	<b>(36,755)</b>
<b>Effective income tax rate in % of EBT</b>	<b>23.3%</b>	<b>(33.1%)</b>

In 2019, the effects in other items are mainly the result of the abolition of the privileged holding tax status of Galenica Ltd. in the course of the Swiss Tax Reform (accepted on 19 May 2019) and the accompanying transition measures due to the change of the Swiss tax law. With this tax reform, various cantons have reduced their tax rates. As there were offsetting effects from deferred tax assets and deferred tax liabilities in cantons where the changes in tax rate was substantively enacted as at 31 December 2019, the changes in tax rates had no material impact on income taxes in the consolidated statement of income. Excluding these effects in the net amount of CHF 8.4 million, the effective income tax expense would have been 18.2% of EBT.

## Notes to the consolidated financial statements of the Galenica Group

The final tax assessments for the fiscal year 2016 of group companies involved in an internal restructuring in 2016 were received in 2018. As a consequence of these final assessments, deferred tax liabilities on outside basis differences in an amount of CHF 56.2 million were released in 2018. The deferred tax assets released as the tax losses are utilised. The effective income tax expense would have been 17.6% of EBT without this effect.

The weighted income tax rate reflects the weighted average of the tax rates across the Swiss cantons in which Galenica is active. The composition of Galenica's taxable income and changes in local tax rates cause the tax rate to vary from year to year.

## Deferred taxes

in thousand CHF	2019			2018		
	Deferred tax assets	Deferred tax liabilities	Net carrying amount	Deferred tax assets	Deferred tax liabilities	Net carrying amount
Current assets	2,733	(23,213)	(20,480)	2,807	(22,554)	(19,747)
Property, plant and equipment	–	(6,287)	(6,287)	–	(3,723)	(3,723)
Right-of-use assets	–	(40,246)	(40,246)	–	–	–
Intangible assets	10,802	(14,694)	(3,892)	–	(15,775)	(15,775)
Investments	–	(10,162)	(10,162)	–	–	–
Financial assets	–	(8,207)	(8,207)	–	–	–
Lease liabilities	41,248	–	41,248	–	–	–
Provisions	233	(1,117)	(884)	371	(174)	197
Employee benefit plans	10,076	–	10,076	14,742	–	14,742
Other temporary differences	150	(1,000)	(850)	16	(887)	(871)
Shareholders' equity	726	–	726	148	–	148
<b>Deferred taxes due to temporary differences</b>	<b>65,968</b>	<b>(104,926)</b>	<b>(38,958)</b>	<b>18,084</b>	<b>(43,113)</b>	<b>(25,029)</b>
Tax loss carryforwards	12,015	–	12,015	23,913	–	23,913
<b>Gross deferred taxes</b>	<b>77,983</b>	<b>(104,926)</b>	<b>(26,943)</b>	<b>41,997</b>	<b>(43,113)</b>	<b>(1,116)</b>
Netting of assets and liabilities	(67,907)	67,907	–	(17,534)	17,534	–
<b>Net deferred taxes</b>	<b>10,076</b>	<b>(37,019)</b>	<b>–</b>	<b>24,463</b>	<b>(25,579)</b>	<b>–</b>

## Analysis of net deferred taxes

in thousand CHF	2019	2018
<b>1 January</b>	<b>(1,116)</b>	<b>(54,929)</b>
Change in accounting standards <sup>1)</sup>	1,065	–
<b>1 January adjusted</b>	<b>(51)</b>	<b>(54,929)</b>
Recognised as income taxes in profit or loss		
– Change in temporary differences	(7,900)	61,524
– Fiscal realisation of recognised tax loss carryforwards	(9,424)	(9,144)
– Tax loss carryforwards taken into account for the first time	29	946
– Effects of changes in tax rates	513	158
Recognised in other comprehensive income	(5,225)	47
Recognised in shareholders' equity (related to share-based payments)	203	(13)
Addition to scope of consolidation	(5,088)	295
<b>31 December</b>	<b>(26,943)</b>	<b>(1,116)</b>

<sup>1)</sup> Adjustment upon adoption of IFRS 16 (refer to note 2 and note 15)

## Notes to the consolidated financial statements of the Galenica Group

## Temporary differences on which no deferred taxes have been recognised

in thousand CHF	2019	2018
Investments in subsidiaries	402,565	369,978

## Tax loss carryforwards and tax credits

in thousand CHF	2019		2018	
	Tax loss carry- forwards/tax credits	Tax effect	Tax loss carry- forwards/tax credits	Tax effect
<b>Tax loss carryforwards and tax credits</b>	<b>68,901</b>	<b>12,039</b>	<b>126,025</b>	<b>24,546</b>
- of which capitalised as deferred tax assets	—	—	(49,871)	(9,705)
- of which netted with deferred tax liabilities	(68,809)	(12,015)	(73,040)	(14,208)
<b>Unrecognised tax loss carryforwards and tax credits</b>	<b>92</b>	<b>24</b>	<b>3,114</b>	<b>633</b>
Of which expire:				
- within 1 year	3	1	1	1
- in 2 to 5 years	23	9	2,858	581
- in more than 5 years	66	14	255	51

## 12. Inventories

## Accounting principles

Inventories contains purchased merchandise carried at the lower of cost or net realisable value. The weighted average method is primarily used to determine cost.

Inventory allowances are recognised on inventories for slow moving items and excess stock.

Cost of goods mainly include costs of goods and merchandise from the business sectors Retail and Services. Price discounts, rebates or supplier discounts and other payments received from suppliers that are not payment for distinct goods or services provided by Galenica and thus on the purchase of goods are directly deducted from costs of goods.

in thousand CHF	2019	2018
<b>Gross carrying amount as at 1 January</b>	<b>290,757</b>	<b>288,027</b>
Addition to scope of consolidation	7,985	4,248
Change in inventories	(4,713)	(1,518)
<b>Gross carrying amount as at 31 December</b>	<b>294,029</b>	<b>290,757</b>
<b>Allowance as at 1 January</b>	<b>(14,129)</b>	<b>(13,810)</b>
Addition	(3,518)	(1,394)
Use	1,422	1,075
<b>Allowance as at 31 December</b>	<b>(16,225)</b>	<b>(14,129)</b>
<b>Net carrying amount as at 31 December</b>	<b>277,804</b>	<b>276,628</b>



### 13. Trade and other receivables

#### Accounting principles

Trade receivables are initially measured at the transaction price determined in accordance with IFRS 15. Other receivables are carried at original invoice value. Allowances for uncollectable amounts are estimated based on expected credit losses, using life-time expected credit losses for trade receivables (simplified approach). These bad debt allowances are based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment for individual allowances or for groups with comparable credit risk profiles.

Any impairment losses are recognised in profit or loss in other operating costs.

in thousand CHF	2019	2018
Trade receivables	414,179	370,627
Bad debt allowances	(8,595)	(10,304)
Other receivables	15,934	11,325
<b>Trade and other receivables</b>	<b>421,518</b>	<b>371,648</b>

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

in thousand CHF	2019	2018
<b>1 January</b>	<b>(10,304)</b>	<b>(8,264)</b>
Addition	(564)	(3,947)
Use	653	116
Reversal	1,620	1,791
<b>31 December</b>	<b>(8,595)</b>	<b>(10,304)</b>

#### Maturity profile of trade receivables

in thousand CHF	2019			2018		
	Gross trade receivables	Bad debt allowances	Net trade receivables	Gross trade receivables	Bad debt allowances	Net trade receivables
Not past due	349,524	(2,140)	347,384	311,539	(2,667)	308,872
Past due:						
– 1 to 30 days	43,368	(501)	42,867	39,543	(687)	38,856
– 31 to 60 days	9,194	(1,876)	7,318	8,441	(1,850)	6,591
– 61 to 90 days	5,270	(1,192)	4,078	3,502	(1,265)	2,237
– more than 90 days	6,823	(2,886)	3,937	7,602	(3,835)	3,767
<b>Total</b>	<b>414,179</b>	<b>(8,595)</b>	<b>405,584</b>	<b>370,627</b>	<b>(10,304)</b>	<b>360,323</b>

## 14. Property, plant and equipment

### Accounting principles

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

	Years
Land	unlimited
Buildings	10–50
Warehouse equipment	6–15
Furniture, fittings	5–10
IT equipment	3–10
Vehicles	3–10

Other property, plant and equipment consists of warehouse equipment, furniture, fittings, IT equipment and vehicles.

Subsequent expenditure is only capitalised if it results in extending the useful life, expanding capacity or contributing to a marked reduction in operating costs. Maintenance or repair costs are recognised directly in profit or loss.

When items of property, plant and equipment are sold or derecognised, gains are recognised in other income and losses in other operating costs.

Assets are tested for impairment whenever there are indications that they could be impaired. Any impairment is recognised in profit or loss under depreciation and amortisation and disclosed separately as an impairment. Reversal of impairments on property, plant and equipment and investment properties are recognised immediately in profit or loss.

in thousand CHF	Real estate <sup>1)</sup>	Assets under construction	Other property, plant and equipment	Total property, plant and equipment
<b>Net carrying amount as at 31.12.2017</b>	<b>168,869</b>	<b>5,861</b>	<b>76,683</b>	<b>251,413</b>
Addition	8,008	1,670	17,765	27,443
Disposal	(48)	–	(834)	(882)
Reclassification	–	(634)	732	98
Depreciation	(14,395)	–	(20,235)	(34,630)
Addition to scope of consolidation	–	–	1,548	1,548
<b>Net carrying amount as at 31.12.2018</b>	<b>162,434</b>	<b>6,897</b>	<b>75,659</b>	<b>244,990</b>
Addition	9,139	5,319	19,704	34,162
Disposal	(129)	–	(346)	(475)
Reclassification	79	(445)	383	17
Depreciation	(15,111)	–	(20,779)	(35,890)
Addition to scope of consolidation	16,097	1,803	6,854	24,754
<b>Net carrying amount as at 31.12.2019</b>	<b>172,509</b>	<b>13,574</b>	<b>81,475</b>	<b>267,558</b>

### Overview as at 31.12.2018

Cost	305,753	6,897	254,366	567,016
Accumulated depreciation and impairment	(143,319)	–	(178,707)	(322,026)
<b>Net carrying amount as at 31.12.2018</b>	<b>162,434</b>	<b>6,897</b>	<b>75,659</b>	<b>244,990</b>

### Overview as at 31.12.2019

Cost	326,777	13,574	268,194	608,545
Accumulated depreciation and impairment	(154,268)	–	(186,719)	(340,987)
<b>Net carrying amount as at 31.12.2019</b>	<b>172,509</b>	<b>13,574</b>	<b>81,475</b>	<b>267,558</b>

<sup>1)</sup> Part of a building used for business purposes is subleased. The net carrying amount of this part of the building cannot be separated and disclosed in detail

## 15. Leases

### Accounting principles

A lease is a contract in which the right to use an asset (the underlying asset) is granted for an agreed-upon period in return for consideration. Galenica has lease contracts for vehicles and a large number of contracts for real estate, mainly store locations, which include fixed rental payments and variable sales-based components. The significant majority of these lease contracts concerns locations of the pharmacies in the Retail business sector.

Galenica determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain at inception of the contract to be exercised. Galenica has the option, under some of its leases, to lease the assets for additional terms of several (three, five or more) years. Galenica applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. In doing so, Galenica considers all relevant factors including economic incentives. Galenica reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew (e.g. a change in business strategy).

At the commencement date right-of-use assets are capitalised at a value equivalent to the lease liability, plus initial direct costs and lease payments made before the commencement date, less any lease incentives received.

Galenica uses the recognition exemptions for lease contracts that have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The lease liability represents the net present value of fixed or in substance fixed lease payments over the lease term. Lease liabilities are discounted using the incremental borrowing rate if the rate implicit in the lease is not readily determinable. Non-lease components are not included in the lease liabilities and are accounted for in accordance with applicable standards. The interest charge is presented as interest expense on lease liabilities.

Right-of-use assets are depreciated over the shorter of the useful life of the right-of-use asset or the lease term.

Right-of-use assets are tested for impairment whenever there are indications that they could be impaired. Any impairment is recognised in profit or loss under depreciation and amortisation and disclosed separately as an impairment. Reversal of impairments on right-of-use assets are recognised immediately in profit or loss.

### Reconciliation of operating lease commitments to lease liabilities

The lease liabilities recognised as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

in thousand CHF

<b>Operating lease commitments as at 31 December 2018<sup>1)</sup></b>	<b>195,040</b>
Commitments related to short-term leases	(1,589)
Extension options considered to be reasonably certain to be exercised	63,528
Leases not yet commenced to which Galenica is committed as at 31 December 2018	(2,418)
Other	(783)
<b>Gross lease liabilities as at 1 January 2019</b>	<b>253,778</b>
Effect of discounting	(8,742)
<b>Net lease liabilities as at 1 January 2019</b>	<b>245,036</b>

<sup>1)</sup> As reported in consolidated financial statements 2018, note 29

## Notes to the consolidated financial statements of the Galenica Group

## Adjusted consolidated statement of financial position as at 1 January 2019

The following table shows the changes as at 1 January 2019 after adopting IFRS 16. The comparative figures presented as at 31 December 2018 have not been restated as Galenica applied the modified retrospective approach permitted by IFRS.

## Assets

in thousand CHF	31.12.2018	Adoption IFRS 16	1.1.2019
Cash and cash equivalents	104,970	–	104,970
Trade and other receivables	371,648	–	371,648
Inventories	276,628	–	276,628
Prepaid expenses and accrued income	28,290	(21)	28,269
<b>Current assets</b>	<b>781,536</b>	<b>(21)</b>	<b>781,515</b>
Property, plant and equipment	244,990	–	244,990
Right-of-use assets	–	239,073	239,073
Intangible assets	767,910	–	767,910
Investments in associates and joint ventures	27,281	(461)	26,820
Financial assets	13,908	–	13,908
Deferred tax assets	24,463	961	25,424
<b>Non-current assets</b>	<b>1,078,552</b>	<b>239,573</b>	<b>1,318,125</b>
<b>Assets</b>	<b>1,860,088</b>	<b>239,552</b>	<b>2,099,640</b>

## Liabilities and shareholders' equity

in thousand CHF	31.12.2018	Adoption IFRS 16	1.1.2019
Financial liabilities	29,674	–	29,674
Lease liabilities	–	45,706	45,706
Trade and other payables	298,167	–	298,167
Tax payables	14,199	–	14,199
Accrued expenses and deferred income	97,880	(160)	97,720
Provisions	2,657	(193)	2,464
<b>Current liabilities</b>	<b>442,577</b>	<b>45,353</b>	<b>487,930</b>
Financial liabilities	380,910	–	380,910
Lease liabilities	–	199,330	199,330
Deferred tax liabilities	25,579	(104)	25,475
Employee benefit liabilities	73,707	–	73,707
Provisions	3,716	(205)	3,511
<b>Non-current liabilities</b>	<b>483,912</b>	<b>199,021</b>	<b>682,933</b>
<b>Liabilities</b>	<b>926,489</b>	<b>244,374</b>	<b>1,170,863</b>
Share capital	5,000	–	5,000
Reserves	924,463	(4,811)	919,652
<b>Equity attributable to shareholders of Galenica Ltd.</b>	<b>929,463</b>	<b>(4,811)</b>	<b>924,652</b>
Non-controlling interests	4,136	(11)	4,125
<b>Shareholders' equity</b>	<b>933,599</b>	<b>(4,822)</b>	<b>928,777</b>
<b>Liabilities and shareholders' equity</b>	<b>1,860,088</b>	<b>239,552</b>	<b>2,099,640</b>

## Notes to the consolidated financial statements of the Galenica Group

## Right-of-use assets

in thousand CHF	Real estate	Vehicles	Total right-of-use assets
<b>Net carrying amount as at 1.1.2019</b>	<b>239,073</b>	–	<b>239,073</b>
Addition	9,017	–	9,017
Reassessment of existing lease contracts	9,619	–	9,619
Depreciation	(47,102)	(112)	(47,214)
Impairment	(183)	–	(183)
Reversal of impairment	104	–	104
Addition to scope of consolidation	14,045	473	14,518
<b>Net carrying amount as at 31.12.2019</b>	<b>224,573</b>	<b>361</b>	<b>224,934</b>

## Lease liabilities

in thousand CHF	2019
<b>Net carrying amount as at 1.1.2019</b>	<b>245,036</b>
Addition	9,017
Reassessment of existing lease contracts	9,619
Interest expense on lease liabilities	2,471
Repayment of lease liabilities (including interest)	(50,093)
Addition to scope of consolidation	14,518
<b>Net carrying amount as at 31.12.2019</b>	<b>230,568</b>
– of which current lease liabilities	47,796
– of which non-current lease liabilities	182,772

## Leases recognised in profit or loss

in thousand CHF	2019
Rental income from operating leases (included in other income)	2,496
Short-term lease expense (included in other operating costs)	(1,508)
Low-value lease expense (included in other operating costs)	(3)
Variable lease expense (included in other operating costs)	(4,343)
Depreciation of right-of-use assets	(47,214)
Impairment of right-of-use assets	(183)
Reversal of impairment of right-of-use assets	104
Interest expense on lease liabilities	(2,471)

For one of the operating buildings Galenica acts as lessor. The related amount is insignificant.

The total cash outflow for leases including short-term leases, leases of low-value-assets and variable lease expenses in 2019 was CHF 55.9 million.

### Maturity profile of undiscounted lease liabilities

in thousand CHF	2019
Up to 3 months	12,653
In 3 to 12 months	37,252
In 2 years	44,468
In 3 years	36,974
In 4 to 5 years	52,604
In 6 to 10 years	48,421
In more than 10 years	7,280
<b>Total future cash flows from undiscounted lease liabilities</b>	<b>239,652</b>

Possible future cash outflows related to extension options in an amount of CHF 114.4 million were not included in lease liabilities because at transition and commencement date of leases entered subsequently it was not reasonably certain that these options would be exercised.

The cash outflows for variable lease expenses in 2020 is expected to be similar to the amount recognised in 2019.

Galenica has entered into various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts amount to CHF 4.6 million.

## 16. Intangible assets

### Accounting principles

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

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

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

	Years
Trademarks, patents, licences, customer relationships	5–20
Software	2–15

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

With the exception of two trademarks at Verfora, all intangible assets are assessed as having a finite useful life. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if there are indications of impairment. Intangible assets with finite useful lives are tested for impairment whenever there are indications that they could be impaired. Any Impairment is recognised in profit or loss in depreciation and amortisation and disclosed separately as an impairment.

## Notes to the consolidated financial statements of the Galenica Group

in thousand CHF	Intangible assets with finite useful lives <sup>1)</sup>	Trademarks with indefinite useful lives	Software	Goodwill	Total intangible assets
<b>Net carrying amount as at 31.12.2017</b>	<b>5,271</b>	<b>36,528</b>	<b>17,956</b>	<b>633,336</b>	<b>693,091</b>
Addition	–	–	22,559	–	22,559
Reclassification	–	–	(98)	–	(98)
Amortisation	(886)	–	(5,475)	–	(6,361)
Addition to scope of consolidation	568	–	14	58,137	58,719
<b>Net carrying amount as at 31.12.2018</b>	<b>4,953</b>	<b>36,528</b>	<b>34,956</b>	<b>691,473</b>	<b>767,910</b>
Addition	84	–	18,769	–	18,853
Reclassification	–	–	(17)	–	(17)
Amortisation	(2,073)	–	(5,588)	–	(7,661)
Addition to scope of consolidation	1,692	–	1,477	63,972	67,141
<b>Net carrying amount as at 31.12.2019</b>	<b>4,656</b>	<b>36,528</b>	<b>49,597</b>	<b>755,445</b>	<b>846,226</b>
<b>Overview as at 31.12.2018</b>					
Cost	11,565	36,528	95,402	691,473	834,968
Accumulated amortisation and impairment	(6,612)	–	(60,446)	–	(67,058)
<b>Net carrying amount as at 31.12.2018</b>	<b>4,953</b>	<b>36,528</b>	<b>34,956</b>	<b>691,473</b>	<b>767,910</b>
<b>Overview as at 31.12.2019</b>					
Cost	12,190	36,528	114,890	755,445	919,053
Accumulated amortisation and impairment	(7,534)	–	(65,293)	–	(72,827)
<b>Net carrying amount as at 31.12.2019</b>	<b>4,656</b>	<b>36,528</b>	<b>49,597</b>	<b>755,445</b>	<b>846,226</b>

<sup>1)</sup> Including trademarks, patents, licences and customer relationships

A new enterprise resource planning system (ERP) is currently being implemented in the Services business sector which will have a useful life significantly exceeding those of other software cost, estimated to be 15 years.

## Notes to the consolidated financial statements of the Galenica Group

**Trademarks with indefinite useful lives**

This position includes two trademarks with carrying amounts of CHF 21.6 million and CHF 14.9 million (previous year: CHF 21.6 million and CHF 14.9 million) that are well known nationally and internationally and actively advertised. These acquired trademarks are regarded as having indefinite useful lives for the following reasons: they were created many years ago, they do not expire, and the products sold under the trademarks have a history of strong revenue and cash flow performance. Galenica intends and has the ability to support the trademarks to maintain their values for the foreseeable future.

For impairment testing purposes the trademarks have been allocated to the cash-generating unit Verfora in the Products & Brands business sector. The recoverable amount (higher of fair value less costs of disposal and value in use) is determined on the basis of future discounted cash flows. Cash flows beyond the three-year planning period are based on the growth rates and discount rates before tax set out below, as approved in medium-term planning by management:

in thousand CHF	2019	2018
Carrying amount	36,528	36,528
Growth rate	1.0%	1.0%
Discount rate	6.2%	6.7%

According to the results of impairment testing for 2019 and 2018 using value in use calculations, no impairment was necessary. Galenica performed a sensitivity analysis taking into account reasonable changes in the assumptions used to calculate the discounted cash flows, such as higher discount rates, lower EBITDA, lower gross margins or lower perpetual growth rates. The sensitivity analysis for 2019 and 2018 did not reveal that a reasonable possible change in assumption would lead to an impairment.

**Goodwill****Accounting principles**

Goodwill is allocated to the cash-generating unit (CGU) or group of CGUs that are expected to benefit from a business combination. Management monitors goodwill at business sector level.

Goodwill is tested for impairment annually, or more frequently if there are indications of impairment. The impairment test is based on the discounted cash flow method. The WACC is used to determine the applicable pre-tax discount rate. The recoverable amount (higher of fair value less costs of disposal and value in use) of each CGU is determined on the basis of the medium-term plans for the next three years approved by management. Cash flows beyond the three-year planning period are extrapolated using a perpetual growth rate. If the recoverable amount is lower than the carrying amount, the carrying amount is reduced to the recoverable amount by recording an impairment charge.

Any impairment on goodwill is recognised in profit or loss and disclosed separately. An impairment loss for goodwill is not reversed.

in thousand CHF	2019			2018		
	Carrying amount	Growth rate	Discount rate	Carrying amount	Growth rate	Discount rate
Products & Brands	26,175	1.0%	6.6%	26,175	1.0%	6.8%
Retail	636,858	1.0%	6.6%	572,886	1.0%	6.7%
Services	92,412	1.0%	6.6%	92,412	1.0%	6.8%
<b>Total</b>	<b>755,445</b>			<b>691,473</b>		

According to the results of impairment testing for 2019 and 2018 using value in use calculations, no impairment was necessary. Galenica performed a sensitivity analysis taking into account reasonable changes in the assumptions used to calculate the discounted cash flows, such as higher discount rates, lower EBITDA, lower gross margins or lower perpetual growth rates. The sensitivity analysis for 2019 and 2018 did not reveal that a reasonable possible change in assumption would lead to an impairment.



## 17. Investments in associates and joint ventures

### Accounting principles

Investments in associates where Galenica holds between 20% and 50% of the voting rights and investments in joint ventures are initially recognised at cost and subsequently accounted for using the equity method. In the accounting periods following the acquisition, the carrying amount of the investment is increased by the share in profit or reduced by the share in loss and the dividends paid from the associates and joint ventures. The corresponding amounts are recognised in profit or loss. Transactions that are recognised in comprehensive income from associates and joint ventures are recognised proportionately in comprehensive income.

Coop Vitality is the only significant joint venture of Galenica. Coop Vitality is registered in Bern, Switzerland. Galenica owns 49% of the share capital and voting rights, Coop owns 51% of the share capital and voting rights.

### Associates

in thousand CHF	2019	2018
<b>Net carrying amount as at 1 January</b>	<b>4,751</b>	<b>23,041</b>
Share of profit from associates	120	1,053
Remeasurement of previous investments held at equity	2,383 <sup>1)</sup>	3,099 <sup>2)</sup>
Change in scope of consolidation	(6,738) <sup>1)</sup>	(22,700) <sup>2)</sup>
Investments	–	608
Dividends received	–	(350)
<b>Net carrying amount as at 31 December</b>	<b>516</b>	<b>4,751</b>

<sup>1)</sup> Due to the acquisition of the remaining 75% in Grosse Apotheke Dr. G. Bichsel AG as at 1 May 2019, the previously held equity interest has been remeasured to fair value. The resulting gain of CHF 2.4 million has been recognised in profit or loss in share of profit from associates and joint ventures

<sup>2)</sup> Due to the acquisition of the remaining 51% in Bahnhof Apotheke Zürich AG as at 2 July 2018, the previously held equity interest has been remeasured to fair value. The resulting gain of CHF 3.1 million has been recognised in profit or loss in share of profit from associates and joint ventures

### Joint ventures

in thousand CHF	2019	2018
<b>Net carrying amount as at 1 January</b>	<b>22,530</b>	<b>23,436</b>
Change in accounting standards <sup>1)</sup>	(461)	–
<b>Net carrying amount as at 1 January adjusted</b>	<b>22,069</b>	<b>23,436</b>
Share of profit from joint ventures	3,154	2,847
Remeasurement of net defined benefit liability from joint ventures	(92)	(2,023)
Investments	–	1,651
Dividends received	(4,165)	(3,381)
<b>Net carrying amount as at 31 December</b>	<b>20,966</b>	<b>22,530</b>

<sup>1)</sup> Adjustment upon adoption of IFRS 16 (refer to note 2 and note 15)

## Notes to the consolidated financial statements of the Galenica Group

In case Coop Vitality were overindebted, Galenica has an unlimited obligation, in proportion to its equity interest, to restructure the company. At the reporting date, this joint venture is not overindebted.

## Condensed financial information of Coop Vitality:

in thousand CHF	2019	2018
Current assets	38,742	36,537
Non-current assets	112,033	53,238
– of which right-of-use assets	56,014	–
Current liabilities	47,339	31,444
– of which current lease liabilities	9,917	–
Non-current liabilities	59,221	12,353
– of which non-current lease liabilities	47,640	–
Equity before appropriation of earnings	44,215	45,978
Operating income	213,289	201,413
EBIT	10,277	7,626
Net profit	7,862	5,810
Remeasurement of net defined benefit liability recognised in other comprehensive income	(187)	(4,129)
Cash flow from operating activities	22,050	14,140

## 18. Financial assets

**Accounting principles**

Non-current financial assets comprise loans, time deposits with a term to maturity of more than twelve months, rental guarantee deposits and derivative financial instruments with a positive fair value and a residual term to maturity of more than twelve months. Other than the derivatives measured at fair value through profit or loss, the financial assets are held to collect contractual cash flows comprising solely principal and interest payments and are therefore measured at amortised cost subsequent to initial recognition (refer to note 25.1). Any credit losses on financial assets recognised represent 12 month expected losses and are estimated based on the credit risk of the counterparty. Any impairment is recognised in financial expenses.

in thousand CHF	2019	2018
Loans	11,827	9,522
Other financial assets	4,627	4,386
<b>Financial assets</b>	<b>16,454</b>	<b>13,908</b>

## Notes to the consolidated financial statements of the Galenica Group

## 19. Financial liabilities

in thousand CHF	2019	2018
Loans	8,404	5,475
Liabilities to pension funds	36,498	22,822
Bonds	380,528	380,638
Other financial liabilities	70	1,649
<b>Financial liabilities</b>	<b>425,500</b>	<b>410,584</b>
– of which current financial liabilities	44,630	29,674
– of which non-current financial liabilities	380,870	380,910

Galenica issued two fixed-interest rate bonds for a nominal amount totalling CHF 380.0 million for the purpose of long-term financing in June 2017. One bond of CHF 200.0 million was issued with an annual coupon of 0.50% and a term of 6 years, falling due on 15 June 2023 and the other bond of CHF 180.0 million with an annual coupon of 1.00% and a term of 9½ years, falling due on 15 December 2026. The bonds are traded on the SIX Swiss Exchange under securities no. 36720669 (ISIN CH0367206692) and 36720670 (ISIN CH0367206700) respectively. The bonds closed at 101.85% and 105.35% respectively as at 31 December 2019 (previous year: 100.45% and 100.40% respectively).

## Cash flow from financial liabilities and lease liabilities 2019

in thousand CHF	1 January	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Other changes	31 December
Bank loans	–	70,000	(70,000)	–	–	–
Loans	5,475	3,516	(3,072)	2,431	54	8,404
Liabilities to pension funds	22,822	13,160	(12)	483	45	36,498
Bonds	380,638	–	–	–	(110)	380,528
Other financial liabilities	1,649	–	(14,561)	14,348	(1,366)	70
<b>Financial liabilities</b>	<b>410,584</b>	<b>86,676</b>	<b>(87,645)</b>	<b>17,262</b>	<b>(1,377)</b>	<b>425,500</b>
Lease liabilities	245,036	–	(47,622)	14,518	18,636	230,568
<b>Financial liabilities and lease liabilities</b>	<b>655,620</b>	<b>86,676</b>	<b>(135,267)</b>	<b>31,780</b>	<b>17,259</b>	<b>656,068</b>

## Cash flow from financial liabilities 2018

in thousand CHF	1 January	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Other changes	31 December
Bank loans	–	–	(285)	285	–	–
Loans	4,135	1,955	(2,043)	1,380	48	5,475
Liabilities to pension funds	18,595	4,227	–	–	–	22,822
Bonds	380,747	–	–	–	(109)	380,638
Other financial liabilities	2,813	–	(2,559)	–	1,395	1,649
<b>Financial liabilities</b>	<b>406,290</b>	<b>6,182</b>	<b>(4,887)</b>	<b>1,665</b>	<b>1,334</b>	<b>410,584</b>

## Notes to the consolidated financial statements of the Galenica Group

## 20. Trade and other payables

in thousand CHF	2019	2018
Trade payables	291,789	268,972
Contract liabilities	7,972	8,058
Other payables	24,160	21,137
<b>Trade and other payables</b>	<b>323,921</b>	<b>298,167</b>

Contract liabilities are generally recognised in revenue within 12 months.

## 21. Provisions

**Accounting principles**

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

Provisions are recognised for the estimated cost of liabilities related to sureties, customer complaints, litigation risks and ongoing legal proceedings.

in thousand CHF	2019	2018
<b>1 January</b>	<b>6,373</b>	<b>7,615</b>
Change in accounting standards <sup>1)</sup>	(398)	–
<b>1 January adjusted</b>	<b>5,975</b>	<b>7,615</b>
Addition	2,611	1,173
Use	(1,744)	(1,699)
Reversal	(811)	(716)
Addition to scope of consolidation	636	–
<b>31 December</b>	<b>6,667</b>	<b>6,373</b>
– of which current provisions	3,727	2,657
– of which non-current provisions	2,940	3,716

<sup>1)</sup> Adjustment upon adoption of IFRS 16 (refer to note 2 and note 15)

Provisions are recognised for the estimated cost of excess on damage not covered by insurance, contractual liabilities, customer complaints, litigation risk and ongoing legal proceedings. The position also includes a guarantee of CHF 2.0 million (previous year: CHF 2.9 million) for future lease payments related to the sale of a building in 2017.

The cash outflow from the non-current provisions is expected within the next 2 to 4 years.

## 22. Contingent liabilities and commitments

### Accounting principles

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

Galenica is subject to a variety of risks. These risks include, but are not limited to, risks regarding product liability, patent law, tax law, competition laws and anti-trust laws. A number of Group companies are currently involved in administrative proceedings, legal disputes and investigations relating to their business activities. The results of ongoing proceedings cannot be predicted with certainty. Management has established appropriate provisions for any expenses likely to be incurred. These projections, however, are also subject to uncertainty. Galenica does not expect the results of these proceedings to have a significant impact on the financial statements.

In March 2017, the Swiss Competition Commission (COMCO) issued a ruling, which imposed a fine of up to CHF 4.5 million on Galenica. The ruling relates to an investigation from 2012. Galenica regards the ruling issued by COMCO as incorrect in fact and in law. Galenica has taken the ruling to the Federal Administrative Court. A decision by the Federal Administrative Court is expected in 2020 at the earliest.

Galenica entered into various obligations regarding the purchase of services, goods, and equipment as part of its ordinary business operations.

Galenica signed purchase agreements to acquire pharmacies and other business in the next few years. The purchase prices will be fixed at the time of transfer of ownership on the basis of net asset value and discounted cash flow. The unrecognised commitments are expected to involve payments of CHF 14.8 million (previous year: CHF 14.1 million) at the most. The purchase rights have an estimated volume of CHF 15.4 million (previous year: CHF 14.6 million). These purchase rights or obligations fall due between 2020 and 2023.

Galenica signed purchase agreements to acquire property, plant and equipment totalling CHF 8.0 million (previous year: CHF 1.5 million). The payments under these purchase commitments become due in 2020.

There are no unusual pending transactions or risks to be disclosed.

## 23. Employee benefit plans

### Accounting principles

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

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

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

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

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

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

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

As a result of the separation of Galenica from Vifor Pharma in 2017, changes to the Group's pension arrangements were implemented in 2018. The employees and pensioners of the Group previously covered by the Galenica Pension Fund (renamed to Vifor Pharma Pension Fund) were transferred to the Galenicare Pension Fund as at 1 January 2019, resulting in past service costs of CHF 41.2 million due to the alignment of benefits payable in 2018. The Galenicare Pension Fund was then renamed to Galenica Pension Fund and now covers all employees and pensioners of the Group.

All of the Galenica employees work in Switzerland and participate in the Galenica Pension Fund, Bern, which is financed by the employers and the employees. This plan is legally separate from Galenica and qualifies as a defined benefit plan. The pension plan covers the risks of the economic consequences of old age, disability and death in accordance with the Swiss Federal Occupational Retirement, Survivors and Disability Pension Plans Act (BVG/LPP). The pension plan is structured in the legal form of a foundation. All actuarial risks are borne by the foundation and regularly assessed by the Board of Trustees based on an annual actuarial appraisal prepared in accordance with BVG/LPP. The company's liabilities are limited to contributions that are based on a percentage of the insured salary under the Swiss law. Only in cases of a funded status that is significantly below a funded status of 100% as per the BVG/LPP law can Galenica be required to pay additional contributions. The calculations made in these appraisals do not apply the projected unit credit method required by IFRS. If the calculations made in accordance with the provisions of BVG/LPP reveal a funded status of less than 100%, suitable restructuring measures need to be introduced. The Board of Trustees consists of employee and employer representatives.

The defined benefit plan is funded. Plan assets are managed separately from Galenica's assets by the independent pension fund.

The most recent actuarial valuation was prepared as at 31 December 2019. The pension fund assets are invested in accordance with local investment guidelines. Galenica pays its contributions to the pension fund in accordance with the regulations defined by the fund.

## Notes to the consolidated financial statements of the Galenica Group

The final funded status pursuant to BVG/LPP is not available until the first quarter of the subsequent year. The projected funded status as at 31 December 2019 is for Galenica Pension Fund 115.5% (unaudited) and as at 31 December 2018 104.3% (final).

## Defined benefit plans and long-service awards

in thousand CHF	2019			2018		
	Defined benefit plans	Long-service awards <sup>1)</sup>	Total	Defined benefit plans	Long-service awards <sup>1)</sup>	Total
Plan assets measured at fair value	977,673	–	977,673	813,096	–	813,096
Present value of defined benefit obligation	(1,016,989)	(13,715)	(1,030,704)	(872,208)	(14,595)	(886,803)
<b>Net carrying amount recognised in employee benefit liabilities</b>	<b>(39,316)</b>	<b>(13,715)</b>	<b>(53,031)</b>	<b>(59,112)</b>	<b>(14,595)</b>	<b>(73,707)</b>

<sup>1)</sup> Long-service awards relate to provisions for jubilee payments

## Change in present value of defined benefit obligation

in thousand CHF	2019			2018		
	Defined benefit plans	Long-service awards	Total	Defined benefit plans	Long-service awards	Total
<b>1 January</b>	<b>(872,208)</b>	<b>(14,595)</b>	<b>(886,803)</b>	<b>(780,461)</b>	<b>(15,167)</b>	<b>(795,628)</b>
Current service cost	(24,533)	(1,363)	(25,896)	(22,789)	(1,811)	(24,600)
Past service cost	(137)	1,464	1,327	(41,181)	–	(41,181)
Interest on defined benefit obligation	(7,301)	(120)	(7,421)	(5,510)	(103)	(5,613)
Actuarial gain/(loss)	(79,731)	(180)	(79,911)	(15,043)	1,537	(13,506)
Employee contributions	(15,824)	–	(15,824)	(13,925)	–	(13,925)
Benefits/awards paid	4,724	1,181	5,905	14,542	1,002	15,544
Change in scope of consolidation	(21,979)	(102)	(22,081)	(7,841)	(53)	(7,894)
<b>31 December</b>	<b>(1,016,989)</b>	<b>(13,715)</b>	<b>(1,030,704)</b>	<b>(872,208)</b>	<b>(14,595)</b>	<b>(886,803)</b>

## Change in fair value of plan assets

in thousand CHF	2019	2018
	<b>1 January</b>	<b>813,096</b>
Interest on plan assets	6,962	5,822
Remeasurement gain/(loss)	104,121	(46,530)
Employee contributions	15,824	13,925
Employer contributions	24,429	23,430
Benefits paid	(4,724)	(14,542)
Administration cost	(922)	(934)
Change in scope of consolidation	18,887	6,076
<b>31 December</b>	<b>977,673</b>	<b>813,096</b>

## Notes to the consolidated financial statements of the Galenica Group

## Net defined benefit cost

in thousand CHF	2019	2018
Current service cost	24,533	22,789
Past service cost	137	41,181
Net interest on net defined benefit liability	339	122
Administration cost	922	934
<b>Net defined benefit cost</b>	<b>25,931</b>	<b>65,026</b>

## Remeasurement of net defined benefit liability

in thousand CHF	2019	2018
Actuarial gain/(loss) due to:		
- Changes in demographic assumptions	–	(7,187)
- Changes in financial assumptions	(98,746)	11,754
- Experience adjustments	19,015	(19,610)
Remeasurement of plan assets	104,121	(46,530)
Effect of change in asset ceiling	–	60,515
<b>Remeasurement of net defined benefit liability recognised in other comprehensive income</b>	<b>24,390</b>	<b>(1,059)</b>

## Change in assumption and in estimate

In 2019, the decrease of the discount rate from 0.85% to 0.15% had a negative impact of CHF 98.7 million to the defined benefit liability.

During 2018, Galenica conducted a review of actuarial valuation parameters, including employee turnover rates and lump sum payment upon retirement. Considering actual historical patterns in the retail business Galenica used increased rates for its 2018 valuation from 100% BVG 2015 in prior year to 125% which reduced the defined benefit obligation of the Galenicare Pension Fund by CHF 5.7 million. Furthermore, the assumption on lump sum payments upon retirement was reduced for all pension plans from 50% in prior year to 30%. This resulted in an increase of the defined benefit obligation of CHF 26.5 million. Changes in mortality and early retirement assumptions led to another decrease of the defined benefit obligation of the Galenica Pension Fund by CHF 12.9 million. All effects were recognised in other comprehensive income.

## Change in asset ceiling

in thousand CHF	2019	2018
<b>1 January</b>	<b>–</b>	<b>(60,081)</b>
Interest expense (income)	–	(434)
Change in asset ceiling recognised in other comprehensive income	–	60,515
<b>31 December</b>	<b>–</b>	<b>–</b>



## Notes to the consolidated financial statements of the Galenica Group

## Investment structure of plan assets

in thousand CHF	2019		2018	
Cash and cash equivalents	51,150	5.2%	34,818	4.3%
Debt instruments	170,021	17.4%	159,750	19.6%
Equity instruments	422,740	43.2%	334,713	41.2%
Real estate	210,777	21.6%	191,358	23.5%
Other investments	122,985	12.6%	92,457	11.4%
<b>Fair value of plan assets</b>	<b>977,673</b>	<b>100.0%</b>	<b>813,096</b>	<b>100.0%</b>
Current return on plan assets		13.4%		(4.9%)

The Board of Trustees is responsible for investing the plan assets. It defines the investment strategy and determines the long-term target asset structure (investment policy), taking into account the legal requirements, objectives set, the benefit obligations and the foundations' risk capacity. The Board of Trustees delegates implementation of the investment policy in accordance with the investment strategy to an investment committee, which also comprises trustees from the Board of Trustees and a general manager. Plan assets are managed by external asset managers in line with the investment strategy.

Cash and cash equivalents are deposited with financial institutions with a rating of A or above.

Debt instruments (e.g. bonds) have a credit rating of at least BBB and quoted prices in active markets (level 1 of the fair value hierarchy). They can be investments in funds and direct investments.

Equity instruments are investments in equity funds and direct investments. These generally have quoted prices in active markets (level 1 of the fair value hierarchy). Equity instruments include shares of Galenica Ltd. with a fair value of CHF 10.9 million (previous year: CHF 10.7 million).

Real estate relates to both residential property and offices. These can be investments in quoted real estate funds (level 1 of the fair value hierarchy) or direct investments (level 3 of the fair value hierarchy). If real estate is held directly, it is valued by an independent expert.

Other investments consist of hedge funds, insurance linked securities (ILS), infrastructures, senior loans, private equity and receivables. There are receivables from Group companies amounted to CHF 33.6 million (previous year: CHF 21.3 million). Investments in hedge funds are classified as alternative investments. They are primarily used for risk management purposes. In most cases, quoted prices in an active market are not available for hedge funds investments (level 2 or level 3 of the fair value hierarchy).

The use of derivative financial instruments is only permitted if sufficient liquidity or underlying investments are available. Leverage and short selling are not permitted.

The pension funds manage the assets of 5,184 active members (previous year: 4,870) and 816 pensioners (previous year: 773).

Galenica does not use any pension fund assets.

## Notes to the consolidated financial statements of the Galenica Group

## Basis for measurement

	2019	2018
Discount rate	0.15%	0.85%
Salary development	1.00%	1.00%
Pension development	0.00%	0.00%
Mortality (mortality tables)	BVG 2015 GT (CMI), 1.5%	BVG 2015 GT (CMI), 1.5%
Turnover	BVG 2015 (100% - 125%)	BVG 2015 (100% - 125%)

## Sensitivity analysis

The discount rate, future salary development and mortality were identified as key actuarial assumptions. Changes in these assumptions would affect the defined benefit obligation (DBO) as follows:

in thousand CHF	2019		2018	
	Variations in assumptions	Impact on DBO	Variations in assumptions	Impact on DBO
Discount rate	+0.25%	(36,730)	+0.25%	(29,186)
	-0.25%	39,781	-0.25%	30,949
Salary development	+0.25%	3,121	+0.25%	2,626
	-0.25%	(3,086)	-0.25%	(2,140)
Mortality	+1 year	30,333	+1 year	23,696
	-1 year	(30,369)	-1 year	(24,189)

The sensitivity analysis assumes potential changes in the above parameters as at year-end. Every change in a key actuarial assumption is analysed separately. Interdependencies were not taken into account.

The pension obligations have an average duration of 16.5 years (previous year: 15.4 years).

Cash outflows for pension payments and other obligations can be budgeted reliably. The benefit plans collect regular contribution payments. Furthermore, the investment strategies safeguard liquidity at all times.

The employer contributions to the pension fund are estimated at CHF 25.3 million for 2020.

## 24. Shareholders' equity

### 24.1 Share capital and number of shares

#### Accounting principles

When treasury shares in Galenica Ltd. are acquired, they are deducted from shareholders' equity. Gains and losses from buying and selling treasury shares in Galenica Ltd. are recognised directly in shareholders' equity.

Galenica has fully paid-up share capital of CHF 5,000,000, divided into 50,000,000 publicly listed shares with a par value of CHF 0.10 each, as at the reporting date. All shares have the same capital rights with the exception of the treasury shares which do not generate any dividends. Voting rights and restrictions on voting rights are described in detail in Galenica's Annual report 2019 in the chapter Corporate Governance (unaudited).

According to Article 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 not more than 5,000,000 fully paid shares.

Number of shares	Total shares Galenica Ltd.	Treasury shares	Outstanding shares
<b>Balance as at 31.12.2017</b>	<b>50,000,000</b>	<b>(992,643)</b>	<b>49,007,357</b>
Transactions with treasury shares	–	169,230	169,230
<b>Balance as at 31.12.2018</b>	<b>50,000,000</b>	<b>(823,413)</b>	<b>49,176,587</b>
Transactions with treasury shares	–	162,563	162,563
<b>Balance as at 31.12.2019</b>	<b>50,000,000</b>	<b>(660,850)</b>	<b>49,339,150</b>

The treasury shares are reserved for share-based payments to employees.

### 24.2 Changes in consolidated shareholder's equity

On 2 May 2019, the Annual General Meeting approved a dividend payment to be made from capital contribution reserves of CHF 83.8 million, corresponding to CHF 1.70 per registered share, for the financial year 2018 (previous year: CHF 81.0 million). The dividend was paid out to the shareholders on 8 May 2019.

In the reporting period, 6,172 treasury shares (previous year: 5,848 treasury shares) were bought at an average price of CHF 56.03 (previous year: CHF 52.05) and 168,735 treasury shares (previous year: 175,078 treasury shares) were issued as share-based payments.

The expense for share-based payment transactions, allocated over the vesting period, has been recognised in personnel costs and accrued in consolidated shareholders' equity.

The acquisition of non-controlling interests reduced consolidated shareholders' equity by CHF 0.1 million in the previous year.

The Board of Directors will submit a proposal to the Annual General Meeting on 19 May 2020 to pay a dividend of CHF 1.80 per share entitled to receive dividend for the financial year 2019. For this purpose, CHF 0.90 is to be taken from the reserves from capital contributions and CHF 0.90 from the retained earnings. However, no dividend will be paid on treasury shares. Based on the number of treasury shares as at 31 December 2019, the total dividend would amount to CHF 88.8 million.

## 25. Financial instruments

### 25.1 Categories of financial instruments

#### Accounting principles

Galenica classifies its financial assets and financial liabilities at initial recognition. Subsequent measurement is at amortised cost or fair value through profit or loss.

#### Measurement of financial assets and financial liabilities

With the exception of trade receivables, financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs, if those financial instruments are not subsequently measured at fair value through profit or loss. Trade receivables are initially measured at the transaction price resulting from the revenue transaction. All purchases and sales of financial instruments are recognised using trade date accounting.

Financial assets are generally derecognised when the contractual rights to the cash flows expire. Financial liabilities are derecognised when they have been settled.

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

#### Financial assets at amortised cost

This category includes trade and other receivables as well as loans and other financial assets such as rental deposits. These financial assets are subsequently measured at amortised cost using the effective interest rate method less expected credit losses. Expected credit losses are based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Changes in expected credit losses due to changes in estimated credit risk are determined at each reporting date and charged to profit or loss. Galenica uses the simplified approach to determine its bad debt allowances for trade receivables using lifetime expected credit losses.

Uncollectible loans and receivables are only derecognised if a certificate of loss has been issued.

#### Financial liabilities at fair value through profit or loss

Financial liabilities classified as at fair value through profit or loss correspond to contingent consideration liabilities from business combinations.

#### Financial liabilities at amortised costs

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

### Carrying amounts of financial instruments 2019

in thousand CHF	Financial			Total
	Financial assets at amortised costs	liabilities at fair value through profit or loss	Financial liabilities at amortised costs	
Cash and cash equivalents	90,532	—	—	90,532
Trade and other receivables	421,518	—	—	421,518
Financial assets	16,454	—	—	16,454
Current financial liabilities	—	—	44,630	44,630
Current lease liabilities	—	—	47,796	47,796
Trade and other payables	—	—	315,949	315,949
Non-current financial liabilities	—	70	380,800	380,870
Non-current lease liabilities	—	—	182,772	182,772
<b>Total</b>	<b>528,504</b>	<b>70</b>	<b>971,947</b>	

## Notes to the consolidated financial statements of the Galenica Group

## Carrying amounts of financial instruments 2018

in thousand CHF	Financial assets at amortised costs	Financial liabilities at amortised costs	Total
Cash and cash equivalents	104,970	–	104,970
Trade and other receivables	371,648	–	371,648
Financial assets	13,908	–	13,908
Current financial liabilities	–	29,674	29,674
Trade and other payables	–	290,109	290,109
Non-current financial liabilities	–	380,910	380,910
<b>Total</b>	<b>490,526</b>	<b>700,693</b>	

## Net gain/(loss) on financial instruments 2019

in thousand CHF	Financial assets at amortised costs	Financial liabilities at amortised costs	Total
Net gain/(loss) on foreign exchange	50	(231)	(181)
Other financial result	(916)	(71)	(987)
Interest income	683	–	683
Interest expense	–	(2,720)	(2,720)
Interest expense on lease liabilities	–	(2,471)	(2,471)
Interest income on impaired trade receivables	37	–	37
Expected credit losses	1,417	–	1,417
<b>Net gain/(loss) recognised in profit or loss</b>	<b>1,271</b>	<b>(5,493)</b>	<b>(4,222)</b>

Expected credit losses comprise the change in bad debt allowance and receivables directly written off.

## Net gain/(loss) on financial instruments 2018

in thousand CHF	Financial assets at amortised costs	Financial liabilities at amortised costs	Total
Net gain/(loss) on foreign exchange	(87)	(67)	(154)
Other financial result	33	(38)	(5)
Interest income	940	–	940
Interest expense	–	(2,760)	(2,760)
Interest income on impaired trade receivables	88	–	88
Expected credit losses	(2,865)	–	(2,865)
<b>Net gain/(loss) recognised in profit or loss</b>	<b>(1,891)</b>	<b>(2,865)</b>	<b>(4,756)</b>

## 25.2 Fair value measurement

### Accounting principles

#### Fair value

Non-current financial liabilities contain contingent consideration liabilities from business combinations which are measured at fair value. The fair value of these financial instruments is measured based on the expected cash flows in due consideration of the probability of occurrence and the current market interest rates (level 3 of the fair value hierarchy).

The fair values of the fixed-rate bonds derived from quoted prices (level 1 of the fair value hierarchy).

#### Fair value hierarchy

Galenica measures financial instruments at fair value using the following hierarchies for determining the fair value:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- **Level 3:** Unobservable inputs for the asset or liability. These inputs reflect the best estimates of Galenica based on criteria that market participants would use to determine prices for assets or liabilities at the reporting date.

### Fair value

in thousand CHF	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial liabilities	342	342	272	272
Bonds (fair value level 1)	380,528	393,330	380,638	381,620
<b>Non-current financial liabilities</b>	<b>380,870</b>	<b>393,672</b>	<b>380,910</b>	<b>381,892</b>

With the exception of non-current financial liabilities the carrying amounts of all financial instruments approximate to the fair value or fair value disclosure is not required (lease liabilities).

### Fair value of contingent consideration liabilities from business combinations (level 3 of the fair value hierarchy)

in thousand CHF	2019	2018
<b>1 January</b>	–	<b>150</b>
Arising from business combinations	70	–
Payments (cash out)	–	(150)
<b>31 December</b>	<b>70</b>	–

## 26. Financial risk management

Galenica is exposed to various financial risks and liquidity requirements. Galenica's financing and financial risk management activities are centralised into Group Treasury, which manages financial exposures of Galenica on account of changes in interest rates, currency risks, credit risks and liquidity in a manner that is consistent with underlying business risks and in line with the treasury policy approved by the Board of Directors as well as internal guidelines on cash and liability management. In addition, capital management of Galenica is also mainly exercised and monitored at Group level.

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

### 26.1 Liquidity risk

#### Liquidity risk management

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

#### Maturity profile of financial liabilities 2019

in thousand CHF	Carrying amount	Total undiscounted cash flows	up to 3 months	3 to 12 months	2 to 5 years	Maturities more than 5 years
Trade and other payables	315,949	315,949	314,563	1,386	—	—
Current financial liabilities	44,630	44,630	44,114	516	—	—
Current lease liabilities	47,796	49,905	12,653	37,252	—	—
Non-current financial liabilities	342	342	—	—	70	272
Bonds	380,528	396,600	—	2,800	210,200	183,600
Non-current lease liabilities	182,772	189,747	—	—	134,046	55,701
<b>Total</b>	<b>972,017</b>	<b>997,173</b>	<b>371,330</b>	<b>41,954</b>	<b>344,316</b>	<b>239,573</b>

#### Maturity profile of financial liabilities 2018

in thousand CHF	Carrying amount	Total undiscounted cash flows	up to 3 months	3 to 12 months	2 to 5 years	Maturities more than 5 years
Trade and other payables	290,109	290,109	288,128	1,981	—	—
Current financial liabilities	29,674	29,674	28,025	1,649	—	—
Non-current financial liabilities	272	272	—	—	—	272
Bonds	380,638	399,400	—	2,800	211,200	185,400
<b>Total</b>	<b>700,693</b>	<b>719,455</b>	<b>316,153</b>	<b>6,430</b>	<b>211,200</b>	<b>185,672</b>

The values presented above are contractually agreed undiscounted cash flows including interest. Wherever the contractually agreed payment amount is liable to change before maturity as a result of variable interest rates, the payment amounts based on the interest rates at the reporting date are disclosed.

## 26.2 Credit risk

### Credit risk management

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

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

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

in thousand CHF	2019	2018
Cash and cash equivalents (without cash on hand)	89,076	103,542
Trade and other receivables	421,518	371,648
Loans and other financial assets	16,454	13,908
<b>Financial assets subject to credit risk</b>	<b>527,048</b>	<b>489,098</b>

The financial assets subject to credit risk are primarily receivables.

Galenica applies internal risk management guidelines to identify concentrations of credit risk.

Galenica's financial assets are not exposed to a concentration of credit risk.

No past due financial assets have been renegotiated. Based on past experience, Galenica considers the creditworthiness of non-past due trade receivables to be good. Trade receivables past due are analysed on an ongoing basis. These receivables are accounted for using individual bad debt allowances, adjusted for forward-looking factors specific to the debtors and the economic environment.



## 27. Capital management

The capital of Galenica is managed and monitored at Group level. The objective of capital management at Galenica is to ensure the continuity of operations, increase enterprise value on a sustainable basis, provide an adequate return to investors, provide the financial resources to enable investments in areas that deliver future benefits for patients and customers and further returns to investors.

Galenica defines the capital that it manages as invested interest-bearing liabilities and equity. Galenica uses a system of financial control based on various key performance indicators. Capital is monitored based on the gearing, for example, which expresses net debt as a percentage of shareholders' equity including non-controlling interests and is communicated regularly to management as part of internal reporting.

Net debt, shareholders' equity and gearing are shown in the table below.

in thousand CHF	2019	2018
Current financial liabilities <sup>1)</sup>	44,630	28,025
Current lease liabilities	47,796	–
Non-current financial liabilities <sup>1)</sup>	380,800	380,910
Non-current lease liabilities	182,772	–
Cash and cash equivalents	(90,532)	(104,970)
Interest-bearing receivables	(8,811)	(3,517)
<b>Net debt</b>	<b>556,655</b>	<b>300,448</b>
Equity attributable to shareholders of Galenica Ltd.	993,497	929,463
Non-controlling interests	6,043	4,136
<b>Shareholders' equity</b>	<b>999,540</b>	<b>933,599</b>
<b>Gearing</b>	<b>55.7%</b>	<b>32.2%</b>

<sup>1)</sup> Excluding non-interest-bearing financial liabilities

Galenica has no covenants requiring a minimum level of equity, nor is Galenica subject to any externally regulated capital requirements as seen in the financial services sector.

## 28. Share-based payments

### Accounting principles

The employees of Galenica participate in share-based payment plans. These plans qualify as equity-settled share-based payment plans and are settled in shares of Galenica Ltd.

The share-based payments are measured at fair value at grant date.

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

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

### Remuneration for members of the Board of Directors

The members of the Board of Directors receive fixed annual remuneration and can choose whether to receive it in full or in part (50%) in shares of Galenica Ltd. The amount settled in shares is paid out with a discount of 25%. The shares may not be traded for the first five years for tax reasons.

The fair value of the shares granted is equivalent to the amount to be paid out in shares plus the discount of 25%.

### Share plan for members of senior management

According to the participation plan, members of senior management receive their performance-related bonus partly in cash and partly in shares of Galenica Ltd. The proportion of cash to shares is set out in the regulations and is based on the salary grade of the recipient. In addition, all members of senior management are obliged to hold a number of shares of Galenica. The amount to be settled in shares is paid out in the form of shares of Galenica Ltd. with a discount of 25%. The shares may not be traded for the first five years for tax reasons.

The fair value of the shares granted is equivalent to the amount to be paid out in shares plus the discount of 25%.

### Long-term incentive plan (LTI)

Members of the Corporate Executive Committee of Galenica and certain members of senior management participate in a LTI plan for the allocation of performance share units. The number of these performance share units is based on the extent to which defined long-term performance targets are attained. A LTI plan always runs for a vesting period of three years. At the beginning of each financial year a new LTI plan with a new vesting period of three years is issued. At the start of the vesting period a defined number of performance share units are individually allocated. The number of performance share units allocated is dependent on the defined percentage of the annual salary incorporated into the LTI plan as well as the effective share price at the time of the allocation. At the end of the vesting period performance share units are paid out to eligible beneficiaries in the form of shares of Galenica Ltd.

23,592 performance share units (previous year: 23,199 performance share units) were granted to beneficiaries at a fair value of CHF 37.63 (previous year: CHF 45.05) at the beginning of the reporting period for the 2019 LTI plan.

## Notes to the consolidated financial statements of the Galenica Group

**Employee share plan**

Employees of Galenica are entitled to buy a fixed number of shares of Galenica Ltd. at a preferential price. All employees who, at the time of the purchase offer, are not under notice and have an employment contract of unlimited duration are entitled to acquire shares.

The purchase price for the shares is calculated at the time of the purchase offer based on the average price for the previous month less a 30% discount. The price discount is borne by the employer. The shares may not be traded for the first three years for tax reasons.

In the reporting period, employees purchased 65,279 shares of Galenica Ltd. (previous year: 63,311 shares) at a price of CHF 36.00 (previous year: CHF 38.25). This includes a discount of CHF 15.41 (previous year: CHF 16.39) per share.

**Share-based payment expense**

in thousand CHF	2019	2018
Remuneration for members of the Board of Directors	1,438	1,415
Share plan for members of senior management	2,002	2,132
Long-term incentive plan (LTI)	962	1,048
Employee share plan	1,006	1,037
<b>Total</b>	<b>5,408</b>	<b>5,632</b>

**29. Related party transactions**

Related parties include all companies of the Galenica Group as well as associates, joint ventures, pension funds, members of the Board of Directors and members of the Corporate Executive Committee.

**Related party transactions**

As at the reporting date, trade receivables and loans to associates and joint ventures amounted to CHF 21.5 million (previous year: CHF 8.4 million). The trade receivables and loans primarily relate to Coop Vitality. The trade payables and loans from associates and joint ventures amounted to CHF 4.0 million (previous year: CHF 4.4 million) and the financial liabilities to pension funds amounted to CHF 36.5 million (previous year: CHF 22.8 million).

The transactions with associates and joint ventures shown in the table below largely concern transactions with Coop Vitality.

in thousand CHF	2019		2018	
	Associates and joint ventures	Other related parties	Associates and joint ventures	Other related parties
Sale of goods	134,889	5,283	131,372	5,293
Income from services	6,249	—	6,551	—
Other income	22	—	40	—
Purchase of goods	596	—	780	2
Other operating costs	—	—	—	46
Financial income	135	—	152	—
Financial expenses	9	—	10	—

**Remuneration of the Board of Directors and the Corporate Executive Committee**

in thousand CHF	2019	2018
Remuneration	3,032	2,839
Social security costs and pension expenses	835	719
Share-based payments	2,328	2,166
<b>Total</b>	<b>6,195</b>	<b>5,724</b>

### 30. Subsequent events

The following transactions occurred between 31 December 2019 and 3 March 2020, the date on which the consolidated financial statements 2019 were released for publication.

**Acquisition of pharmacies.** Galenicare Holding acquired 100% of the interests in pharmacies at various locations in Switzerland. The net assets of these acquisitions will be consolidated for financial year 2020 from the date control was obtained.

The purchase consideration was CHF 9.5 million, the fair value of the provisional net assets resulting from these additions was estimated at CHF 3.8 million at the acquisition date. Since the transactions were concluded shortly before the consolidated financial statements were issued, it was not possible to disclose the additional information required by IFRS.

There were no further significant events after the reporting date.

## Notes to the consolidated financial statements of the Galenica Group

## 31. Group companies

	Registered office	Equity interest	Method of consolidation	Share capital in thousand
<b>Health &amp; Beauty</b>				
<b>Products &amp; Brands</b>				
G-Pharma AG <sup>1)</sup>	CH-Niederbipp	100%	full	CHF 100
Swiss Pharma GmbH <sup>1)</sup>	DE-Rülzheim	100%	full	EUR 51
Verfora Ltd. <sup>1)</sup>	CH-Villars-sur-Glâne	100%	full	CHF 100
<b>Retail</b>				
Amavita Health Care Ltd. <sup>1)</sup>	CH-Niederbipp	100%	full	CHF 100
Bahnhof Apotheken Thun AG	CH-Thun	50%	full	CHF 200
Bahnhof Apotheke Zürich AG	CH-Zürich	100%	full	CHF 300
Bichsel Interlaken Holding AG	CH-Interlaken	95%	full	CHF 100
Careproduct AG	CH-Oberwil-Lieli	100%	full	CHF 100
Coop Vitality AG	CH-Bern	49%	at equity	CHF 5,000
Coop Vitality Health Care GmbH	CH-Niederbipp	49%	at equity	CHF 20
Coop Vitality Management AG	CH-Bern	49%	at equity	CHF 100
Curarex Swiss AG <sup>1)</sup>	CH-Frauenfeld	100%	full	CHF 100
Galenica Investment AG <sup>1)</sup>	CH-Bern	100%	full	CHF 1,000
Galenicare Ltd.	CH-Bern	100%	full	CHF 700
Galenicare Holding Ltd. <sup>1)</sup>	CH-Bern	100%	full	CHF 50,000
Galenicare Management Ltd.	CH-Bern	100%	full	CHF 500
Grosse Apotheke Dr. G. Bichsel AG	CH-Interlaken	95%	full	CHF 200
Laboratorium Dr. G. Bichsel AG	CH-Unterseen	95%	full	CHF 200
Laboratorium und Grosse Apotheke Dr. G. Bichsel Holding AG	CH-Interlaken	95%	full	CHF 200
MediService Ltd. <sup>1)</sup>	CH-Zuchwil	100%	full	CHF 363
Puresense AG	CH-Gaiserwald	40%	at equity	CHF 100
Sun Store Health Care Ltd. <sup>1)</sup>	CH-Niederbipp	100%	full	CHF 100
Winconcept Ltd.	CH-Bern	100%	full	CHF 100
<b>Services</b>				
1L Logistics AG <sup>1)</sup>	CH-Burgdorf	100%	full	CHF 100
Alloga Ltd. <sup>1)</sup>	CH-Burgdorf	100%	full	CHF 8,332
Dauf SA	CH-Barbengo-Lugano	90.18%	full	CHF 100
Galexis Ltd. <sup>1)</sup>	CH-Niederbipp	100%	full	CHF 25,000
HCI Solutions Ltd. <sup>1)</sup>	CH-Bern	100%	full	CHF 100
Medifilm Ltd.	CH-Oensingen	100%	full	CHF 1,300
PharmaBlist Ltd.	CH-Widnau	100%	full	CHF 100
Pharmapool Ltd.	CH-Widnau	100%	full	CHF 962
Pharmapool Zentralapotheke AG	CH-Widnau	100%	full	CHF 100
Unione Farmaceutica Distribuzione SA <sup>1)</sup>	CH-Barbengo-Lugano	90.18%	full	CHF 2,000
<b>Corporate</b>				
Galenica Finanz Ltd. <sup>1)</sup>	CH-Bern	100%	full	CHF 100

<sup>1)</sup> Directly held by Galenica Ltd.

## Statutory auditor's report on the audit of the consolidated financial statements



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To the General Meeting of  
Galenica Ltd., Berne

Berne, 3 March 2020

## Statutory auditor's report on the audit of the consolidated financial statements



### Opinion

We have audited the consolidated financial statements of Galenica Ltd., and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 102 to 149) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond



to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

#### **Impairment risk of goodwill and other intangibles**

<b>Risk</b>	<p>As disclosed in note 16, goodwill amounts to CHF 755.4 million as at 31 December 2019 and represents a major asset of Galenica. In addition, Galenica recorded intangible assets with indefinite useful lives with a carrying amount of CHF 36.5 million. Both goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually.</p> <p>Auditing management's annual impairment test was complex and judgmental due to the significant estimation required in the assessment. In particular, the assessment is sensitive to significant assumptions about future market and economic conditions, such as economic growth, expected market share, revenue and margin development.</p>
<b>Our audit response</b>	<p>We performed audit procedures that included, among others, assessing methodologies and testing the assumptions discussed above, the weighted average cost of capital (WACC), and technical input parameters used by Galenica. We involved our internal valuation specialists to assist us with these audit procedures. In addition, we assessed the cash flow projections for all cash generating units (CGUs). These procedures included an assessment of the historical accuracy of management's estimates and evaluation of business plans. In particular, we considered the available headroom of CGUs and performed sensitivity analysis of assumptions to evaluate whether changes in assumptions as described in note 16 could cause the carrying amount to exceed its recoverable amount. Our audit procedures did not lead to any reservations regarding the impairment tests of goodwill and other intangibles.</p>

#### **First-time adoption and significance of the new lease standard**

<b>Risk</b>	<p>As outlined in note 15, Galenica adopted IFRS 16 Leases for the first time in the 2019 consolidated financial statements. Galenica recorded the effect of the transition in the opening balance sheet as at 1 January 2019 and applied certain practical expedients as explained in note 15. The Group used the modified retrospective approach and recorded right-of-use assets of CHF 239.1 million and current and non-current lease liabilities of CHF 245.1 million in aggregate as of that date. The assessment to record right-of-use assets and lease liabilities involves judgment and estimates made by management. In particular, the assessment and calculation include estimating the expected lease term based on contractual rights including extension and termination options, excluding certain payments such as variable lease payments and non-lease components, and discounting the expected payments with a discount rate, generally the incremental borrowing rate.</p>
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Additionally, right-of-use assets are depreciated over the shorter of the useful life or the end of the lease term, provided ownership is not transferred to the Group at the end of the lease term. Right-of-use assets are tested for impairment if indicators are present that these assets may not be recoverable.

The adoption of IFRS 16 Leases was considered important to our audit due to the large number of lease contracts, particularly in the retail segment, the overall amount recorded for right-of-use assets and lease liabilities and the significant judgment involved to calculate and record such assets and liabilities.

#### **Our audit response**

We obtained an understanding of the process implemented by Galenica for the adoption of IFRS 16 Leases. We assessed and tested the opening balance sheet adjustments by obtaining a list of all identified contracts and comparing these contracts to lease payments made in the prior period. We tested a sample of contracts and performed procedures to verify the completeness and accuracy of the data in the lease tool. Additionally, we discussed the methodology applied by Galenica to estimate the lease term, in particular the judgment made to determine whether it is reasonably certain that extension and termination options are exercised. We analyzed the underlying useful life and discussed impairment indicators for right-of-use assets of retail stores with generally lower margins. Finally, we assessed the incremental borrowing rate used to discount lease liabilities and compared the right-of-use assets with the related lease liabilities. Our audit procedures did not lead to any reservations regarding the first-time adoption of IFRS 16 Leases.



#### **Other information in the annual report**

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



#### **Responsibility of the Board of Directors for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.





In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



#### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



#### **Report on other legal and regulatory requirements**

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Roland Ruprecht  
Licensed audit expert  
(Auditor in charge)

Simone Wittwer  
Licensed audit expert

Financial statements 2019 of Galenica Ltd.

## Financial statements 2019 of Galenica Ltd.

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on the financial statements

## Statement of income of Galenica Ltd.

in thousand CHF	2019	2018
Investment income	46,150	48,650
Financial income	18,568	1,116
Other income	23,015	22,843
<b>Income</b>	<b>87,733</b>	<b>72,609</b>
Personnel costs	(13,222)	(13,281)
Financial expenses	(3,993)	(2,757)
Depreciation and amortisation	(2,343)	(9,026)
Other expenses	(5,411)	(4,938)
<b>Expenses</b>	<b>(24,969)</b>	<b>(30,002)</b>
<b>Profit for the year before taxes</b>	<b>62,764</b>	<b>42,607</b>
Direct taxes	(1,587)	(78)
<b>Profit for the year</b>	<b>61,177</b>	<b>42,529</b>

Statement of financial position of Galenica Ltd.

# Statement of financial position of Galenica Ltd.

## Assets

in thousand CHF	2019		2018	
Cash and cash equivalents		20,822		60,667
Receivables				
– Third parties		48		21
– Group companies		349,597		388,081
Prepaid expenses and accrued income				
– Third parties		469		1,124
– Group companies		–		500
<b>Current assets</b>	38.9%	<b>370,936</b>	46.2%	<b>450,393</b>
Financial assets		301,612		244,437
Investments		280,720		280,587
Property, plant and equipment		1		5
Intangible assets		11		25
<b>Non-current assets</b>	61.1%	<b>582,344</b>	53.8%	<b>525,054</b>
<b>Assets</b>	100.0%	<b>953,280</b>	100.0%	<b>975,447</b>

## Liabilities and shareholders' equity

in thousand CHF	2019		2018	
Other liabilities				
– Third parties		4,327		4,227
– Group companies		2		103
Accrued expenses and deferred income				
– Third parties		7,073		6,928
– Group companies		200		–
<b>Current liabilities</b>	1.2%	<b>11,602</b>	1.1%	<b>11,258</b>
Interest-bearing liabilities				
– Third parties		380,070		380,000
<b>Non-current liabilities</b>	39.9%	<b>380,070</b>	39.0%	<b>380,000</b>
<b>Liabilities</b>	41.1%	<b>391,672</b>	40.1%	<b>391,258</b>
Share capital		5,000		5,000
Legal capital reserves				
– Reserves from capital contributions		396,094		479,852
Legal retained earnings				
– General legal retained earnings		1,000		1,000
– Reserves for treasury shares		22,000		29,800
Voluntary retained earnings				
– Free reserve		76,000		25,200
– Profit brought forward from the previous year		337		808
– Profit for the year		61,177		42,529
<b>Shareholders' equity</b>	58.9%	<b>561,608</b>	59.9%	<b>584,189</b>
<b>Liabilities and shareholders' equity</b>	100.0%	<b>953,280</b>	100.0%	<b>975,447</b>

# Notes to the financial statements of Galenica Ltd.

## Principles

The financial statements of Galenica Ltd. with registered office in Bern, Switzerland have been prepared in accordance with Article 957 et seqq. of Title 32 of the Accounting law based on the Swiss Code of Obligations (CO). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

## Financial assets

Financial assets include non-current loans to Group companies of CHF 300.9 million (previous year: CHF 244.4 million).

## Investments

The list of the Group companies is shown on page 149.

## Non-current interest-bearing liabilities

The non-current interest-bearing liabilities are recognised at nominal value.

in thousand CHF	2019	2018
Bond 0.5% (15 June 2017–15 June 2023) ISIN CH0367206692	200,000	200,000
Bond 1.0% (15 June 2017–15 December 2026) ISIN CH0367206700	180,000	180,000
Other financial liabilities	70	–
<b>Non-current interest-bearing liabilities</b>	<b>380,070</b>	<b>380,000</b>

## Share capital

As at 31 December 2019, the share capital of Galenica amounted to CHF 5,000,000, divided into 50,000,000 fully paid-up and publicly listed shares with nominal value of CHF 0.10 each.

## Authorised capital

According to Article 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 not more than 5,000,000 fully paid shares.

## Reserves from capital contributions

The reserves from capital contributions have been reduced to CHF 396.1 million (previous year: CHF 479.9 million) due to the dividend paid out to the shareholders on 8 May 2019 in the amount of CHF 83.8 million (previous year: CHF 81.0 million).

## Release of hidden reserves

In 2019, hidden reserves of CHF 17.5 million were released (previous year: none).

## Subordinated loans

As at 31 December 2019, subordinated loans to Group companies amounted to CHF 190.0 million (previous year: CHF 220.0 million).

## Contingent liabilities

As at 31 December 2019, total contingent liabilities amounted to CHF 745.5 million (previous year: CHF 724.8 million), including issued guarantees to Group companies of CHF 615.3 million (previous year: CHF 594.5 million) as well as CHF 130.0 million (previous year: CHF 130.0 million) for guarantees to secure intraday transactions in connection with the zero balance cash pooling.

## Full-time equivalents

The average number of full-time equivalents for the reporting period amounted to 34 (previous year: 33).

## Notes to the financial statements of Galenica Ltd.

## Treasury shares

Galenica shares owned by subsidiaries:

	Number	in CHF
<b>As at 31 December 2017</b>	<b>992,643</b>	<b>38,343,790</b>
1 <sup>st</sup> quarter 2018 – Bought	1,556	75,455
– Sold	(65,489)	(3,114,103)
2 <sup>nd</sup> quarter 2018 – Bought	1,906	100,015
– Sold	(37,432)	(1,826,834)
3 <sup>rd</sup> quarter 2018 – Bought	1,906	105,163
– Sold	(72,157)	(3,942,658)
4 <sup>th</sup> quarter 2018 – Bought	480	23,736
– Sold	–	–
<b>As at 31 December 2018</b>	<b>823,413</b>	<b>29,764,564</b>
1 <sup>st</sup> quarter 2019 – Bought	833	39,202
– Sold	(56,100)	(2,570,197)
2 <sup>nd</sup> quarter 2019 – Bought	320	16,157
– Sold	(37,958)	(1,704,314)
3 <sup>rd</sup> quarter 2019 – Bought	1,253	67,657
– Sold	(74,677)	(3,839,145)
4 <sup>th</sup> quarter 2019 – Bought	3,766	222,797
– Sold	–	–
<b>As at 31 December 2019</b>	<b>660,850</b>	<b>21,996,721</b>

The treasury shares are reserved for share-based payments to employees.

## Major shareholders

	Number of shares	% of share capital
<b>As at 31 December 2019</b>		
UBS Fund Management (Switzerland) AG, Switzerland	2,482,860	5.0
BlackRock Inc., USA	2,239,120 <sup>1)</sup>	4.9
Alecta Pensionsförsäkring, Sweden	2,000,000	4.0
Credit Suisse Funds AG, Switzerland	1,626,752	3.3
Rudolf Maag, Switzerland	1,500,000	3.0
<b>As at 31 December 2018</b>		
UBS Fund Management (Switzerland) AG, Switzerland	2,482,860	5.0
BlackRock Inc., USA	2,239,120 <sup>1)</sup>	4.9
Alecta Pensionsförsäkring, Sweden	2,000,000	4.0
Credit Suisse Funds AG, Switzerland	1,626,752	3.3
Rudolf Maag, Switzerland	1,500,000	3.0

<sup>1)</sup> Options not considered

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

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

### Shareholdings of the members of the Board of Directors

Number of shares	Held as at 31.12.2019	Shares Allocated for 2019	Held as at 31.12.2018	Shares Allocated for 2018
Daniela Bosshardt	7,822	6,363	3,074	4,748
Michel Burnier	4,239	2,664	2,459	1,780
Fritz Hirsbrunner	7,157	3,330	3,299	3,858
Bertrand Jungo	1,187	1,776	–	1,187
Jörg Kneubühler	–	–	29,250	7,270
Markus R. Neuhaus	1,740	2,072	–	–
Philippe Nussbaumer	7,605	2,664	4,044	3,561
Andreas Walde	7,023	3,256	2,869	4,154
<b>Shares of the members of the Board of Directors</b>	<b>36,773</b>	<b>22,125</b>	<b>44,995</b>	<b>26,558</b>

Shares held by related parties to members of the Board of Directors are included in the declaration of the number of shares they hold.

### Shareholdings of the members of the Corporate Executive Committee

Number of shares	Held as at 31.12.2019	Held as at 31.12.2018
Jean-Claude Cléménçon	5,191	7,944
Felix Burkhard	14,080	15,807
Christoph Amstutz	5,779	3,356
Torvald de Coverly Veale	–	3,542
Daniele Madonna	3,690	1,849
Thomas Szuran	80	–

Shares held by related parties to members of the Corporate Executive Committee are included in the disclosed numbers.

Information relating to the number and value of participations rights of the members of the Board of Directors and the members of the Corporate Executive Committee are disclosed in the Remuneration Report (pages 82 to 88).

In 2019, 11,420 performance share units (previous year: 12,864 performance share units) with fair value at grant date of CHF 429,727 (previous year: CHF 579,537) have been allocated to the members of the Corporate Executive Committee. In 2019, 3,024 performance share units (previous year: 3,416 performance share units) with fair value at grant date of CHF 113,782 (previous year: CHF 153,909) have been allocated to other employees of Galenica Ltd.

## Notes to the financial statements of Galenica Ltd.

## Shareholders' equity

Shareholders' equity developed as follows:

in thousand CHF	Share capital	Reserves from capital contributions	General legal retained earnings	Reserves for treasury shares <sup>1)</sup>	Free reserve	Available earnings	Shareholders' equity
<b>Balance as at 31 December 2017</b>	<b>5,000</b>	<b>560,881</b>				<b>56,808</b>	<b>622,689</b>
Allocation to general retained earnings			1,000			(1,000)	–
Allocation to free reserve					55,000	(55,000)	–
Adjustment to the reserves for treasury shares				29,800	(29,800)		–
Dividends		(81,029)					(81,029)
Profit for the year						42,529	42,529
<b>Balance as at 31 December 2018</b>	<b>5,000</b>	<b>479,852</b>	<b>1,000</b>	<b>29,800</b>	<b>25,200</b>	<b>43,337</b>	<b>584,189</b>
Allocation to free reserve					43,000	(43,000)	–
Adjustment to the reserves for treasury shares				(7,800)	7,800		–
Dividends		(83,758)					(83,758)
Profit for the year						61,177	61,177
<b>Balance as at 31 December 2019</b>	<b>5,000</b>	<b>396,094</b>	<b>1,000</b>	<b>22,000</b>	<b>76,000</b>	<b>61,514</b>	<b>561,608</b>

<sup>1)</sup> Owned by subsidiaries



## Proposal of the Board of Directors for the appropriation of available earnings and reserves from capital contributions

At the Annual General Meeting as at 19 May 2020, the Board of Directors will propose the following allocation of available earnings and reserves from capital contributions:

in CHF	2019	2018
<b>Appropriation of available earnings</b>		
Balance brought forward	337,297	807,923
Profit for the year	61,176,684	42,529,374
<b>Available earnings at the disposal of the Annual General Meeting</b>	<b>61,513,981</b>	<b>43,337,297</b>
Dividend per share CHF 0.90 (2018: none)	(45,000,000) <sup>1)</sup>	–
Allocation to free reserve	(16,000,000)	(43,000,000)
<b>Balance to be carried forward</b>	<b>513,981</b>	<b>337,297</b>
<b>Appropriation of reserves from capital contributions</b>		
<b>Reserves from capital contributions</b>	<b>396,093,751</b>	<b>479,852,159</b>
Dividend per share CHF 0.90 (2018: CHF 1.70) paid out of reserves from capital contributions	(45,000,000) <sup>1)</sup>	(83,758,408)
<b>Balance to be carried forward</b>	<b>351,093,751</b>	<b>396,093,751</b>

<sup>1)</sup> The proposed dividend payment and appropriation of reserves from capital contributions covers all issued shares. However, no dividend will be paid on treasury shares. As a result, the total dividend amount payable depends on the number of treasury shares held on the distribution date. Based on the number of treasury shares held as at 31 December 2019, the total dividend would amount to CHF 88.8 million

The Board of Directors proposes to issue a dividend for fiscal year 2019 of CHF 1.80 per registered share. For this purpose, CHF 0.90 is to be taken from the reserves from capital contributions and CHF 0.90 from retained earnings. On the part taken from the reserves from capital contributions, the dividend can be distributed without deduction of Swiss withholding tax of 35%. Natural persons living in Switzerland are not liable for income tax on the dividend paid from the reserves from capital contributions.

Assuming the Annual General Meeting approves the dividend, payments will be made on 26 May 2020.



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CH-3001 Berne

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Fax: +41 58 286 68 18  
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To the General Meeting of  
Galenica Ltd., Berne

Berne, 3 March 2020

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Galenica Ltd., which comprise the statement of income, statement of financial position and notes (pages 155 to 161), for the year ended 31 December 2019.



### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.



### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.



#### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Roland Ruprecht  
Licensed audit expert  
(Auditor in charge)

Simone Wittwer  
Licensed audit expert

Addresses of companies of the Galenica Group

# Addresses of companies of the Galenica Group

## Galenica Group

### Headquarters

Galenica Ltd.

Untermattweg 8, 3027 Bern, Switzerland

Phone +41 58 852 81 11, fax +41 58 852 81 12

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

### Pension fund

Galenica Pension Fund

Untermattweg 8, 3027 Bern, Switzerland

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

[www.galenica-pk.ch](http://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](http://www.careproduct.ch)

### Curarex Swiss Ltd.

Ziegeleistrasse 3, 8500 Frauenfeld, Switzerland

Phone +41 76 748 41 38

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

### Galenicare Ltd.

Untermattweg 8, 3027 Bern, Switzerland

Phone +41 58 852 84 00, fax +41 58 852 84 84

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

### Galenicare Holding Ltd.

Untermattweg 8, 3027 Bern, Switzerland

Phone +41 58 852 84 00, fax +41 58 852 84 84

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

### Galenicare Management Ltd.

Untermattweg 8, 3027 Bern, Switzerland

Phone +41 58 852 84 00, fax +41 58 852 84 84

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

### Grosse Apotheke Dr. G. Bichsel Ltd.

Bahnhofstrasse 5a, 3800 Interlaken, Switzerland

Phone +41 33 827 60 00, fax +41 33 827 60 10

[www.apotheke-bichsel.ch](http://www.apotheke-bichsel.ch)

### Laboratorium Dr. G. Bichsel Ltd.

Weissenaustrasse 73, 3800 Interlaken, Switzerland

Phone +41 33 827 80 00

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

### Mediservice Ltd.

Ausserfeldweg 1, 4528 Zuchwil, Switzerland

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

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

### Sun Store Health Care Ltd.

Industriestrasse 2, 4704 Niederbipp, Switzerland

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

### Winconcept Ltd.

Untermattweg 8, 3027 Bern, Switzerland

Phone +41 58 852 82 00, fax +41 58 852 82 10

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

Not fully consolidated:

### Coop Vitality Ltd.

Untermattweg 8, 3027 Bern, Switzerland

Phone +41 58 852 86 20, fax +41 58 852 86 30

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

### Coop Vitality Management Ltd.

Untermattweg 8, 3027 Bern, Switzerland

Phone +41 58 852 86 20, fax +41 58 852 86 30

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

### Coop Vitality Health Care Ltd.

Industriestrasse 2, 4704 Niederbipp, Switzerland

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

Status: December 2019

## Products & Brands Business sector

### G-Pharma Ltd.

Industriestrasse 2, 4704 Niederbipp, Switzerland  
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](http://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](http://www.alloga.ch)

### Dauf Ltd.

Via Figino 6, 6917 Barbengo-Lugano, Switzerland  
Phone +41 91 985 66 11, fax +41 91 985 66 67  
[www.dauf.ch](http://www.dauf.ch)

### Galexis Ltd.

Industriestrasse 2, 4704 Niederbipp, Switzerland  
Phone +41 58 851 71 11, fax +41 58 851 71 14  
[www.galexis.com](http://www.galexis.com)

Distribution Center Niederbipp,  
Industriestrasse 2, 4704 Niederbipp, Switzerland  
Phone +41 58 851 71 11, fax +41 58 851 71 14

Distribution Center Lausanne-Ecublens,  
Route de Crochy 2, 1024 Ecublens, Switzerland  
Phone +41 58 851 51 11, fax +41 58 851 51 51

Galexis Ärzteservice St. Gallen,  
Rorschacher Strasse 290, 9016 St. Gallen, Switzerland  
Phone +41 71 868 91 91, fax +41 71 868 91 41  
[www.galexis-aerzteservice.ch](http://www.galexis-aerzteservice.ch)

### HCI Solutions Ltd.

Untermattweg 8, 3027 Bern, Switzerland  
Phone +41 58 851 26 00, fax +41 58 851 27 10  
[www.hcisolutions.ch](http://www.hcisolutions.ch)

### HCI Solutions Ltd.

Rue des Jordils 38, 1025 St. Sulpice, Switzerland  
Phone +41 58 851 26 00, fax +41 58 851 27 10  
[www.hcisolutions.ch](http://www.hcisolutions.ch)

### HCI Solutions Ltd.

Bureau de référencement  
Rue des Pierres-du-Niton 17, 1207 Geneva, Switzerland  
Phone +41 58 851 28 00, fax +41 58 851 28 09  
[www.hcisolutions.ch](http://www.hcisolutions.ch)

### Medifilm Ltd.

Ostringstrasse 10, 4702 Oensingen, Switzerland  
Phone +41 58 851 40 00, fax +41 58 851 40 99  
[www.medifilm.ch](http://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](http://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](http://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

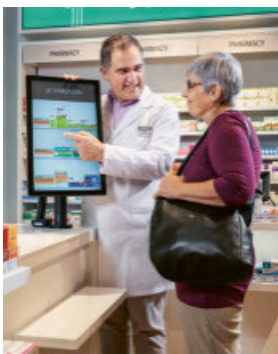
(Page 16)

“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®<sup>®</sup>, 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

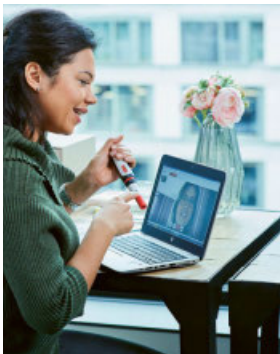
(Page 35)

“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)

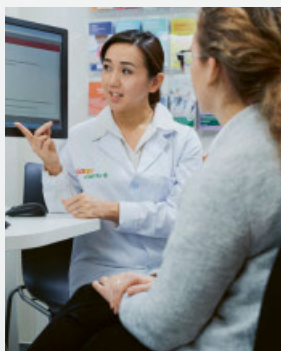
“Thanks to the innovations of PEP, I am more efficient. Sending expense claims or medical certificates is now made very easy and fast for the whole team.”

**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

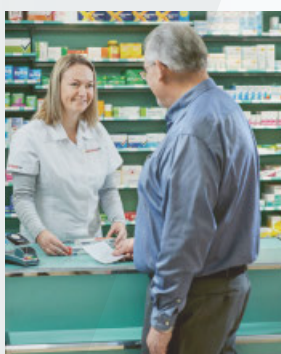
(Page 56)

“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

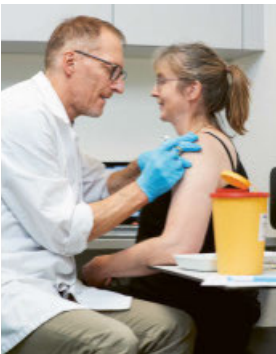
(Page 90)

“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 171)

“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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