



# GROWING STEADILY & CREATING OPPORTUNITIES



# REMAINING FIT FOR THE FUTURE

## DEAR READERS,

We at August Faller have positioned our company for the future – and we are committed to achieving its ongoing and sustainable development. For us, this means reconciling economic success, ecological responsibility and our commitments to society. As a medium-sized, owner-managed company, we think in the long term rather than in terms of quarterly reports.

Despite all the changes, we have been faithful to this policy since 1882, developing into the market leader and solution provider for all questions relating to pharmaceutical secondary packaging. Today, we are an important part of the drug and health care system of our society. We set standards for the industry with our products & ideas and inspire our customers with innovations and services, further expanding our leading competitive position. 137 years of history and experience have proven our strength, stability and independence, but we have also repeatedly worked hard to ensure that we continue to live by our approach – sustainable entrepreneurship.

In this report, we have put together a list of how sustainability looks for us in practice. The main source of the paper and cardboard used by August Faller, for example, is renewable and recyclable raw materials from predominantly sustainable forestry. We make sure that we waste as little material as possible and obtain our energy from renewable sources in order to protect the environment.



Dr. Michael Faller und Dr. Daniel Keesman  
Managing Partners of August Faller GmbH & Co. KG

Faller also takes its responsibility to society very seriously. The company offers its employees a secure future in a solidly-based company; training and further education to advance their careers; an environment of mutual trust and the assumption of personal responsibility; and an employee share participation scheme, which enables them to take part in our success.

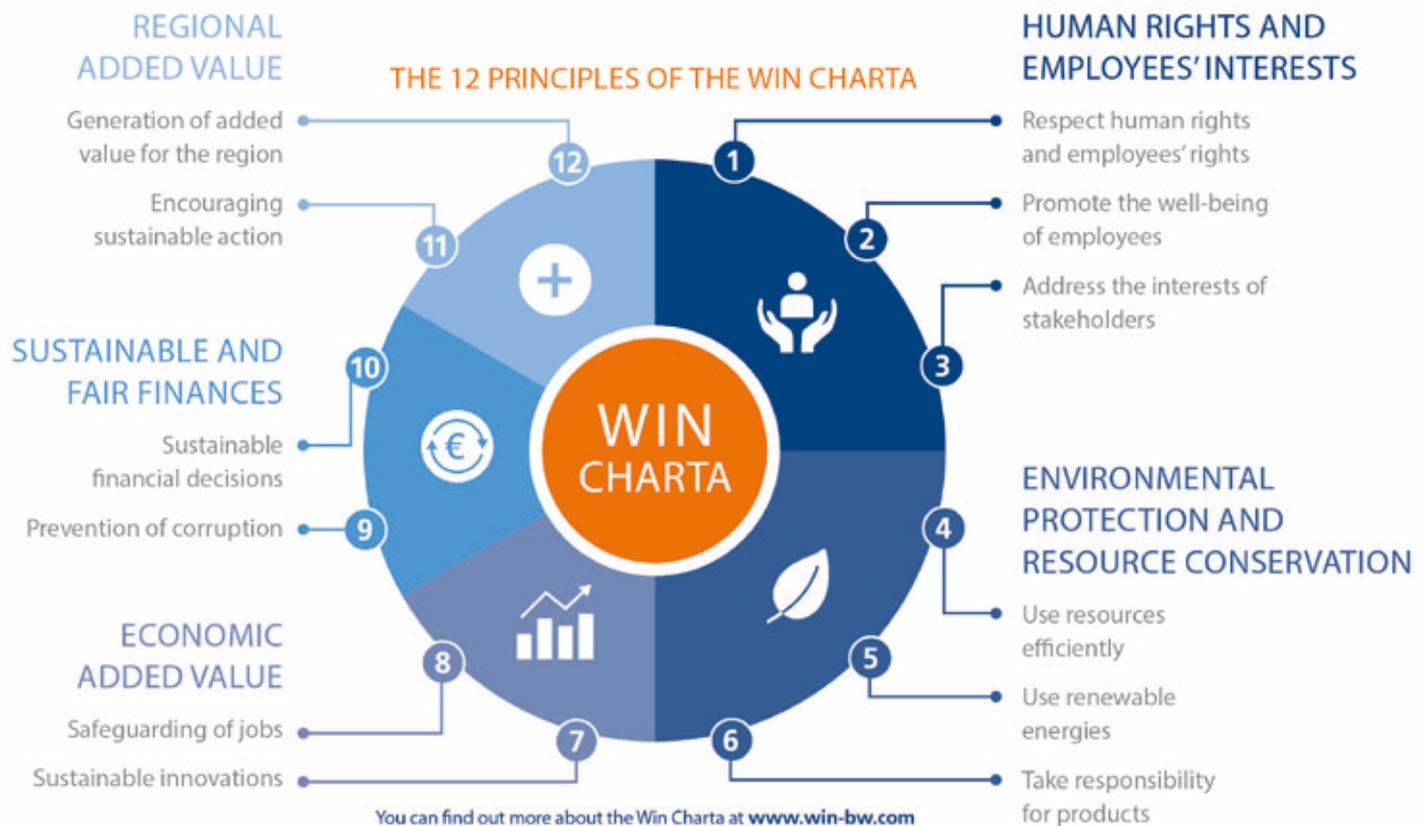
As shown by his actions, August Faller feels committed to future generations, both morally and ethically. All employees contribute to this, actively and diversely working towards to a future which is worth living and suitable for their grandchildren.

  
Dr. Michael Faller

  
Dr. Daniel Keesman

## THE WIN CHARTA – FOCUSING ON SUSTAINABLE MANAGEMENT

To acknowledge sustainable management and make it visible to the public, the Baden-Wuerttemberg state government has launched its sustainability economic initiative with the Win Charta. As one of the original signatories of the Charta, August Faller is committed to a total of twelve guiding principles – always with the aim of acting in an ecological, economical and socially-responsible manner.



# THE MARKET AND THE CHALLENGES

## READY FOR THE CHALLENGES OF TOMORROW

The global pharmaceutical market is growing steadily. In 2018, sales of prescription generics and original preparations totalled around 750 billion US dollars – and experts await that this will increase to more than one trillion dollars as early as 2023.

Nevertheless, the industry faces major challenges: globalisation and digitalisation, increasingly scarce resources and, last but not least, the ageing of society and climate change all have a huge impact on the pharmaceutical industry. Manufacturers are increasingly developing new and specialised rare disease drugs in very small batches. Existing business models and market introduction strategies are also changing, so companies need innovative solutions and flexible and fast suppliers – also in the packaging sector.

### IN THE CONFLICT ZONE BETWEEN CUSTOMERS AND SUPPLIERS

August Faller is a packaging specialist – and as such, the company is also faced with increasing customer requirements. At the same time, suppliers must compensate for rising costs for materials and services. This is why Faller relies on new technologies and digital processes, which enable the production of pharmaceutical packaging at short notice and economically – even in small batches.

In 2018, August Faller also founded a new subsidiary, PackEx GmbH in Worms, to adapt efficiently to the changing market conditions. Customers can order the packaging they want from PackEx at any time using web-based software. The advantages are short delivery times, high availability levels and low costs. The offer not only targets the medical and health care sector, it is also aimed at manufacturers in other sectors, such as consumer goods and food.

With its “PackEx 4 Pharma”, August Faller has developed an additional range of services for quality assurance and logistics, especially for pharmaceutical industry customers. This means that companies can fall back on their proven and certified supply chain by using PackEx services through Faller as they normally would do.

### THE ONE-STOP SHOP FOR PHARMA PACKAGING

Thanks to these innovations and its broad product portfolio, August Faller is very well positioned for the future. The great competitive



PackEx is the specialist company for small and very small batches

advantage of the company lies in the fact that it offers folding cartons, leaflets, adhesive labels and combination products – and all from a single source. Tailor-made special packaging designs are also a speciality of the PackEx subsidiary. Customers benefit from optimised procurement with minimal effort and a fast time-to-market.



# FOCUS ON YOUR CHALLENGES!

## ZOOM IN ON OUR CAPABILITIES

### ✓ Efficiency

- 📍 Optimised Procurement of Packaging Products
- 📍 Individual Packaging Solutions

### ✓ Functionality

- 📍 Compliance & Convenience
- 📍 Smart Packaging
- 📍 Point of Sale

### ✓ Security

- 📍 Adherence to Legal Requirements



Efficiency



Functionality



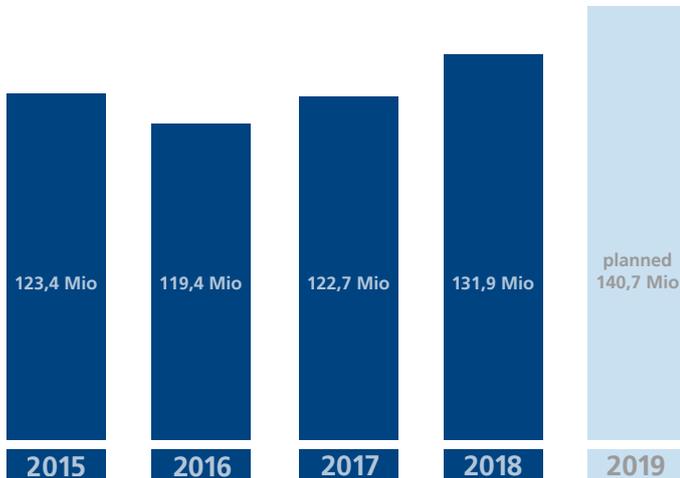
Security

The right packaging solution for every challenge. [More information at www.august-faller.com](http://www.august-faller.com)

# ECONOMY

## THE COURSE IS SET FOR MORE GROWTH

2018 was an extremely successful financial year for August Faller. The turnover of the Group of companies rose by more than seven percent – and was higher than ever before, at just under €132 million. Faller was thus able to further consolidate its position as the leading manufacturer of pharmaceutical packaging in the European market.



Sales development of the August Faller Group

Around three quarters of the sales – almost €100 million – were generated by August Faller's production sites in Germany, which recorded a slight increase. The Danish August Faller A/S subsidiary recorded sales of €11.9 million and 10.8 percent growth compared to the previous year. The Polish August Faller Sp. z o.o. also increased its sales by a double-digit 12.1 percent to €13.2 million.

## INNOVATIONS AND NEW BUSINESS FIELDS

For Faller, innovation is a strategic anchor and a decisive driver of growth that leads to success. This is why the company has had several employees trained to become so-called innovation agents by the Berlin expert network #openspace.



August Faller innovation agents

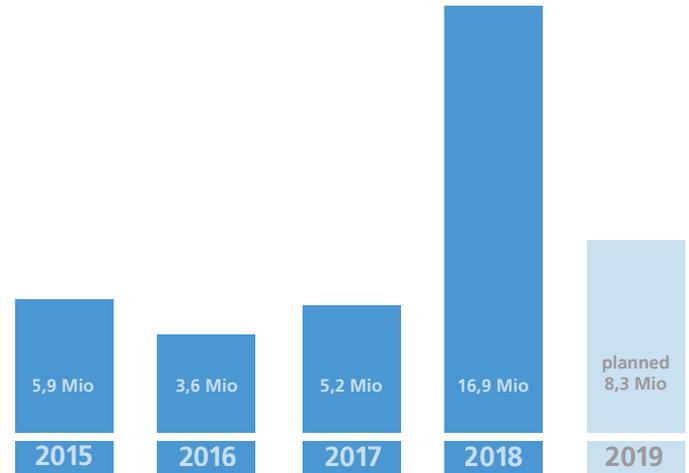
The subsidiary PackEx, founded in 2018, also originates from Faller's culture of innovation. PackEx specialises in the fast and cost-effective production of folding cartons in small and very small batches. Faller has also set up a joint venture with the Canadian packaging manufacturer Bellwyck in Großbeeren near Berlin. It offers packaging services for pharmaceutical products and logistics services for clinical trials.



A successful joint venture: Bellwyck Faller

### INVESTMENTS AT A RECORD LEVEL

The August Faller Group has broken yet another record with its investment budget of €16.9 million. A large part of this amount flowed into the foundation of PackEx – but also into the purchase of a new printing machine for the Waldkirch site. At €4.3 million, this was the largest single investment in the company's history – and a clear commitment by Faller to its German production sites. Investments were also made at the plants in Schopfheim, Binzen and Poland to expand the machine parks and to automate and digitalise work processes. August Faller's investment ratio of 12.8 percent is well above the long-term average of just under seven percent.



Investments made by the August Faller Group

### HIGH ADHERENCE TO DELIVERY DATES AND EXCELLENT QUALITY

August Faller's customers very rarely have cause for complaints, as shown by the complaint rate of 0.42 percent at Group level in 2018, below the targeted 0.5 percent. Adherence to delivery dates was at the same high level as in the previous year – 96.8 percent.

### EQUIPPED FOR THE FUTURE

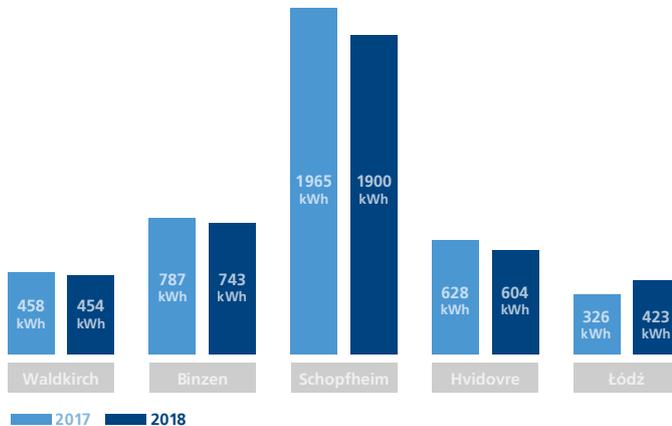
The company believes it is very well equipped for the coming years – and this is an important signal, especially for the employees. Investing in Faller plants also secures jobs, creates new ones and makes jobs more ergonomic and pleasant. The August Faller Group employs more than 1,300 people – twelve percent more than in the previous year.

## THE RESPONSIBLE USE OF RESOURCES

August Faller regards ecological management as a crucial element of its business – from the use of natural raw materials such as paper and cardboard to energy consumption and CO2 emissions. All of the company’s production processes are designed for maximum efficiency and sustainability – this not only reduces costs, it is also good for the environment.

### ENERGY SAVING AND LESS HAZARDOUS WASTE

In 2018, August Faller succeeded in reducing its electricity consumption – and consequently the CO2 emissions in relation to the output quantities – in all of the company’s German subsidiaries. The main plant in Waldkirch consumed 0.9 percent less energy per metric ton of printing material than in the previous year, while the site for self-adhesive labels in Schopfheim achieved 3 percent less and the plant for package inserts in Binzen achieved as much as 5.6 percent less.



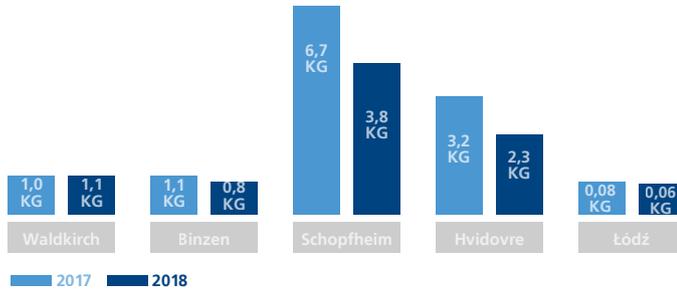
KWh energy consumption per metric ton of printing material

Faller obtains 100% green electricity from renewable resources at all its German sites.

In 2018, the company had to provide four new machines and further office space for an additional building in Lodz, Poland. This led to a significant increase in energy consumption of 32.5 percent. The Hvidovre site in Denmark, on the other hand, achieved an improvement of 3.8 percent kWh per metric ton of substrate thanks to its energy-saving measures.

Material efficiency, however, has deteriorated slightly. This is 2.8 percent lower for cardboard and 2.5 percent lower for paper than the 2017 figures. Only adhesive labels improved by 6.8 percent. The reasons for this are the increasing volatility of the market and the high capacity utilisation of the production sites, both of which make the development of material-saving production processes more difficult. However, new planning software should provide more transparency and support in the future. In 2019, Faller’s corporate policy will also focus on increasing resource efficiency.

The quantities of hazardous waste per gross ton of printing materials were significantly reduced in 2018 at the package inserts and adhesive labels sites, while the quantities at the folding cartons site remained more or less unchanged.



Kilogrammes of hazardous waste per metric ton of printing material

### ENVIRONMENTAL PROJECTS

This year, August Faller’s ecological commitment also convinced the Baden-Wuerttemberg Ministry of the Environment, which now supports the improvement of energy efficiency in companies with the funding directive, Regional Competence Centres Network Energy Efficiency (KEFF). In the “Gipfelstürmer des Jahres” (Trailblazers of the Year) campaign, which honours exemplary companies in this field,



August Faller “Trailblazers of the Year”

Faller achieved a top 10 ranking and re-ceived a certificate.

Environmental protection is an essential part of our sustainable management. Our goal is the development and implementation of environmentally-compatible products that have as little negative impact on the environment as possible during their manufacture, use and disposal. For several years now, Faller has also been returning some of the extracted resources to the environment. For example, the company supports the MAVUNO project, which has planted more than 31,000 trees in the East African region of



Faller supports the MAVUNO project in Tanzania

Kagera since 2015. All this shows that economic success and ecological responsibility go hand-in-hand in the August Faller company.

[More information at www.august-faller.com](http://www.august-faller.com)

# SOCIAL ASPECTS

## TACKLING TASKS TOGETHER

For August Faller, sustainability also means assuming its responsibility to society. This benefits our own employees as well as the region in which the company is based.

### WORKPLACE HEALTH MANAGEMENT SYSTEM

For many years now, Faller has been offering its employees preventive measures to maintain their health, from ergonomic workplaces to subsidised massages by qualified physiotherapists. In 2018, the company introduced a newly-designed workplace health management system. During the launch of the system on the occasion of Faller Health Day 2018, employees learned about ergonomics and nutrition and tried out exercises for the workplace. Another highlight was the successful participation in the Global Challenge company fitness competition, which is aimed at heightening the enjoyment of movement. Workplace health management also includes health bonuses and incentives for healthier eating during



Workplace health management system: the healthy break

breaks. All this is making itself felt, because August Faller was able to improve the health rate at its German locations from 91.7 to 93.9 percent.

### COMMITMENT BEGINS WITH TRAINING

August Faller also assumes responsibility for helping young persons to develop their skills and advance their careers. Fifty-three young people are currently completing their training at the dual university, or in commercial or industrial occupations – with the aim of remaining in the company as urgently-needed specialists. Commitment to society also plays a special role for them. In 2018, for example, the trainees at the Waldkirch site supported the 50th anniversary of the Lebenshilfe (Help in Life) organisation in Kinzigtal and Elztal. Together with their training leader, they decorated the hall, organised the festivities and took care of the catering and dishwashing.



Support for „Help in Life“ organisation in Kinzigtal and Elztal



Faller promotes the skills of its employees with national and international talent programmes, in which various training modules such as project management and self-management contribute to the employees' further development into specialists and managers. The company is also actively promoting cross-divisional cooperation between its subsidiaries, e.g. through language training and e-learning tools. An employee capital participation plan also gives Faller employees the opportunity to benefit financially from the company's success.



The August Faller trainees

### SUPPORT FOR THE REGION

Faller is also a partner in the Waldkirch employment initiative WABE and is committed to integrating long-term and young unemployed persons into the primary labour market. Sponsoring for associations and non-profit initiatives, plus donations to charitable organisations are more examples of how the company has a sustainable and positive influence on its home region.

## LOOKING TO THE FUTURE

Exciting developments and changes are also on the agenda for August Faller in 2019. One focal point remains the improvement of resource efficiency, because in 2019, Faller aims to reduce production material consumption by a further ten percent. The improved utilisation of cardboard sheets, a new planning software, the avoidance of rejects and a reduction of overproduction should contribute to this.

Faller also wants to expand the company health management system which was introduced in 2018. The health groups that have formed in all the Faller subsidiaries during the course of the year should provide solid support for this expansion. In these groups, employees can help shape measures that promote their health and that of their colleagues – because they know the exact working conditions best and know which changes make sense.

In economic terms, August Faller is aiming for another seven percent increase in sales in 2019. With the latest investments and its advance into new business fields, the company considers itself optimally positioned to achieve this. In the future, Faller also intends to grow organically together with its employees, sustainably solving the challenges of its customers with fresh ideas.

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