



Annual report 2022  
of the Galenica Group  
and Galenica Ltd.

# Milestones 2022

## January



### Increased patient safety thanks to digitalisation

With the further development and piloting of the e-prescription and the digital vaccination check, Galenica continues to invest in its digital offerings and patient safety.

## February



### Social responsibility and sustainability

Galenica is the new main partner of there-for-you.com, a crowdsourcing platform for social, humanitarian and sustainable projects.

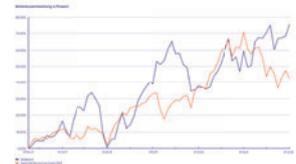
## March



### New offers in the home care sector

Through the joint venture Emeda, Galenica is improving medical care for nursing home residents and thus offering innovative solutions for carers.

## April



### 5 years IPO

On April 7, Galenica celebrates the 5th anniversary of its IPO. During this time, the share price has developed by around 75.70%.

## May



### Judith Meier joins the Board of Directors

The first in-person GM since 2020 elects Judith Meier to the Board of Directors as an expert in home care and the development of healthcare services.

## June



### Integrated and interconnected healthcare

By investing in the Well digital healthcare platform, Galenica is further advancing integrated and interconnected healthcare in Switzerland and expanding its digital and in store offers.

## July



### Digital B2B offers

The software from Aquantic enables Galenica to increase the efficiency and quality of the reimbursement of special medical products and connects health insurers with pharmaceutical companies.

## August



### 50 years of Sun Store

The Sun Store pharmacy chain celebrates its 50th anniversary on 30 August. Today, around 95 points of sale are part of the Sun Store network.

## September



### Lausanne distribution centre opens

With the modernised distribution centre, Galaxis is investing in the safety and supply of medicines to the population of French-speaking Switzerland and demonstrating a clear commitment to the location in this region.

## October



### Optimisation in the portfolio

Galenica hands over Careproduct to new owners, thus optimising its service portfolio and exploiting synergies within the Group even more efficiently.

## November



### New approaches in the product and therapy portfolio

Galenica acquires Cannaplant, the leading provider of formulations for medical cannabis products. This enables Galenica to offer many patients and their doctors valuable treatments.

## December



### Investments in employees

In 2023, Galenica increases the payroll for its staff by 3.1%, thereby investing in salary adjustments and making it more attractive as an employer.

# Contents

<b>02</b>	<b>Overview 2022</b>
02	Milestones 2022
04	Foreword
<hr/>	
<b>09</b>	<b>Management report</b>
10	Introduction
11	Key figures Galenica Group
13	«Products & Care» segment
23	«Logistics & IT» segment
28	Sustainability
36	Political environment
43	Outlook 2023
<hr/>	
<b>45</b>	<b>About us</b>
47	Galenica Strategy
53	Sustainability at Galenica
<hr/>	
<b>60</b>	<b>Key figures</b>
62	Financial key figures
64	Key social figures
69	Key environmental figures
<hr/>	
<b>75</b>	<b>Corporate Reporting</b>
77	Corporate Governance
107	Remuneration Report
<hr/>	
<b>133</b>	<b>GRI report</b>
178	GRI-Index
<hr/>	
<b>182</b>	<b>Financial Reporting</b>
183	Alternative performance measures 2022 of the Galenica Group
195	Consolidated financial statements 2022 of the Galenica Group
256	Financial statements 2022 of Galenica Ltd.
<hr/>	
<b>267</b>	<b>Spotlights</b>
<hr/>	

# We create added value for the healthcare system

**Dear Shareholders, Ladies and Gentlemen,**



Daniela Bosshardt, Chairwoman of the Board of Directors, and Marc Werner, CEO

We can once again look back on a successful financial year. With sales growth of 4.7%, we met our forecasts for 2022 and sales exceeded the CHF 4 billion mark in a financial year for the first time. You can find a review of the 2022 operational financial year in our management report.

[Management Report 2022](#)

Following the lifting of the coronavirus measures in spring 2022, we were able to gradually return to our new normal. At the same time, the war in Ukraine has shown how quickly normality can change again.

There have been increased bottlenecks in global supply chains in the past year related to the war in Ukraine. Non-deliveries of raw materials, but also of materials such as glass bottles and paper, have put a heavy strain on the entire Group. As a result, there have also been repeated medication shortages, for example at Galexis and in our pharmacies. In this situation, all employees were required to demonstrate maximum flexibility, look for alternatives and adopt a solution-oriented approach. A situation that our employees have mastered and continue to master.

Despite these new challenges for us, we achieved important milestones in our business development in the 2022 financial year and further developed and expanded our product ranges and services in line with customer needs.

**"In the 2022 financial year, we further expanded our pharmacy services and advice, and further strengthened the important role of the pharmacy as the first point of contact for health issues."**

## We create added value for our customers and patients

In the 2022 financial year, we further expanded our pharmacy services and advice, and further strengthened the important role of the pharmacy as the first point of contact for health issues. With our services and advice, we are not only able to offer patients and customers a low-threshold range of health-related services, but also make a significant contribution towards reducing the overall cost of treatment. The figures clearly show that what we offer is appreciated and used by our customers. In the 2022 financial year, around 121,000 customers benefited from the pharmacy services. This is an increase of around 60% compared to the previous year. In order to also meet these needs in the future, we will continue to expand our services, for example in the area of vaccinations. Vaccinations against COVID-19 and the flu, tick-borne encephalitis (TBE) and herpes zoster are now available in more than 300 of our pharmacies.

[Spotlight Pharmacies](#)

**“We use various elements to position ourselves as an attractive employer.”**

## **Investing in the skills of our employees**

The noticeable strengthening of the role of pharmacies is due in particular to the continuous expansion of the specialist skills of our employees in pharmacies. Like many other sectors, healthcare is facing an acute shortage of skilled workers, which is also evident in our pharmacies. We use various elements to position ourselves as an attractive employer. For example, services and advice enrich the work of pharmacy employees and give them the opportunity to use their full expertise to advise customers, supported by up-to-date training and further education programmes.

**“We will achieve the digital transformation not only with individual digital solutions, but also with the networking of everyone involved.”**

## **The future lies in the networked healthcare system**

The behaviour and needs of our customers are changing rapidly and the need for digital offerings and solutions is increasing. Helping to shape this shift towards more digital services is a top priority for us. Always with the aim of creating added value for all stakeholders and making existing processes simpler and more efficient. We will achieve the digital transformation not only with individual digital solutions, but also with the networking of everyone involved – from patients to pharmacies, hospitals, doctors and health insurers. By investing in the Well digital healthcare platform, we invested early in new digital offerings to improve the customer experience. The Well app gives customers access to digital services and makes it easy to access our offerings. For example, as a first step the booking of vaccination appointments at a pharmacy was integrated.

Another example of digital networking is Aquantic’s software, which makes it much easier for service providers to process the billing of special medications.

### **Spotlight Aquantic**

In the reporting year, we also completed various pilot projects for our e-prescription solution and gained valuable experience. Once that the solution works technically, we want to push ahead with implementation among service providers and play an active role in the development of national standards. As soon as the framework conditions and requirements have been met by the service providers, we can actively make a major contribution to process simplification and patient safety with our solution.

### **Spotlight E-Prescription**

**“With our recently founded joint venture Emeda, we are able to provide medical and pharmaceutical care to nursing homes in Switzerland, which is even more tailored to their needs and offer homes and care organisations everything from a single source.”**

## **Innovative solutions in the home care sector**

Over the past year we have also expanded our range of services in the home care sector. The ever-increasing need for care to be provided at home as far as possible, our ageing society and the cost pressures associated with this are increasing the need and demand for outpatient services and treatment options.

With our recently founded joint venture Emeda, we are able to provide medical and pharmaceutical care to nursing homes in Switzerland, which is even more tailored to their needs and offer homes and care organisations everything from a single source. Lifestage Solutions and Medifilm have also expanded their services over the past year and gained additional customers with their innovative offerings.

## **Progress on our sustainability goals**

Last year, we have also made great progress in the area of sustainability. For the first time, we had formulated our ambitions for the past year and subsequent years in concrete goals, and developed and implemented measures to achieve them.

In the reporting year, we carried out several campaigns to raise awareness among our employees of the topics of cybersecurity and data protection. To improve patient safety, we were able to provide product information on Algifor® in additional languages and further increase the use of the Clinical Decision Support Check in pharmacies. We were also able to significantly increase the satisfaction and motivation of our employees through internal measures. And finally, having modernised the distribution centre in Lausanne-Ecublens, we were able to reopen a site that meets the highest sustainability standards.

A detailed description of our goal achievement and an overview of the individual goals can be found in the management report.

Sustainability Goals

**“The health, safety and well-being of our customers are at the heart of our business activities.”**

## **Our sustainable vision**

The health, safety and well-being of our customers are at the heart of our business activities. As Switzerland's leading fully integrated healthcare provider, we have an important part to play in ensuring security of supply and the provision of basic care for the people and thus contribute towards Goal 3 (“Good Health and Well-being”) of the United Nations Sustainable Development Goals. This objective is central to our business activities and is the core of our customer promise to support people at every stage of life on their journey towards health and well-being.

We would like to thank you, our valued shareholders, for placing your trust in us. We would also like to thank our partners who share this vision, as well as our customers who entrust us with their health and well-being every day. And finally, we would like to thank our employees for their outstanding commitment, without whom all this would not be possible!

Bern, 7 March 2023



Daniela Bosshardt  
Chairwoman of the Board of  
Directors

Marc Werner  
CEO

### **2023 Annual General Meeting preview**

At the Annual General Meeting on 3 May 2023, the Board of Directors of the Galenica Group will put forward Markus R. Neuhaus to shareholders for election as Chair of the Board of Directors. The current Chair of the Board of Directors Daniela Bosshardt has been a member of Galenica's Board of Directors for 15 years and Chair of the Board since 2019. After this long period of time, she has decided to step down from her position at Galenica and will not stand for re-election at the Annual General Meeting.

After a total of 13 years on the Board of Directors of Galenica, Michel Burnier will also not stand for re-election at the next Annual General Meeting. To replace the two departures, the Board of Directors will put forward Solange Peters and Jörg Zulauf to the shareholders as new members of the Board of Directors.

# Management report

# Contents Management report

10	Introduction
11	Key figures Galenica Group
13	«Products & Care» segment
23	«Logistics & IT» segment
28	Sustainability
36	Political environment
43	Outlook 2023

# Introduction

## Management report

The Galenica Group can look back on an extremely successful 2022 financial year. With an increase in sales of 4.7% to CHF 4,014.3 million and an adjusted<sup>1</sup> EBIT of CHF 200.8 million (-5.8%), Galenica achieved very good results. Excluding the extraordinary results in the previous year from the COVID-19 initiatives (estimated at CHF 25 million) and the sale of property at the headquarters in Bern (CHF 9.4 million), adjusted<sup>1</sup> EBIT growth amounted to a healthy 12.4%.

Highlights from the financial year 2022  
Consultations and services

# 121,000

+60% compared to previous year

Vaccinations in over

# 300

Galenica Group pharmacies

Employee survey

# 74%

Satisfaction and motivation among employees of the Galenica Group

After a normal seasonal flu wave and numerous cases of the Omicron coronavirus variant had led to strong growth in the first half of 2022, business for the entire Group was also influenced in the second half of the year by the early onset of a heavy flu wave.

## Highlights of the 2022 financial year

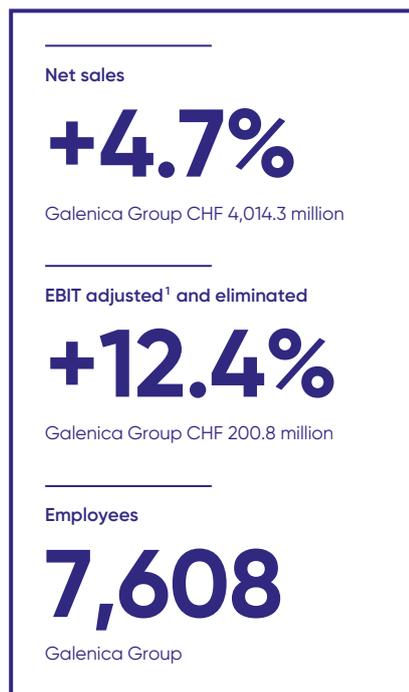
- More than 121,000 customers made use of the services and advice offered in Galenica pharmacies in 2022, 60% more than in the previous year.
- With a wide range of advice and services on offer, the pharmacy has further established itself as the first point of contact for health issues.
- The specialty pharmacy Mediservice made a significant contribution to the strong growth of the "Pharmacies at Home" sector and offered more than 60 main indications by the end of 2022, for a total of around 90 complex forms of therapy.
- The linking of online and offline offerings gained further momentum, for example with online appointment bookings for pharmacy-based services via the Well health app.
- Innovative offerings have further strengthened the home care sector: both existing and new B2B customers benefited from the joint venture Emeda and the offerings from Lifestage Solutions, Bichsel and Medifilm.
- Thanks to acquisitions and by obtaining distribution licences, Verfora further strengthened its leading position in the Swiss consumer healthcare market and expanded its portfolio through the distribution partnership with Boiron, particularly in the area of complementary medicine.
- After a construction period of around 40 months, Galexis inaugurated its modernised distribution centre in Lausanne-Ecublens in summer 2022.

<sup>1)</sup> Excluding the effects of IAS 19 and IFRS 16. See chapter "Alternative performance measures".

# Key figures Galenica Group

## Management report

In the 2022 financial year, the Galenica Group generated consolidated net sales of CHF 4,014.3 million, exceeding the CHF 4 billion mark for the first time. This corresponds to strong growth of 4.7% compared to the previous year.



Adjusted for additional sales in connection with COVID-19, which were exceptionally high in the previous year, sales growth was even high at 7.1%. After a normal seasonal flu wave and numerous cases of the Omicron coronavirus variant had led to strong growth in the first half of 2022, sales for the entire Group were also influenced in the second half of the year by the early onset of a heavy flu wave. This had a particular impact on the Products & Brands sector, which grew at an above-average rate of 19.8%. In addition, the extremely positive growth momentum of the previous year was continued in the 2022 financial year by the specialty pharmacy Mediservice (+12.9%).

By way of comparison, the Swiss pharmaceutical market grew by 6.1% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2022). This growth was driven, among other things, by the heavy flu wave and numerous cases of the Omicron coronavirus variant. Sales volumes increased by 9.5% (IQVIA, Pharmaceutical Market Switzerland, 2022).

The adjusted<sup>1</sup> operating result (EBIT), i.e. excluding the effects of the IFRS 16 (Leases) and IAS 19 (Employee Benefits) accounting standards, fell by 5.8% to CHF 200.8 million. The adjusted<sup>1</sup> return on sales (ROS) fell year on year from 5.6% to 5.0%. Excluding the extraordinary results from the COVID-19 initiatives (estimated at CHF 25 million) and the sale of property at the headquarters in Bern 2021 (CHF 9.4 million), adjusted<sup>1</sup> EBIT growth amounted to a strong 12.4% compared to the previous year.

Adjusted<sup>1</sup> net profit decreased by 5.2% to CHF 165.7 million (previous year: CHF 174.8 million) due to the above mentioned one-time effects in the previous year. The reported net profit of CHF 165.9 million (previous year: CHF 168.2 million, -1.4%) was slightly down on the previous year.

Investments in the 2022 financial year totalled CHF 70.7 million (previous year: CHF 60.4 million). These were mainly attributable to the modernisation of the distribution centre in Lausanne-Ecublens and the introduction of the new ERP (Enterprise Resource Planning) system at Alloga and Galaxis. In addition, there was increased investment in the development of the digital infrastructure in connection with the strategic "Omni-Channel" programme.

The Galenica Group's balance sheet was further strengthened. Adjusted<sup>1</sup> shareholders' equity increased by CHF 62.6 million compared to the previous year and now amounts to CHF 1,268.8 million. Adjusted<sup>1</sup> net debt, i.e. excluding leasing liabilities, amounted to CHF 294.6 million at the end of December 2022, which corresponds to 1.2x adjusted<sup>1</sup> EBITDA (as at the end of 2021: 1.0x).

Before changes in net working capital, adjusted<sup>1</sup> operating cash flow remained at the previous year's level of CHF 229.3 million. After net current assets had been exceptionally low in the previous year, these returned to a sustainable level in the reporting year. As a result, adjusted<sup>1</sup> operating cash flow decreased to CHF 184.4 million, which corresponds to a decrease of -34.9% compared to the previous year.

Free cash flow amounted to CHF 57.9 million (-70.3%). Besides the reduction in operating cash flow, the sharp decline can be explained by the net sales proceeds of CHF 38.2 million generated in the previous year from the sale of the property at Galenica's headquarters.

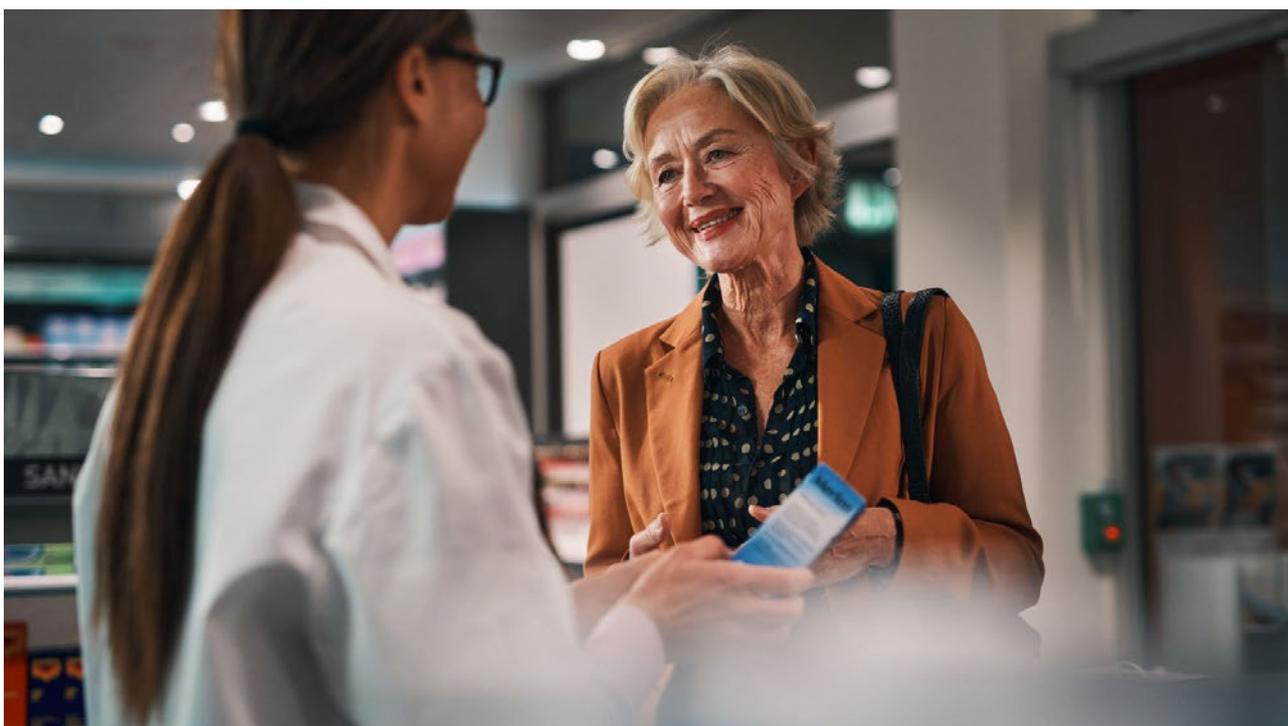
<sup>1</sup> Excluding the effects of IAS 19 and IFRS 16. See chapter "Alternative performance measures".

## "Products & Care" segment

---

### Management report

The "Products & Care" segment comprises the "Retail" business area with offerings for patients and end customers (B2C) and the "Professionals" business area with offerings for business customers and partners in the healthcare industry (B2B).



The "Retail" business area comprises the two areas "Local Pharmacies" (POS) and "Pharmacies at Home" (mail-order and home care), while the "Professionals" business area consists of the "Products & Brands" and "Services for Professionals" areas. Both business areas focus on the development, marketing and sale of healthcare services and products through the various Galenica distribution channels. Depending on their needs, end customers (B2C) can benefit from their own bricks-and-mortar pharmacies, home care services, mail-order pharmacies and online shops. Galenica also supports healthcare providers (B2B) such as pharmacies, drugstores, doctors, care homes, hospitals and home care organisations as a strong partner.



## “Products & Care” segment key figures

The “Products & Care” segment achieved net sales of CHF 2,029.6 million (+6.4%) in the 2022 financial year. Of this, CHF 1,806.6 million (+5.0%) was accounted for by the “Retail” business area (B2C), with the “Local Pharmacies” sector contributing CHF 1,286.9 million (+2.0%, excluding Coop Vitality) and the “Pharmacies at Home” sector accounting for CHF 519.9 million (+13.3%). Adjusted for additional sales in connection with COVID-19, which were exceptionally high in the previous year, sales growth for “Local Pharmacies” amounted to 6.3%.

The “Professionals” (B2B) business area increased sales to CHF 228.8 million (+17.9%), with the “Products & Brands” sector contributing CHF 157.7 million (+19.8%) and the “Services for Professionals” sector adding CHF 71.1 (+13.9%).

The adjusted<sup>1</sup> operating result (EBIT), i.e. excluding the impact of the IFRS 16 (Leases) accounting standard, fell by 0.6% to CHF 153.5 million in the 2022 financial year and the adjusted<sup>1</sup> return on sales (ROS) fell from 8.1% to 7.6%. Excluding the extraordinary results from the COVID-19 initiatives (estimated at CHF 19 million), adjusted<sup>1</sup> EBIT growth amounted to a strong 13.3%.

Investments in the “Products & Care” segment amounted to CHF 15.5 million (previous year: CHF 23.5 million). They were mainly used for pharmacy renovations.

<sup>1</sup> Excluding the effects of IFRS 16. See chapter “Alternative performance measures”.



### Sustainable generic substitution rate

Due to lower generics prices, the generics substitution promoted by Galenica curbed sales. Compared to the previous year, it increased by 1.3 percentage points to 74.8% at the end of 2022. As a result, Galenica's contribution to reducing price hikes in the Swiss healthcare system will continue to make an impact in the long term.

## “Retail” business area (B2C)

### Local Pharmacies

In the 2022 financial year, the “Local Pharmacies” sector achieved net sales of CHF 1,286.9 million (+2.0%, excluding Coop Vitality). Adjusted for additional sales in connection with COVID-19, which were exceptionally high in the previous year, sales growth for “Local Pharmacies” amounted to 6.3%. In addition, government-ordered price reductions led to a decline in sales of -1.3% in 2022. Without this impact, net sales in the “Local Pharmacies” sector would have increased by 3.3%.

By way of comparison, drug sales from bricks-and-mortar pharmacies in Switzerland (prescription [Rx] and OTC products) grew by 8.0% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2022).



### High-frequency locations almost back to pre-coronavirus level

While flu and colds were almost entirely absent in winter 2020/2021 due to coronavirus-related distancing and hygiene measures, the flu epidemic in winter 2021/2022 was back at a higher level as in the previous year and led to strong sales growth in OTC cold medication, enhanced by the heavy and early onset of the 2022/2023 flu epidemic as well as by many cases of the Omicron coronavirus variant. Demand for make-up products increased significantly after people stopped wearing protective masks. Pharmacy sales at high-frequency locations continued to recover and at the end of 2022, they were only 8% lower than in the comparable pre-coronavirus period in 2019. However, the absence of tourists, particularly from Asia, and the continuing low use of public transport is noticeable in terms of revenue. By contrast, the exceptionally beautiful and hot summer months led to peak sales of sunscreen and similar products in the year under review.

## Recognised and increasing importance of pharmacies in the Swiss healthcare system

In 2022, around 4,900 highly qualified employees in over 368 Galenica pharmacies throughout Switzerland proved to be valued and competent points of contact for questions relating to health and well-being. The further growth in the area of [service-related and advisory offerings](#) for particularly common ailments proves that their skills are valued and used for low-threshold healthcare provision: while around 76,000 customers turned to the pharmacy for a simple medical examination and treatment recommendation in 2021, this figure was already over 121,000 – an increase of 60% – in the year under review. And without an appointment and six to seven days a week. Since 2022, two leading health insurers, CSS and SWICA, have been remunerating pharmacies for their services under an insurance model, and since 1 January 2023, Groupe Mutuel has even been remunerating additional services under a new model. Discussions with other health insurers are ongoing. Easy access is also key to another pharmacy service that is increasingly relevant to the population: vaccination. Vaccinations against COVID-19 and the flu, tick-borne encephalitis (TBE) and herpes zoster are now available in over 300 Galenica pharmacies and are in high demand. The noticeable strengthening of the role of pharmacies is due in no small part to the continuous expansion of the specialist skills of the staff. In the reporting year, Galenica once again attached great importance to the training and education of its employees.

### Spotlights Employees



## Acquisition of three pharmacies in French-speaking Switzerland

In the reporting year, the “Local Pharmacies” segment strengthened its foothold in French-speaking Switzerland: three excellently positioned pharmacies in Geneva are now part of the pharmacy network comprising 368 locations. Another new addition is Bahnhof Apotheke Langnau in Emmental (canton of Bern), which offers formulations for medical cannabis preparations (see section “Pharmacies at Home”).

In 2022, four pharmacies were acquired and three new locations were opened. At the same time, seven locations were closed down as part of optimisation measures. At the end of 2022, the network of Galenica's own pharmacies comprised a total of 368 locations (+/-0).

	31.12.2022	31.12.2021	Change
Amavita pharmacies <sup>1)</sup>	179	181	-2
Sun Store pharmacies <sup>1)</sup>	92	92	-
Coop Vitality pharmacies <sup>2)</sup>	89	88	+1
Specialty pharmacy Mediservice <sup>1)</sup>	1	1	-
Majority holdings in other pharmacies <sup>1)</sup>	7	6	+1
<b>Total own points of sale</b>	<b>368</b>	<b>368</b>	<b>-</b>

<sup>1)</sup> Fully consolidated

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

### Further development and linking of digital and bricks-and-mortar sales channels

The further development of all channels for the benefit of customers and the simultaneous linking of bricks-and-mortar sales outlets with digital offerings were also strategically important in the reporting year. Measures from the omni-channel strategic programme included investments in the visibility of the Amavita, Sun Store and Coop Vitality online shops in search engines, as well as further renovations and modernisation of bricks-and-mortar pharmacies. By investing in the Well digital healthcare platform, Galenica also invested early in new digital offerings to improve the customer experience. The [Well-App](#) not only gives customers access to digital services such as symptom checks for health concerns, but also gives them easy access to Galenica's offerings. For example, as a first step the booking of vaccination appointments at a pharmacy was integrated. Galenica will continue to seize opportunities and launch customer-focused offerings in the dynamic market for digital healthcare offerings.



## Pharmacies at Home

The “Pharmacies at Home” sector achieved extraordinarily strong growth with sales of CHF 519.9 million (+13.3%). This strong performance was driven in particular by the specialty pharmacy Mediservice, which offers new medications to treat rare diseases in combination with home-care services.

Government-ordered price reductions led to a decline in sales of 3.7% in 2022. Without this impact, net sales in the “Pharmacies at Home” sector would have increased by 17.1%.

By way of comparison, sales of medications from mail-order pharmacies in Switzerland (prescription [Rx] and OTC products) grew by 6.6% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2022).



## Mediservice specialty pharmacy as a sales driver

The Mediservice specialty pharmacy, which looks after people with chronic and rare diseases, remains a major sales driver for the “Pharmacies at Home” segment. In the reporting year, patients were able to rely on the experience of the Mediservice team across a total of around 90 complex forms of therapy for more than 60 main indications – including five new ones. Mediservice is constantly expanding its expertise with new services – including in the home care sector. Mediservice is further developing its digital offerings and not only offers personal care at home, but also via telephone, video or digital tools to increase patient adherence.

Home care specialist Bichsel also makes a significant contribution to the quality of life of many patients: the company specialises in artificial nutrition and intravenous antibiotic and pain therapies. In the reporting year, the home care offering of two Amavita pharmacies in the Basel region was transferred to the Bichsel organisation.

## Portfolio expansion with great potential

With Bahnhof Apotheke Langnau in Emmental, Galenica has also acquired Cannaplant, the leading provider of formulations for medical cannabis products. This enables Galenica to offer many patients and doctors valuable treatments. Medical cannabis therapy can be an important treatment alternative, especially for seriously ill people.

### Safe access to cannabis treatments

With effect from 1 August 2022, the ban on cannabis for medical purposes in the Narcotics Act (NarcA) was lifted. Doctors no longer need a special licence to prescribe cannabis. In addition, a patient no longer needs to have exhausted all treatment options before cannabis can be prescribed. As a result, the active substance is likely to find its way into the standard therapy set of doctors and to be increasingly in demand by patients. According to estimates, around 100,000 people in Switzerland use cannabis as medication. Due to the legal restrictions on access, it was usually necessary to resort to procurement on the black market – which brought with it considerable health risks. Thanks to the change in the law, medical cannabis can now be prescribed in the same way as other medications or narcotics.

### New infrastructure for online shops

In the reporting year, sales in the online shops for the Amavita, Sun Store and Coop Vitality pharmacy formats declined. This is primarily due to the fact that sales in the online shops are returning to normal after two years of very high sales due to the COVID-19 pandemic. In addition, the online shops will switch to a new technical infrastructure in 2023 and be supplemented by a new customer loyalty programme. This is why no major marketing investments were made in the existing online shops in 2022.

### Sale of Careproduct

In the 2022 financial year, Galenica sold its subsidiary Careproduct. Careproduct is a supplier of medical accessories and aids such as wheelchairs. Contrary to original expectations, the integration of Careproduct’s products and service offerings did not lead to sufficient synergy potential. The loss of Careproduct’s contributions has only a minimal impact on sales in the “Pharmacies at Home” segment.



## “Professionals” business area (B2B)

### Products & Brands

The “Products & Brands” sector generated sales of CHF 157.7 million (+19.8%) in the 2022 financial year. Of this, CHF 131.0 million (+25.8%) came from the Swiss market and CHF 26.7 million (-2.8%) from exports involving distribution partners. The expansion-related growth effect at Products & Brands amounted to +6.7% in 2022.

By way of comparison, the consumer healthcare market grew by 6.4% year-on-year (IQVIA, Consumer Health Market Switzerland, 2022, excluding COVID-19 self-tests).

### Excellent positioning of Verfora

Verfora expanded its product portfolio also in the 2022 financial year: as of 1 October 2022, the company took over the distribution of homeopathic products from the manufacturer Boiron in Switzerland. The Boiron range perfectly complements the existing complementary medicine portfolio of Verfora and Spagyros. Verfora, the number one in the Swiss consumer health market, is therefore excellently placed to assume a leading market position in the field of complementary medicine. The positive development of the complementary medicine specialist Spagyros and its strong brands, which meet with a great response in Galenica’s sales channels, also contributed to this. Demand for Dr. Wild products also remains stable, although demand for vitamin D3 supplements was slightly lower than in the pandemic years of 2020 and 2021.



### Pleasing organic growth

Verfora is not only growing thanks to acquisitions, but also organically: a strong flu epidemic, a warm and sunny summer and several innovative product launches – for example in the area of disinfection – contributed to the sales growth of numerous Verfora brands such as Trioфан®, Algifor® or Anti-Brumm® and Merfen®.

### Challenging delivery problems at times

The “Products & Brands” segment was also affected by the global delivery difficulties. Supply bottlenecks in the procurement of raw materials, but also materials such as glass bottles and paper for package inserts, were sometimes difficult and led to occasional declines in sales.



### Services for Professionals

The “Services for Professionals” sector generated sales of CHF 71.1 million (+13.9%) in the 2022 financial year. Growth was generated in particular by the acquisition of Lifestage Solutions Ltd. in July 2021.



### High demand for innovative offerings

The “Services for Professionals” segment can look back on an eventful and successful financial year in 2022. In the first half of 2022, Galenica and Medifilm founded the joint venture Emeda, which aims to provide medical and pharmaceutical care to retirement and nursing homes in Switzerland. The Emeda team consists of mobile doctors who specialise in outpatient geriatric medical care for people in nursing homes. This creates significant synergy potential: Emeda has access to the full range of Galenica offerings, such as blister packaging by Medifilm. Lifestage Solutions Ltd., which was acquired in 2021, is also an important partner for retirement and nursing homes and home care organisations. The company sells medical consumables and supports its customers with a digital platform for the fully automated ordering and billing of consumables and care products. In the 2022 financial year, Lifestage Solutions Ltd. expanded into French-speaking Switzerland. Medifilm, a company specialising in blister packaging for medications, is also growing. Medifilm is benefiting, among other things, from an increased

demand due to time pressure and staff shortage in care homes and, together with the supporting pharmacies, was able to acquire around 50 additional institutions.

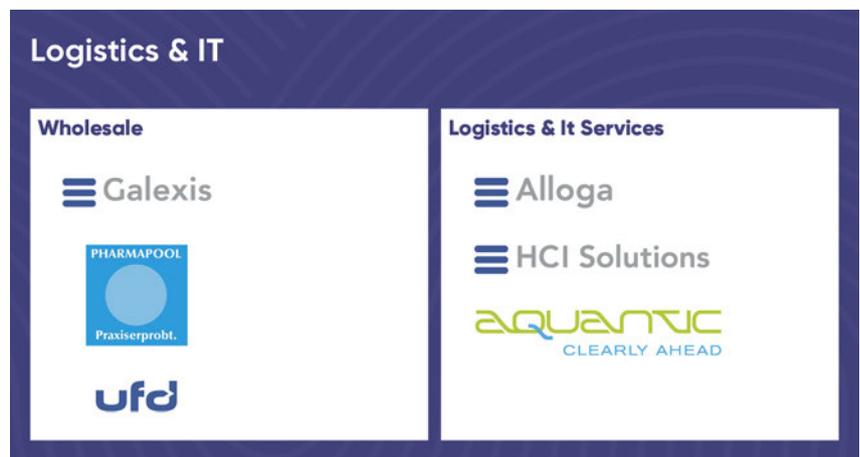
### **Winconcept attracts new customers**

Another highlight in this area is the steady expansion of Winconcept's customer base. The Winconcept team specialises in marketing activities for independent pharmacies and has been supporting more than 170 pharmacies throughout Switzerland since the start of 2023. Also worthy mentioning is the strategic partnership with Medinform – Galenica acquired a 50% stake as of July 2022. Medinform is the leading provider of education for staff in pharmacies and drugstores. This allows Galenica to support its employees even better in their professional development.

# “Logistics & IT” segment

Management report

The “Logistics & IT” segment comprises the two sectors “Wholesale” and “Logistics & IT Services”. They operate and develop the logistics and IT platforms of the Galenica Group and offer services to all healthcare providers such as pharmacies, drugstores, doctors, hospitals and care homes. These activities focus on optimising and further developing the range of logistics and services as well as innovative solutions to promote digitalisation in the healthcare market.



## “Logistics & IT” segment key figures

The “Logistics & IT” segment achieved net sales of CHF 2,933.3 million (+3.6%) in the 2022 financial year. CHF 2,820.4 million (+3.4%) of this was attributable to the “Wholesale” sector and CHF 130.7 million (+16.8%) to the “Logistics & IT” sector. Adjusted for additional sales in connection with COVID-19, which were exceptionally high in the previous year, sales growth for “Logistics & IT” amounted to 5.6%. Another sales driver was again the market share gains in the wholesale business with doctors.

Government-ordered price reductions led to a decline in sales of -2.1% in 2022. Excluding this effect, net sales in the segment would have risen by 5.6%.

The adjusted<sup>1</sup> operating result (EBIT), i.e. excluding the impact of the IFRS 16 (Leases) accounting standard, fell by -19.3% year on year to CHF 49.2 million and the adjusted<sup>1</sup> return on sales (ROS) fell from 2.2% to 1.7%. Excluding the extraordinary results from the COVID-19 initiatives (estimated at CHF 6 million) and the sale of the property at the headquarters in Bern (CHF 9.4 million), adjusted<sup>1</sup> EBIT growth amounted to a strong 8.0%.

Investments totalled CHF 52.8 million (previous year: CHF 37.0 million). These were primarily used for the modernisation and renovation of the Galexis distribution centre in Lausanne-Ecublens, for the gradual introduction of the new ERP software at Alloga and Galexis and for the development of the digital infrastructure in connection with the strategic “Omni-Channel” programme.

<sup>1</sup> Excluding the effects of IFRS 16. See chapter “Alternative performance measures”.

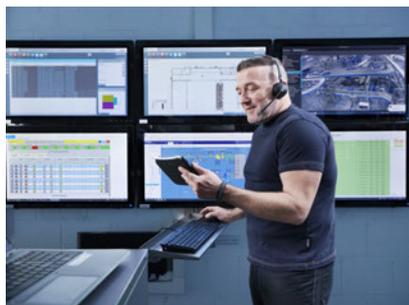


## Wholesale

In the “Wholesale” sector, sales grew by +3.4% to CHF 2,820.4 million. Adjusted for additional sales in connection with COVID-19, which were exceptionally high in the previous year, sales growth amounted to 5.5%. The Pharmacies customer segment recorded growth of 6.4% (adjusted for additional COVID-19 sales). Another sales driver was again market share gains in the wholesale business with doctors; sales growth in this segment was a strong 7.4%.

By way of comparison, market growth for bricks-and-mortar pharmacies amounted to 8.0% in the 2022 financial year. The physician market grew by 5.8% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2022).

The positive trend of the first half of 2022 continued in the physician market: 7 additional medical centres and other specialist doctors benefit from the comprehensive range of services offered by Galenica.



### **New ERP system and a sustainable fleet**

Galenica has always stood for quality logistics. In order to continue to live up to this standard, intensive work was carried out in the reporting year on preparations for the introduction of the ERP (Enterprise Resource Planning) system at Galaxis. Construction of the system was almost completed. Extensive tests will take place in the 2023 financial year and the introduction is planned for 2024 and 2025. The sustainability of the vehicle fleet and electric cars is also being tested. The aim is to greatly reduce the percentage of the fleet using fossil fuels in the coming years.

#### **Our Sustainability Goals**



### **Modernisation of Lausanne-Ecublens distribution centre completed**

Galexis successfully completed another complex project in the reporting year: the renovation and modernisation of the Lausanne-Ecublens distribution centre. A celebration for all suppliers, customers, employees and their families marked the resumption of operations at the central location for supplying the population of French-speaking Switzerland.

#### **Spotlight Energy Concept**

### **Important commitment to security of supply**

Galenica is committed to providing the Swiss population with pharmaceutical and medical care at various levels. Alloga stores a large proportion of the compulsory stocks of medications, which must be kept by the industry on behalf of the federal government. Galenica engages in a regular, constructive exchange with the authorities. Through his active involvement in the 'Verband der Schweizer Pharmavollgrossisten' (Swiss Pharma Logistics Association; [pharmalog.ch](http://pharmalog.ch)), the Head of Wholesale & Logistics is a member of an interdisciplinary working group that defines specific improvement measures on behalf of the Federal Council. He also serves on the Initiative Committee of the Pharmaceutical Initiative (Arzneimittelinitiative).



## Logistics & IT Services

The “Logistics & IT Services” sector generated net sales of CHF 130.7 million (+16.8%) in the 2022 financial year. The main driver of the strong growth was additional invoicing for internal Group IT services due to the new organisational structure introduced in 2021.



### Acquisition of great strategic importance

At Galenica, the ideal combination of medication and service is paramount. The acquisition of Aquantic will give Galenica access to a digital ecosystem that, by linking pharmaceutical companies and health insurance providers, will significantly simplify the assumption of the costs of specific medicines. This benefits the specialty pharmacy Mediservice in particular.

Spotlight Aquantic

### Smooth ERP migrations

The introduction of ERP continues to make successful progress at the pre-wholesale specialist Alloga. In the reporting year, the processes of around one-fifth of the business partners were migrated smoothly to the new software solution. In order to ensure that everything runs smoothly, Alloga will endeavour to complete the outstanding partner migrations by means of an accelerated procedure.



### Valuable experience with e-prescriptions

The HCI Solutions Business Unit once again launched promising initiatives to digitalise healthcare in the reporting year. One of the most important projects of the highly specialised team is the e-prescription. After concentrating on technical interfaces and various tests in the first half of 2022, the focus in autumn 2022 was primarily on the suitability of the solution for everyday use for patients, doctors and pharmacies. HCI Solutions was able to gain further valuable experience in pilot projects with Medi24 and Online Doctor, a company specialising in dermatology. It is becoming apparent that e-prescriptions represent real added value

for everyone involved – patients, doctors and pharmacists. Galenica will therefore continue to drive forward its own project and play an active role in the development of national standards.

#### Spotlight E-Prescription

The Documedis medical and pharmacy software also continued to develop in the reporting year. Over 100 million “Clinical Decision Support Checks” (CDS) to review medicine indications have been carried out on the basis of Documedis solutions. CDS help healthcare professionals make clinical and medical decisions and play an important role in increasing patient safety. Checks on vaccinations are also integrated into Documedis.

# Sustainability

---

## Management report

In 2022, Galenica further specified the measures to achieve its sustainability goals and began implementing them. Some significant progress has already been made. Due to the tense energy supply situation in Switzerland, various energy-saving measures have been initiated. Galenica has also introduced joint bonus-related sustainability goals for the Executive Committee, members of the Senior Management and Management.



## Energy consumption reduced in relation to net sales

Due to the current tense energy supply situation in Switzerland, Galenica initiated a Group-wide task force in 2022 and defined various energy-saving measures. For example, exterior lighting was switched off at all operating sites, temperatures were reduced in all rooms and motion detectors were installed. The task force has also worked out possible scenarios in the event of an electricity and gas shortage and defined appropriate measures in order to be able to react in an emergency.

The total energy consumption of the Galenica Group – both within and outside the organisation – decreased in the 2022 financial year in relation to net sales by 7% compared to the previous year. The direct and indirect greenhouse gas emissions of the Galenica Group

decreased in 2022 in relation to net sales by 8% compared to the previous year. The reduction is due to the energy-saving measures introduced by the task force and reduced fuel consumption.

### Key Environmental Figures



## Retention of qualified employees in healthcare

The number of employees of the Galenica Group continued to grow in the 2022 financial year. At the end of 2022, Galenica had 7,608 employees (previous year: 7,239). Employee development is a high priority and Galenica invested CHF 4.6 million in the training and development of its employees in the reporting year (previous year: CHF 3.7 million). Galenica is actively involved in preventing the shortage of qualified employees. With the aim of promoting the next generation of qualified employees, 838 apprentices were trained in the Service and Business Units in the financial year. In addition, a task force was initiated on the topic of the shortage of qualified employees and a large number of measures were implemented, particularly in pharmacies. Among other things, for example, the areas of responsibility of pharmacy assistants were expanded, their minimum wage was raised and the recruitment process was further optimised.

In the reporting year, Galenica introduced joint bonus-related sustainability goals for members of the Executive Committee, the Senior Management and Management, which are valid from 2023. These relate to customer and employee satisfaction. These new objectives are intended to strengthen the network philosophy and the focus on social objectives. With this step, Galenica is also focusing on the joint achievement of its goals and thus the further strengthening of Group-wide cooperation.

### Social Key Figures



## Solidarity with Ukraine

In early 2022, Galenica, together with suppliers and partner organisations, used its own logistics and procurement expertise to support the Ukrainian people. Three aid consignments brought medicines and supplies for hospitals to the country affected by the Russian offensive war. Galenica also launched a fundraising appeal for Swiss Solidarity. The amount donated by employees was doubled by the company, so that a total of CHF 232,000 was collected.

## Progress with sustainability goals

### Corporate governance

#### Corporate governance

Goal	Status	Target year	Measurement parameter	2021	2022
We train all employees in compliance at least once a year.	→	Every year	Participation rate	Not all employees are trained	Not all employees are trained
Twice a year, we carry out measures to raise employee awareness in the area of data protection.	=	Every year	Number of measures	N/A	>2 awareness-raising measures
We make our employees aware of IT security and cybercrime.	=	Every year	List of measures	N/A	>10 awareness-raising measures

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

In the area of compliance, there are e-learning modules on the topics of anti-corruption, antitrust law, IT security and the Code of Conduct. In 2022, two e-learning courses were offered in the area of IT security and cybercrime, with an average participation rate of 88%. The Legal Department has also revised the content of the training on the Code of Conduct. All new Galenica employees are required to complete the compliance training. The challenge in achieving these goals at the moment is that not all employees have a business e-mail address, which makes access to e-learning more difficult. This technical challenge is to be solved by means of suitable IT connections in 2023. Furthermore, the Legal Department has evaluated the introduction of a new, web-based e-learning platform and provided employees with information on key topics such as anti-corruption on the intranet.

In 2022, several measures were implemented to raise employee awareness of data protection. The measures include information on the intranet about the relevance of data protection and the revised Federal Act on Data Protection (revFADP), the publication of a new privacy policy for employees and an article in the employee magazine. The Legal Department has also developed a new e-learning module on the topic of data protection, which will be launched in 2023.

Through several campaigns on phishing, information on the intranet, an article in the employee magazine and specific training sessions, employees were made aware of the topics of IT security and cybercrime.

## Patients and customers

### Patients and customers

Goal	Status	Target year	Measurement parameter	2021	2022
We will increase the use of Clinical Decision Support Checks (CDS.CE) to 500 million by 2025 and 1 billion by 2030.*	↗	2030	Number of CDS.CE checks (Clinical Decision Support)	N/A	110 million
We will make patient information (PIL) on all Algifor preparations and important cold products from Verfora available online in two other languages that are relevant for Switzerland by 2022.**	=	2022	Language availability in terms of PIL for all Algifor preparations and important cold products	PIL: German, French, Italian	PIL: + English, Portuguese
We will review the compliance of our top ten suppliers with the Supplier Code of Conduct every three years from 2025.	↗	2025	Review of the top ten suppliers	No review	No review

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

Since an individual initiative such as the use of the e-Mediplan in Galenica Group pharmacies has only a limited impact on patient safety, the Sustainability Committee decided to place the original goal ("We will expand the use of the e-Mediplan in Galenica pharmacies by 10% a year until 2023") in a wider context and expand the scope. The new goal focuses on the use of Clinical Decision Support Checks (CDS.CE Check) and includes not only pharmacies but also other service providers in Switzerland, such as hospitals and doctors. These checks enable pharmacies and medical practices to do things like check the patient's used or planned medication for known risks, interactions and duplication. After performing a CDS.CE Check, they can also generate an e-Mediplan directly. The CDS.CE Check is integrated into all software systems at Galenica pharmacies.

In 2022, Verfora conducted a survey of several pharmacies to identify the additional languages and product classes required. Based on the results, it was decided to adjust the goal and, in a first phase, to start translating the patient information for all Algifor® preparations into two languages (English and Portuguese) instead of five languages as planned. Patient information on important cold products was also translated. Since the end of 2022, patients have been able to access the patient information for all Algifor® preparations and important cold products in English and Portuguese using a QR code. Flyers with the QR codes are available in all pharmacies in Switzerland. The goal has thus been achieved. An initial evaluation will take place in 2023. If demand is high, the patient information should be translated into additional languages and products for the treatment of (small) children should be integrated.

In 2022, Galenica identified its top ten suppliers based on order volumes. The next step is to revise the Supplier Code of Conduct and develop the questionnaire for suppliers.

The newly introduced bonus-relevant sustainability target intends to increase customer satisfaction in the pharmacies. To measure it, the relative Net Promoter Score (rNPS) of the pharmacies Amavita, Sun Store and Coop Vitality is applied. The NPS measures the extent to which consumers would recommend a product or service to others.

## Employees

### Employees

Goal	Status	Target year	Measurement parameter	2021	2022
We will increase the motivation rate of our employee survey to 75 out of 100 points and the participation rate to 75% by 2024.	↗	2024	Motivation rate Participation rate	71 / 100 58%	74 / 100 71%
We will reduce the time-to-hire for IT and pharmacy positions by 10% by 2024.	↗	2024	Time-to-hire	IT: 81.8 days Pharmacies: 52.5 days	IT: 65.09 days Pharmacies: 60.51 days
We will improve diversity in all Service Units and keep the proportion of female managers at 50%.*	=	Every year	Proportion of female managers	52.10%	52.60%
Reduction in the number of cases due to mental illness by 5% by 2024.**	↗	Every year	Number of cases per 100 FTEs	2.5 cases	1.6 cases
Reduce the absence rate for occupational and non-occupational accidents by 10% by 2024.	↗	2024	Absence rate (comparison of target hours/lost hours)	0.46%	0.51%

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

In the reporting year, 71% of employees took part in the employee survey. The participation rate has therefore increased by over 20% compared to the 2021 survey. Employee motivation has also improved compared to the previous year, with a Group-wide score of 74 out of a possible 100 points. In order to increase the participation rate, communication to employees who do not work in administration was improved and a QR code was sent to all by post, among other things. The results of the survey show that there is room for improvement, particularly in the areas of prospects and exceptional commitment. In a next step, the Executive Committee and the departments concerned will analyse the identified potential for improvement and develop effective measures to strengthen employee satisfaction and motivation.

Galenica further optimised its recruitment process in the reporting year. The aim is to reduce the time-to-hire and thus contribute to retaining qualified employees. The time-to-hire for IT was around 65 days in 2022 and around 60.5 days for Pharmacies. This corresponds to a reduction in time-to-hire for vacant IT positions of around 15%. For Pharmacies, the time-to-hire increased by around 21% compared to the previous year due to the worsening shortage of skilled employees in the health and care sector.

Gender equality is a key concern in the area of diversity. For this reason, the two original goals (“We will improve diversity, in particular gender equality, in all Service Units by 2024” and “We will maintain the proportion of women in management at 50%”) have been combined into one goal. The proportion of female managers in 2022 was over 50%, i.e. 52.6%. A Group-wide and comprehensive diversity concept will be developed in 2023.

As it is not possible to determine the absence rate due to mental illness for reasons of privacy protection, the original goal (“We will reduce the absence rate due to mental illness by 5% by 2024”) was adjusted and the number of cases per 100 FTEs was determined as a new measurement parameter. The total number of long-term absences (> 30 days) due to mental illness is known. In order to ensure anonymity, however, Galenica only receives the proportion of cases due to mental illness, from the daily allowance insurance records, in the event of a large number of cases. The exact illness-related reason for the absence is unknown. This means that no conclusions can be drawn and privacy protection is guaranteed. Compared to the previous year, the number of cases per 100 FTEs due to mental illness has decreased by 34%.

Occupational health is one of the focal points of the revised HR strategy. In 2022, the cooperation with Movis, an independent, external advisory centre for employees on issues relating to the protection of personal integrity, was expanded in order to strengthen the early detection and prevention of mental illnesses. All employees now have access to counselling services for mentally stressful situations such as stress management or burnout prevention.

In 2022, Galexis introduced an accident barometer at its Niederbipp and Lausanne-Écublens locations in order to raise awareness among employees and prevent occupational accidents. Every month, the number of occupational accidents compared to the previous year is made visible to all and an additional campaign is launched on a specific topic, such as personal protective equipment. There are plans to introduce an accident barometer at Alloga in 2023. In order to make employees aware of accidents outside work, Alloga and Galexis have run several poster campaigns on various topics such as road traffic and ticks. Compared to the previous year, the absence rate for occupational and non-occupational accidents remained relatively unchanged.

In accordance with the requirements of the Federal Act on Gender Equality (GEA), Galenica carried out an equal pay analysis for companies with more than 100 employees in 2021. The salaries of the Galenica Group were analysed using the Logib method (the federal government’s standard analysis tool) on the basis of April 2021. The analysis showed that an overwhelming majority of employees enjoyed equal pay. Equal pay is a major concern for Galenica. Accordingly, targeted measures were implemented as of 1 January 2023.

## Environment

### Environment

Goal	Status	Target year	Measurement parameter	2021	2022
From 2025, we will be sourcing 100% of our electricity from renewable sources at all our locations.	↗	2025	% electricity from renewable sources per location	BU Logistics & IT: 100% BU Products & Care: 75%	BU Logistics & IT: 100% BU Products & Care: 76%
We will reduce the greenhouse gas emissions produced by all our operations, processes and supply chains by 25% by 2025 and by 50% by 2030.	↗	2030	CO <sub>2</sub> e	11,777 CO <sub>2</sub> e	11,346 CO <sub>2</sub> e
We will replace 40% of the fossil fuels in our vehicle fleet with renewable alternatives by 2028.	↗	2028	% renewable propulsion in the vehicle fleet	1.60%	12%
We will reduce our municipal waste by 50% by 2025.	↗	2025	Municipal waste (t)	1,274 t	1,528 t

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

All of the Galenica Group’s own operational and administrative sites obtain electricity from hydropower and photovoltaic systems. Almost all of the pharmacies’ sales outlets are rented, which makes it more difficult to influence the electricity mix. However, Galenica has set itself the goal of obtaining electricity from renewable sources for the rented premises as far as possible. Previous data on the electricity consumption of pharmacies are extrapolations based on a representative sample of a total of 20 pharmacies. The focus is therefore on improving the availability and quality of the data base for the Service Unit Pharmacies.

Galenica is also working to improve the data base for its operations, processes and supply chains as part of its goal to reduce greenhouse gas emissions. The renovation of the Galexis distribution centre in Lausanne-Ecublens was completed in 2022. All buildings and roofs were refurbished to increase energy efficiency and a photovoltaic system was installed. Plans are currently under way to connect the distribution centre to the local district heating network. Galexis is also planning a photovoltaic system at the Niederbipp site for 2023, which will make an important contribution to sustainable energy production. Thanks to the commissioning of the groundwater heat pump at Alloga, natural gas consumption for building heating was reduced by 57% compared to the previous year.

Galexis evaluated the procurement of an electric vehicle for the local distribution of medications and other products in 2022 and will be piloting the first all-electric delivery vehicle with certified GDP status from 2023. Charging times remain a major challenge, which means that vehicles are only used at 50% capacity. In the case of lorries, there is still great potential in rapidly developing hydrogen technology. Specific investigations are ongoing. Furthermore, the Group-wide company

vehicle policy was adjusted in favour of e-mobility and a charging infrastructure for electric vehicles was installed at the Niederbipp location. A charging station will be operational in Lausanne-Ecublens at the beginning of 2023. Today, around 11% of company vehicles are electric or hybrid.

The total weight of municipal waste has increased by 7% compared to the previous year. This increase is mainly due to the widening of the data base. In the case of pharmacies, only estimates of municipal waste are currently available, which is why the focus, with this goal too, is on improving the data base. Galaxis has initiated a cooperation with two product suppliers to avoid packaging waste, and the introduction of circulation-type packaging (secondary packaging) with these partners is planned for 2023. Further specific measures to reduce municipal waste for all Business Units are being developed in workshops.

## Outlook for 2023

The regulatory requirements for non-financial reporting are increasing. The new due diligence and reporting regulations on non-financial matters, conflict minerals and child labour entered into force on 1 January 2022 (Art. 964 CO; DDTro). The Federal Council also adopted the Implementation Ordinance on Climate Reporting in November 2022, which will enter into force on 1 January 2024. Galenica is working on implementing these new requirements and is stepping up its commitment to upholding human rights throughout the supply chain and protecting the environment.

We also plan to anchor the topic of sustainability even more systematically at the strategic level as well as in internal structures, processes and business activities in 2023. In this context, the relevant sustainability topics identified are also being reviewed, with a specific focus on the impact of these topics on the environment, society and the economy.

# Political environment

## Management report

In autumn 2022, the KOF Swiss Economic Institute at the Federal Institute of Technology of Zurich (ETH Zurich) is forecasting growth in healthcare spending of 2.9% in 2022 and of 3.1% in 2023. The effects of the COVID-19 pandemic were felt directly until mid-2022 – due to postponed treatments and possible long-term consequences of the pandemic, KOF also predicts continued growth for 2023. Healthcare expenditure as a percentage of GDP is declining slightly.



Number of employees in the Swiss healthcare sector

**504,692**

Full-time equivalents (2021, source: Federal Statistical Office)

## Measures to contain increases in health insurance premiums

The average premiums of health insurance funds will increase by 6.6% in 2023. This is primarily due to the Federal Council's forced release of the reserves held by health insurance funds and the effects of the COVID-19 pandemic, which have both placed considerable strain on the healthcare system. The average increase in health insurance premiums has been 1.5% since 2018, compared with 3.5% in the years 2013 to 2018. The Federal Council continues to regard the containment of healthcare costs as a top priority.

Due to the high premium burden, the Social Democratic Party (SP) of Switzerland has launched the federal popular initiative entitled "Maximum of 10% of income for health insurance premiums (premium

relief initiative)". Parliament has drawn up an indirect counterproposal, with the Councils aiming to adjust for differences via the amount set for premium reductions.

The party known as the Centre (formerly the Christian Democratic People's Party CVP) has submitted the federal popular initiative "For lower premiums – cost brake in the healthcare system (cost brake initiative)". An indirect counter-proposal is also being discussed in relation to this proposal. The National Council wants to strengthen the powers of the licensing authority in case the parties to collective bargaining arrangements are unable to reach an agreement during contract negotiations. A collective agreement should also enter into force if the partners have reached an agreement, but the licensing authority does not make a decision within a given period of time. If the new regulation had already been in force, the Tardoc medical tariff, for example, would probably have entered into force already.

### **First package of measures to contain healthcare costs now agreed**

Parliament has divided the first package of measures to contain healthcare costs into two packages. The first part, which comprises less controversial measures, was adopted by parliament back in 2021.

In the second package, parliament voted against direct imports of medicinal products and against a reference price system for the reimbursement of medicinal products. These measures were contested by many associations in the healthcare sector. They feared that patient safety would suffer and that the supply of medicinal products could deteriorate further. Both Councils decided to simplify the approval of parallel-imported medicinal products. They also agreed on the right of health insurance associations to appeal against cantonal hospital planning decisions.

Parties to collective bargaining arrangements are obliged to monitor costs in their areas and to take corrective measures in the event of an unexplained increase in costs. However, following extensive deliberation, parliament decided against giving cantons opportunities to intervene if the parties to collective bargaining arrangements fail to reach an agreement.

Parliament expects the so-called "experimental article", which entered into force on 1 January 2023, to have cost-saving effects. This enables the testing of innovative and cost-saving pilot projects to ease the burden on premium payers that deviate from previous statutory regulations.

The pilot projects are limited in terms of content, time and location and must be approved by the Federal Department of Home Affairs (FDHA). Pilot projects that have proved their worth during the test phase are included in the scope of the Health Insurance Act (HIA) and can be provided without a prescription from a doctor. For example, direct access to selected services that, under the law as it applies, are only possible with a doctor's prescription.



Pharmacies in Switzerland

**1,844**

(2022, source: Pharmasuisse)

## The second package of cost containment measures is having a difficult time

On 7 September 2022, the Federal Council passed a second package of cost containment measures for the attention of parliament. With this package of measures, the Federal Council is pursuing three objectives: it wants to reduce any increase in volume that is not medically justified, curb the rising costs of basic health insurance and improve the quality of healthcare provision. The approach proposed by the Federal Council met with great opposition from stakeholders. This was despite the fact that the Federal Council had deleted key elements from the proposal that were criticised during the consultation process. For example, the idea of having an initial medical point of contact is being dropped.

The second package of cost containment measures contains the following elements (selection):

### – Networks for coordinated care

All associations agree with the great importance of networks for coordinated care but reject the Federal Council's proposal. Among other things, there is criticism that the networks are becoming independent service providers who bill the insured persons for services. The National Council Social Security and Health Committee (SSHC-N) has instructed the Federal Office of Public Health (FOPH) to convene a round table so that the stakeholders concerned – doctors and other healthcare professionals, insurers, inpatient and outpatient services, patient organisations and cantons – can work together to find a majority solution.

### – Faster and cheaper access to medicinal products

The Federal Council plans to provide rapid and cost-effective access to innovative medicinal products. To this end, the practice of pricing models with pharmaceutical companies is to be established at a legislative level. When implementing pricing models, pharmaceutical companies reimburse a portion of the price or costs incurred to insurers. This will both ensure rapid access to medicinal products and reduce the increase in the cost of medicinal products. According to the Federal Council, rapid and inexpensive access to vital medicinal

products is only possible in certain cases if confidential pricing models are implemented.

– **Strengthening prevention**

Basic insurance should now cover the costs of preventive examinations and measures that are carried out or prescribed by a doctor. Pharmacists too should now carry out preventive measures, the costs of which are covered under basic insurance, which are implemented as part of defined programmes.



Hospitals in Switzerland

**276**

(2020, source: Federal Statistical Office)

## Revision of distribution share: implementation open

In 2021, the FDHA proposed a new compensation model for the distribution of prescription medicinal products on the basis of the consultation held in 2018, which was met with criticism from the service providers concerned (pharmacies, doctors, outpatient clinics).

In 2022, the FDHA invited the associations representing the parties to collective bargaining arrangements to several meetings. Together they worked out a viable solution. Four out of five associations support this and the FDHA has taken the next steps towards approval. The date of entry into force is open.

The date of entry into force of the SBR V tariff model has still to be confirmed and depends on the introduction of the revised distribution share.

## OTC mail-order business

In 2021, the Federal Council published the report entitled “Mail-order business with non-prescription medicinal products” in compliance with Postulate 19.3382 Stahl of 22 March 2019. In mid-2023, the Federal Council announced a bill submitted for consultation aimed at simplifying mail-order business with non-prescription medicinal products (OTC).

Doctors in Switzerland

**39,222**

(2022, source: Swiss Medical Association)

## Digital transformation in the healthcare sector

Parliament has adopted a large number of parliamentary proposals relating to the digital transformation of the healthcare system. The focus is on creating rules for a health data ecosystem, the secondary use of data and a revision of the electronic patient record EPR.

In April 2022, the Federal Council announced that it would implement a two-stage revision of the Electronic Patient Record Act (EPRA). According to the Federal Council, the actual partial revision of the EPRA, which is being implemented with a view to creating the conditions for functioning and beneficial EPRs, is not expected to enter into force until 2027 at the earliest.

Central elements of the partial revision of the EPRA are:

- Compulsory for all healthcare professionals responsible for outpatients.
- Opt-out or voluntary basis for patients.
- Central storage for dynamic data, medication overview, vaccination record.
- Use of technical infrastructure for additional B2B services.
- EPR access for researchers.

Functioning electronic patient records are a prerequisite for interprofessional collaboration in integrated networks.

## Current status of the EPR

Healthcare professionals must upload treatment-relevant documents to the electronic patient record (EPR) if they are members of a reference community. For some time now, hospitals, nursing homes and maternity homes have been obliged to join a reference community and manage EPRs. However, the percentage of affiliated organisations is less than 40%. This obligation also applies to registered doctors in private practice.

The number of affiliated citizens is around 10,000. The vast majority have joined the CARA reference community in the five cantons of French-speaking Switzerland.

## Outlook

Switzerland's healthcare system remains in good shape. In most disciplines, waiting times are short and the quality of treatment is high. The large number of negative reports is a relatively new development. Most reporting focuses on overcrowded children's hospitals, bottlenecks in the supply of medicinal products, a shortage of nursing staff, a lack of family doctors coming through the system, the impact of premium increases and delays in terms of digital transformation.

Parliament has been active in all the areas mentioned:

- With regard to better funding for paediatric and adolescent medicine, parliament passed two motions and, some time ago, instructed the Federal Council to take measures.
- The Federal Council has set up an expert group to propose measures against bottlenecks in the supply of medicinal products. Several associations also announced the launch of a federal popular initiative designed to alleviate the bottlenecks.
- The Federal Parliament has decided to launch a training offensive for nursing professionals following the creation of a constitutional article for nursing professions in 2021. The Federation will provide around CHF 500 million for this if the cantons provide the same amount.
- The admission requirements for specialists in selected disciplines such as family medicine and paediatric and adolescent medicine are to be lowered in order to make it easier to recruit people from abroad.
- The Federal Council has announced two partial revisions of the EPR. However, they are not expected to take effect until 2027 at the earliest.

Developments in the healthcare sector and the current backlog of reforms are a major concern for many stakeholders. The question is whether the COVID-19 pandemic is the cause of the problems or has only accelerated them. It is widely felt that major reforms are needed to solve or alleviate the diverse problems in the healthcare sector.

It is worth pointing out that provision still works well compared to the standards adopted in the rest of the world. There are, however, several countries with similar life expectancy that spend less on health per capita.

The unsatisfactory situation could help accelerate the emergence of models where doctors are no longer responsible for the triage or treatment of "minor illnesses". Pharmacists and APN (advanced practice nursing) staff in particular could play a more important role.

As a result of this situation, the FDHA and parliament are stepping up the focus on efforts to reduce healthcare costs. It is often forgotten that reducing costs is not a primary objective. The central task of policymakers is to ensure efficient provision by means of appropriate rules. There is also a need to clarify the social policy issue of how the rising costs can be shared among citizens. The per-capita premium

levels of health insurance companies are a problem for many households that do not benefit from cantonal premium reductions.

The Galenica Group remains committed to finding solutions that enable efficient service provision. It supports cost reductions if they are economically feasible and continues to oppose any measures that would effectively result in the rationing of services and thus poorer patient care.

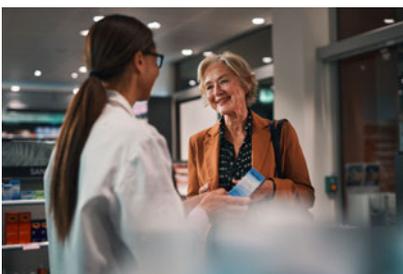
From the point of view of the Galenica Group, interprofessional networks should be strengthened if they aim to ensure interprofessional cooperation between all stakeholders on an equal footing.

# Outlook 2023

---

## Management report

Galenica will continue to implement the initiatives formulated in the strategic programmes in a focused manner. This includes further linking and expanding the range of products and services across all sales channels.



## Products & Care

- The pharmacy network is being continuously optimised and expanded, including through investments in the shopping experience at physical points of sale.
- The importance of the pharmacy as the first point of contact for health issues is to be developed further. To this end, customer access to advice and services will be further simplified and the service portfolio will be better adapted to customer needs. In addition, Galenica is committed to ensuring that the advice and services provided in pharmacies are reimbursed by other health insurance providers within the scope of supplementary insurance.
- The rNPS (Net Promoter Score) is to be introduced across the board in pharmacies from 2023. It measures the willingness of customers to recommend the company to others. As a result, Galenica is placing customer needs even more at the center of fulfilling its customer promise.

- In order to increase employee motivation and counteract the shortage of qualified employees, the roles of pharmacy assistants are starting to incorporate additional competencies and responsibilities in pharmacies. With this in mind, opportunities for further development are also to be created in a targeted manner.
- In the home-care and care home sector, the cooperation between Bichsel, Mediservice, Medifilm, Lifestage Solutions and Emeda will be further expanded so that customers can benefit fully from the added value and new offers. The aim is to attract more customers.



## Logistics & IT

- Galexis is starting the new ERP system in a staggered manner and is planning to complete the integral testing phase in 2023. At the same time, Alloqa will accelerate partner integration into the new ERP system in 2023.
- Following the inauguration of the modernised distribution centre in Lausanne-Ecublens, this will be fully operational again in 2023. At the Niederbipp site, Galexis is planning to expand capacity for B2B and B2C logistics.
- The implementation of the defined measures for achieving the sustainability goals is also a top priority. For example, further pilot projects with alternative drives for delivery vehicles, such as hydrogen, are to be launched and the necessary charging infrastructure for company vehicles is to be set up at relevant locations.
- Following the successful pilot projects, the “e-prescription” is to be implemented as a new standard for service providers. Galenica is also actively participating in the development of national standards.
- The “Documedis®” software solution from HCI Solutions is to be introduced for more doctors, care homes and hospitals. The use of “Clinical Decision Support Checks” is also to be further promoted in the interests of greater patient safety.

## Guidance 2023

Despite the very strong 2022 financial year and rising costs due to inflation, Galenica expects both sales and adjusted<sup>1</sup> EBIT to grow between +3% and +6% in 2023. Galenica strives for a strong yet sustainable dividend growth and plans to pay a dividend equal at least to the prior year's level in 2023.

<sup>1</sup> Excluding the effects of IAS 19 and IFRS 16. See chapter “Alternative performance measures”.

# About us

# Contents About us

47	Galenica Strategy
53	Sustainability at Galenica

# Galenica Strategy

---

## About us

Galenica is the leading fully integrated healthcare provider in Switzerland and plays a key role in the Swiss healthcare market. We want to sustainably and successfully strengthen our market position and further develop our core competences.

### Vision

**Health and well-being are at the heart of what we do. They are the reason we give our best every day.**

### Values

We built trust  
We show respect  
Together, we are stronger  
We act as entrepreneurs  
We participate with passion

We are a network of Business Units and like-minded partners, where everyone is passionate about their brand, but cooperation and sharing are the highest currency for maximising customer added value. Where practice, simplicity and the future are more important than theory, perfection and the past. With these values, we shape and combine our products, services and expertise around the major customer needs of today and tomorrow in order to be able to meet them even better – in a more seamless, more efficient and, above all, more personalised way.

### Customer promise

We support people at every stage of life on their journey towards health and well-being. With personal and expert advice and a unique range of products and services. Anytime and anywhere in Switzerland.

## Strategic objectives



### Omni-Channel programme

#### Best customer experience anytime and anywhere

- Build the required digital infrastructure to more efficiently connect our offline and online channels
- An interconnected infrastructure that integrates and coordinates both, the personal and digital touchpoints

#### Further development and networking of all online and offline channels

- Offline: constantly enlarge and optimise the pharmacy network
- Online: improve our online shops and our offerings for patients at home

#### Expansion of product range

- Expansion of product & service offerings according to our customer's expectations

#### Megatrend

- Changing customer needs
- Digitalisation
- Interconnectedness
- Cost pressure in healthcare system

#### ESG impact

##### Patient health, data protection

- Customer satisfaction: more efficient and convenient healthcare improves well-being and health of our customers
- Data protection as a prerequisite for digital services
- Customer satisfaction: better healthcare services
- Affordability of healthcare: Galenica supports substitution by generics

## Care programme

### First point of contact for healthcare advice

- Support our customers as their first point of contact for healthcare advice in our pharmacies, digitally and at home
- Implementation and development of needs-based healthcare and therapeutic services, from prevention right through to therapy

### First-class healthcare services

- For patients who we can reach directly through our pharmacies or at home
- For patients who we only reach indirectly via an interface with homes or home care organisations

### Preferred cooperation partner

- Be preferred cooperation partner of other important players in the Swiss Healthcare System

## Megatrend

- Changing consumer needs
- Digitalisation
- Interconnectedness
- Cost pressure in healthcare system
- Home care
- Ageing society

## ESG impact

### Patient health, patient safety

- Better healthcare services: improved availability of healthcare services in pharmacies
- Affordability of healthcare: services in pharmacies are lower priced than from doctors
- Better healthcare services, allowing patients to stay at home during treatments
- Increased patient safety with services for nursing homes
- We offer our customers the greatest possible added value through new cooperation models and strong partnerships

## Professionals programme

### First-choice partner for healthcare professionals

- We offer specialist retailers and our pharmacies an attractive product range and comprehensive services
- We are a leader in healthcare logistics and digital solutions for the Swiss healthcare market
- We also want to expand the digital gateway for B2B customers

### Leader in e-health

- Our vision is to be a leader in the field of digital health services notably by developing and marketing innovative solutions to promote digitalisation and by setting standards in the provision of health databases
- An important element are digital platforms that we either develop ourselves or in which we participate as a partner.

### Patient safety and security of supply

- We want to be the first choice when it comes to logistics services for all market players

### Megatrend

- Changing customer needs
- Digitalisation
- Interconnectedness

### ESG impact

#### Patient safety, reliable procurement and supply

- Thanks to digital e-health offers, partnerships and services adapted to market needs, we can reduce process costs and relieve the system
- Our digital solutions reduce medication errors and increases therapy adherence
- Availability of medicine: Galenica's logistics companies manage to make and keep more than 99% of medicines available throughout Switzerland within 24 hours

## Efficiency programme

### Simple and efficient, for customers, partners and employees

Our ongoing responsibility is to streamline our offerings even further and to organise the company itself in a way that is simpler and easier to understand for our customers and partners as well as for our employees:

- by systematically making use of our synergies,
- by working together to simplify our processes and systems,
- by harmonising them across the Group
- by digitalising them - where this makes sense

### Process and cost optimisation

- We realise our projects in the modernisation of the distribution centre in Lausanne-Ecublens and the implementation of the ERP system at Alloga and Galexis

### Sustainable use of resources

- Reduction of CO<sub>2</sub> emissions by increasing efficiency in logistics, installation of solar panels on operating sites

### Megatrend

- Digitalisation
- Cost pressure in healthcare system
- Climate change

### ESG impact

#### IT security is key for sustainable business operation

- IT security for sustainable business operations

#### Waste, recycling, emissions and climate change

#### Reducing emissions and combating climate change

## Transformation programme

### Making employees fit for the future

- We support the continuous development of our employees
- Reducing mental health problems within the workforce through new working models
- Decisions shall be taken where the greatest knowledge is

### Decision-making by competent, agile teams

- We want to work with as few hierarchies as possible and instead build strong teams that work together across organisational boundaries

### Promoting equal opportunities and diversity

#### Megatrend

- Diversity and equal opportunities
- Employee satisfaction addresses the lack of qualified staff

#### ESG impact

##### Retention of qualified employees, employee motivation and development

- Employee satisfaction addresses the lack of qualified staff
- Employee motivation and development

##### Diversity and equal opportunities

- Employee satisfaction

# Sustainability at Galenica

---

## About us

Sustainability is an integral part of Galenica's corporate management. This is based on the steadfast belief that proactive and responsible action contributes significantly to the long-term economic success of a company and has an impact both within and outside a company.

## Our sustainability principles

We firmly believe that our Group can achieve long-term commercial success only if we also bear responsibility for society and use natural resources sparingly and efficiently.

This conviction is reflected in the three key sustainability principles of Galenica, in addition to our [customer promise](#). Supported by the Executive Committee, they form an essential part of the Group's corporate culture.

### Company value

We increase the value of the company in the long term by having a sustainable impact.

### Employees

We oblige our employees to act responsibly and ensure they have a safe, flexible and supportive working environment.

### Resource efficiency

We use resources sparingly and efficiently and reduce negative environmental impacts.

With these guiding principles, we educate and motivate employees to continuously increase our resource intensity, efficiency, capacity for innovation and, ultimately, competitiveness. On the other hand, the lively, ongoing dialogue with the various stakeholders helps to identify requirements and expectations at an early stage and to maintain Galenica's strong reputation.

Our key sustainability topics are integrated into the corporate vision and the objectives of the strategic programmes and are therefore part of the corporate strategy.

## Sustainability organisation

The Board of Directors bears ultimate responsibility for the economic, environmental and social impact of the Galenica Group. The [Governance, Nomination and Sustainability Committee](#) (GNSC) advises

the Chair of the Board of Directors and the entire Board of Directors on sustainability. The Committee consists of the Chair of the Board of Directors, the Vice Chair and other members who are elected by the Board of Directors on the proposal of the Chair of the Board of Directors. Among other things, the Committee reviews the relevance matrix and the sustainability goals on an annual basis and ensures that the corporate strategy is geared towards sustainable management. In the reporting year, the GNSC discussed the topic of sustainability twice. The Board of Directors approves the sustainability goals and monitors progress in achieving them. The topic of sustainability was discussed by the Board of Directors four times in 2022. The Executive Committee is responsible for implementing the sustainability goals and integrating sustainability into day-to-day business.

The Sustainability Committee (SC) is led by the Chief Transformation Officer and plays an advisory and coordinating role. The Committee develops specific proposals for implementing the sustainability strategy for the attention of the Executive Committee and the Board of Directors. The main task is to systematise internal sustainability management and external reporting and to ensure that the measures are implemented. The Committee is structured in such a way that, in addition to be able to cover all key sustainability topics, all Business and Service Units and the Executive Committee are also represented on the Committee by a responsible person.

The SC met four times in the reporting year. In between Committee meetings, several smaller meetings were held by individual working groups to discuss the progress made with the sustainability goals and the implementation of the measures. In 2022, the measures were further specified or already implemented. This is mainly done in the Business Units. The SC coordinates the activities and the Chief Transformation Officer regularly reports to the Executive Committee and the Board of Directors.

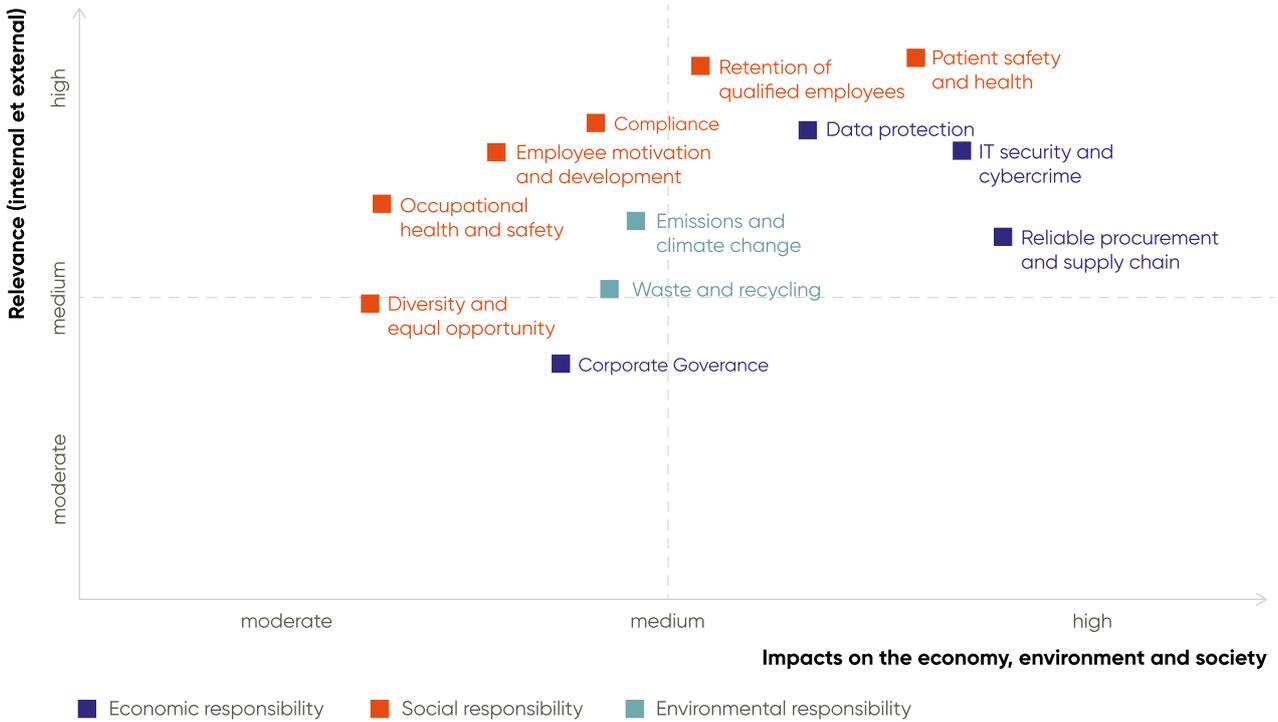


Sustainability organisation

## Relevance matrix

In 2021, we carried out a materiality process in accordance with GRI Standards. Internal and external stakeholders – investors, partners, suppliers, customers, associations, employees, authorities, as well as members of the SC, the Executive Board and the BoD – evaluated the

relevance of the topics and the impact of Galenica’s business activities on the social, environmental and economic environment in an online survey. In addition, interviews were held with representatives of all external stakeholder groups to discuss the evaluations and the associated requirements and expectations. The results are presented in the relevance matrix. The Executive Committee and the Board of Directors have taken note of the relevance matrix.



### Our sustainability goals

The SC has defined specific targets for all material sustainability topics, which were approved by the Executive Committee and the Board of Directors at the end of 2021. In 2022, the SC adjusted some of the goals. This was approved by the Executive Committee and the Board of Directors at the end of 2022.

**Corporate governance**  
 We train all employees in compliance at least once a year.  
 Twice a year, we carry out measures to raise employee awareness in the area of data protection.  
 We make our employees aware of IT security and cybercrime.

## Patients

We will increase the use of Clinical Decision Support Checks (CDS.CE) to 500 million by 2025 and 1 billion by 2030.

We will make patient information (PIL) on all Algifor® preparations and important cold products from Verfora available online in two other languages that are relevant for Switzerland by 2022.

We will review the compliance of our top ten suppliers with the Supplier Code of Conduct every three years from 2025.

## Employees

We will increase the motivation rate of our employee survey to 75 out of 100 points and the participation rate to 75% by 2024.

We will reduce the time-to-hire for IT and pharmacy positions by 10% by 2024.

We will improve diversity in all Service Units and keep the proportion of female managers at 50%.

Reduction in the number of cases due to mental illness by 5% by 2024.

Reduce the absence rate for occupational and non-occupational accidents by 10% by 2024.

## Environment

From 2025, we will be sourcing 100% of our electricity from renewable sources at all our locations.

We will reduce the greenhouse gas emissions produced by all our operations, processes and supply chains by 25% by 2025 and by 50% by 2030.

We will replace 40% of the fossil fuels in our vehicle fleet with renewable alternatives by 2028.

We will reduce our municipal waste by 50% by 2025.

Progress of the sustainability goals

## Our contribution to the Sustainable Development Goals

The Sustainable Development Goals (SDGs) form the global reference framework for sustainable development. The Galenica Group is committed to the SDGs. As Switzerland's leading fully integrated healthcare provider, we make an important contribution to SDG 3 (Health and Well-being). This objective is central to our business activities and is in line with our customer promise to support people at every stage of life on their journey towards health and well-being. We also contribute to SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 10 (Reduced Inequalities) and SDG 16 (Peace, Justice and Strong Institutions) through our corporate activities.



### Patient safety and health

Patient safety and health are a top priority for us. With personal and competent advice and a unique range of products and services, we support our patients in all life situations at every stage of their lives, promote their well-being and enable people of all ages to lead a healthy life.



### Emissions and climate change

We promote the use of renewable energies in distribution and the use of public transport and electromobility by our employees. We always take measures to increase energy efficiency into account and examine the feasibility of installing photovoltaic systems. In addition, we have defined specific targets for reducing greenhouse gas emissions, replacing fossil fuels and using exclusively renewable energy sources at all operation sites. We also rely on supply chain partnerships in accordance with SDG 17 to promote recycling with regard to the climate, water and waste. With these measures, we are contributing to the fight against climate change.



### Waste and recycling

In addition to traditional municipal waste, we also produce medical and chemical waste. The prevention, reduction, recycling and professional disposal of waste is of central importance to us. We also contribute to biodiversity conservation by disposing of medications properly. Environmentally friendly waste management forms the basis for responsible consumption and production.



### IT security and cybercrime

With the increasing digitalisation of the healthcare system, the risk of cyber attacks is growing. This is why IT security is highly important at Galenica. As a healthcare provider, we process sensitive information and data. We ensure that they are protected against unauthorised access and unauthorised changes or loss. Protecting IT systems is key to a peaceful and inclusive society as well as strong institutions.



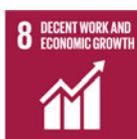
### Data protection

Protecting patients and customer data is a top priority for us. We respect and protect the personal data and privacy of patients when processing their data. Our Data Protection Policy contains general rules on the organisation and responsibilities of the Galenica Group with regard to data protection. Data protection is an important basis of a peaceful and inclusive society as well as strong institutions.



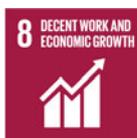
### Reliable procurement and supply chain

We work closely with suppliers to ensure the greatest possible availability of medicines. An IT-based scheduling system also helps us to optimise procurement and logistics processes. Reliable provision of medicines to the population is key to promoting health and well-being.



### Employee motivation and development

Our employees play a key role in our success. We consistently promote employee motivation and development by offering our employees attractive and fair employment conditions, modern and flexible working models and various programmes and opportunities for further development. We also support the next generation of qualified employees by training apprentices. Through all these measures, we are supporting sustainable labour and economic growth in Switzerland.



### Retention of qualified employees

Retaining qualified employees in the healthcare professions and IT sectors is a major challenge in Switzerland. Our recruitment strategy includes measures to promote the company's image as an employer, positioning and university marketing for pharmaceutical students in order to secure qualified employees. In doing so, we are supporting sustainable labour and economic growth in Switzerland.



### Occupational health and safety

The physical and mental health of employees is very important at Galenica. This is why we take all possible precautions to protect the health and safety of all employees in the workplace. We also operate preventive case management in order to identify potential health risks at an early stage and ensure a quick return to work after an illness or accident. We are thus making a significant contribution to the health and well-being of our employees.



### Diversity and equal opportunity

We are committed to diversity and equality and bring together people from 89 countries and all age groups. Three-quarters of employees are women. Our Code of Conduct states that we do not tolerate any discrimination or harassment. We also ensure that salaries are equal between men and women. We ensure equal opportunities and are committed to reducing inequalities. In doing this, we also contribute to SDG 5 (Gender Equality).



## Corporate Governance

Good and transparent corporate governance is crucial for us to manage the company effectively and efficiently. In addition, corporate governance forms the basis for a peaceful and inclusive society based on equal participation of all people, as well as strong institutions.



## Compliance

We attach great importance to conducting our business activities ethical and legal manner. All of our business activities are conducted in accordance with applicable laws, and respect for human rights is non-negotiable for us. This is how we contribute to a peaceful and inclusive society.

# Key figures

# Contents key figures

62	Financial key figures
64	Key social figures
69	Key environmental figures

# Financial key figures

Net sales  
in million CHF



■ Products & Care <sup>1)</sup>: 2,029.6  
■ Logistics & IT <sup>1)</sup>: 2,933.3

EBIT adjusted<sup>2)</sup>  
in million CHF



■ Products & Care <sup>1) 2)</sup>: 153.5  
■ Logistics & IT <sup>1) 2)</sup>: 49.2

Number of employees  
at 31 December 2022



■ Products & Care: 5,644  
■ Logistics & IT: 1,707  
■ Group Services: 257

in million CHF	2022	2021	Change
<b>Net sales</b>	<b>4,014.3</b>	<b>3,834.7</b>	<b>4.7%</b>
Products & Care <sup>1)</sup>	2,029.6	1,908.1	6.4%
Logistics & IT <sup>1)</sup>	2,933.3	2,831.4	3.6%
<b>EBIT</b>	<b>203.3</b>	<b>207.4</b>	<b>-2.0%</b>
<b>EBIT adjusted<sup>2)</sup></b>	<b>200.8</b>	<b>213.1</b>	<b>-5.8%</b>
in % of net sales	5.0%	5.6%	
Products & Care <sup>1) 2)</sup>	153.5	154.5	-0.6%
in % of net sales	7.6%	8.1%	
Logistics & IT <sup>1) 2)</sup>	49.2	61.0	-19.3%
in % of net sales	1.7%	2.2%	
<b>Net profit</b>	<b>165.9</b>	<b>168.2</b>	<b>-1.4%</b>
<b>Net profit adjusted<sup>2)</sup></b>	<b>165.7</b>	<b>174.8</b>	<b>-5.2%</b>
<b>Total assets</b>	<b>2,612.8</b>	<b>2,565.8</b>	<b>1.8%</b>
<b>Shareholders' equity</b>	<b>1,249.5</b>	<b>1,233.7</b>	<b>1.3%</b>
Equity ratio	47.8%	48.1%	
Capital contribution reserves	254.8	307.0	-17.0%
<b>Net debt adjusted<sup>2)</sup></b>	<b>294.6</b>	<b>258.2</b>	<b>14.1%</b>
Debt coverage adjusted <sup>2)</sup>	1.2 x	1.0 x	
Gearing adjusted <sup>2)</sup>	23.2%	21.4%	
<b>Investment in property, plant and equipment and intangible assets</b>	<b>70.7</b>	<b>60.4</b>	<b>17.0%</b>
<b>Cash flow from operating activities adjusted<sup>2)</sup></b>	<b>184.4</b>	<b>283.2</b>	<b>-34.9%</b>
<b>Free cash flow<sup>2)</sup></b>	<b>57.9</b>	<b>194.9</b>	<b>-70.3%</b>
<b>Employees at reporting date (FTE)</b>	<b>5,728</b>	<b>5,533</b>	<b>3.5%</b>

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

<sup>2)</sup> For details to the adjusted key figures refer to chapter Alternative performance measures of the Annual report 2022

## Share price performance in percent



## Share information

in CHF	2022	2021
Share price at reporting date	75.55	68.55
Highest share price for the year	79.00	73.15
Lowest share price for the year	60.55	57.20
Market capitalisation at reporting date in million CHF	3,763.6	3,402.7
Earnings per share <sup>1)</sup>	3.32	3.38
Earnings per share adjusted <sup>1)2)</sup>	3.32	3.52
Shareholders' equity per share <sup>1)</sup>	25.04	24.76
Gross dividend per share <sup>3)</sup>	2.20	2.10
– of which paid out from retained earnings	1.10	1.05
– of which paid out from reserves from capital contributions	1.10	1.05
Dividend yield <sup>4)</sup>	2.9%	3.1%
Pay-out ratio adjusted <sup>5)</sup>	66.3%	59.7%
Price-earnings ratio (P/E) adjusted <sup>6)</sup>	22.8	19.5

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

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

<sup>3)</sup> According to Board of Directors' proposal to Annual General Meeting of 3 May 2023

<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 adjusted

<sup>6)</sup> Share price at reporting date in relation to earnings per share adjusted

# Key social figures

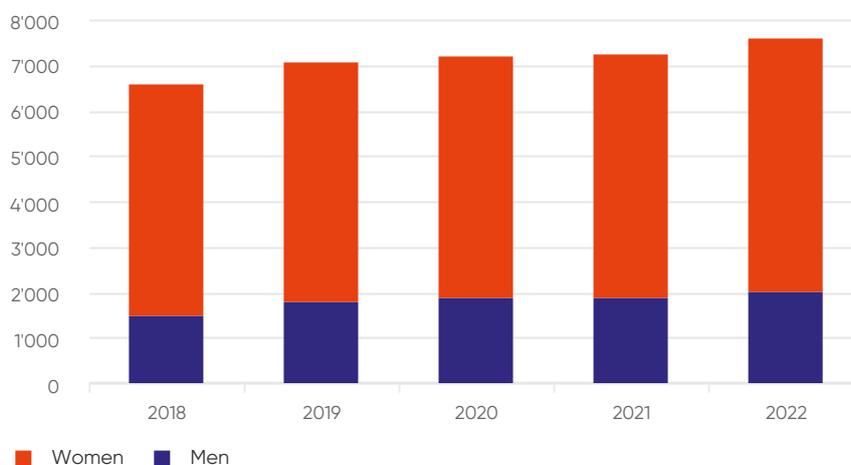
## Key figures

Galenica provides key employee figures on employment, occupational health and safety, education and training, diversity and equal opportunities. Other key figures on patient safety and health as well as reliability of procurement and supply are also published.

## Employment

Aspect	GRI Indicator	Unit	2022	2021	2020	2019	2018
<b>Employees</b>	102-8	number	7,608	7,239	7,205	7,071	6,580
by gender	102-8						
- women	102-8	number	5,601	5,351	5,308	5,268	5,078
- men	102-8	number	2,007	1,888	1,897	1,803	1,502
part-time (<90%)	102-8	number	4,367	3,058	3,039	2,897	2,603
<b>Employee Turnover</b>	401-1	%	14.4	14.5	10.6	11.4	12.4

Number of Galenica Group employees 2018–2022



### Galenica continues to grow

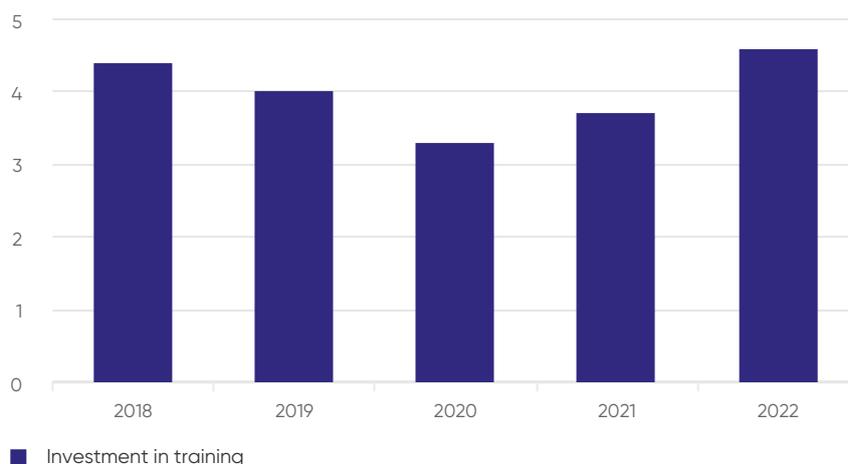
Galenica continued to grow in 2022. At the end of 2022, the Galenica Group had 7,608 employees, an increase of 5% over the previous year. The increase is due to organic growth at the Galenica Group. The proportion of women is around 74% and has remained relatively constant over the past five years. 57% of employees work part time, i.e. with a workload below 90%. The proportion of part-time employees has increased by 45% since 2018. The proportion of managers to all employees has remained unchanged since 2018 at 9%. From 2018 to 2022, the proportion of female managers rose from 51% to 53%. Employee turnover at Galenica was 14.4% in 2022, 0.7% lower than in the previous year.

## Training and education

Aspect	Unit	2022	2021	2020	2019	2018
Investment in training	Mio. CHF	4.6	3.7	3.3	4.0	4.4
Apprentices in training	number	838	823	808	841	797
Completed apprenticeships in year under review	number	278	244	274	265	266

### Investment in training in CHF million 2018–2022

Data is not included from new companies which have only belonged to the Galenica Group since 2022.



### Increasing investment in employee development and the next generation of skilled workers

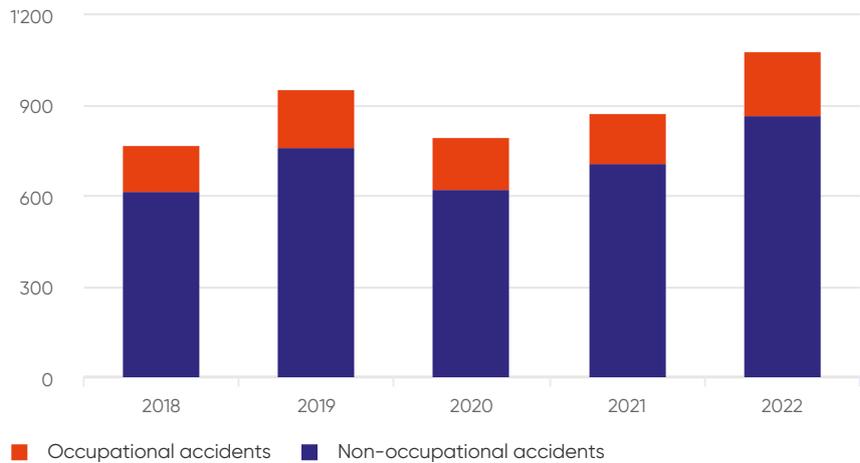
In total, Galenica invested around CHF 4.6 million in employee training in the year under review, around 22% more than in the previous year. In 2022, Galenica trained 838 apprentices at its companies, 278 of whom completed their apprenticeships. Since 2018, the number of apprentices in the Galenica Group has increased by around 5%.

## Occupational health and safety

Aspect	GRI Indicator	Unit	2022	2021	2020	2019	2018
<b>Accidents</b>	403-9	number	1,072	871	793	947	766
Occupational accidents	403-9	number	208	163	172	191	153
Absence rate of work-related injuries (accidents)	403-9	%	0.11	0.07			
Non-occupational accidents		number	864	708	621	756	613
<b>Illnesses</b>	403-10						
Cases of illness (long-term, entitled to daily sickness benefits)	403-10	number	409	434	471	508	560
Absence hours due to illness	403-10	number	599,540	539,990	519,883		
Absenteeism rate	403-10	%	4.49	4.85	4.50		
<b>Case Management</b>							
Return to work rate		%	82	75	52	91	37

**Number of occupational and non-occupational accidents 2018–2022**

Data is not included from new companies which have only belonged to the Galenica Group since 2022.

**Measures to reduce occupational accidents**

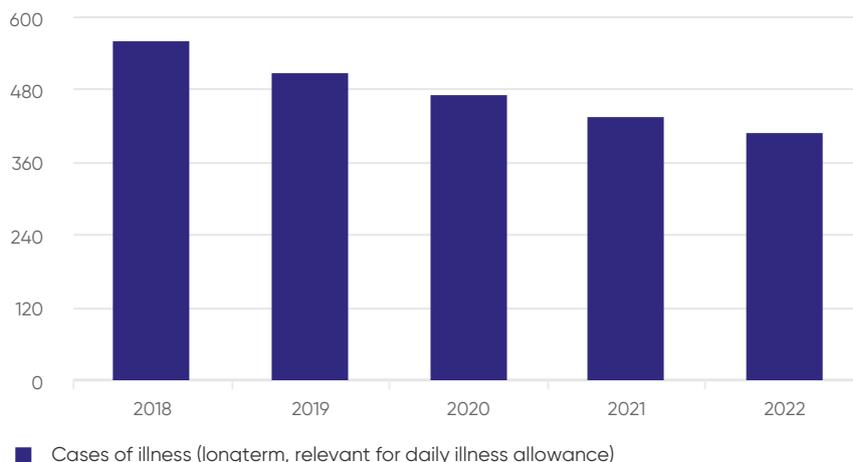
In 2022, Galenica recorded a total of 208 occupational and 864 non-occupational accidents. These figures also include minor accidents, which did not result in an absence of more than three working days. In 2022, minor accidents accounted for more than 60% of all occupational and non-occupational accidents. The number of occupational accidents is 28% up on the previous year and the number of non-occupational accidents has increased by 22%. The relative number of occupational accidents per 100 FTEs increased by 0.7 from 2.9 to 3.6. The increase in occupational accidents is partly due to employees at pharmacies offering more health-related services since 2022. Customer traffic was also up at pharmacies. The current shortage of skilled employees created a greater workload and time pressures. For example, there was a higher incidence of minor and slight injuries to employees involving consumables in the reporting year. Most occupational accidents are minor in nature, but still have to be reported. More awareness-raising measures are planned for 2023 to promote the safe use of consumables and thereby reduce the number of occupational accidents. Over the course of the year, two employees will be trained as safety officers at each pharmacy and be responsible for accident prevention at their respective pharmacy.

The absence rate for occupational and non-occupational accidents was around 0.51% in the reporting year and remained relatively constant compared to the previous year. At the logistics companies Galaxis and Alloga, the number of occupational accidents and days lost fell by more than 30% in total. This reduction may possibly be due to the introduction of the accident barometer at the Niederbipp and Lausanne-Ecublens sites.

With a view to reducing occupational accidents, Galenica is introducing a systematic absence management system to the Pharmacies sector in 2023. Galenica is also planning to set up an outdoor gym area in collaboration with SUVA in 2023, as well as the accident barometer at Alloga.

**Number of cases of illness 2018–2022**

Data is not included from new companies which have only belonged to the Galenica Group since 2022.

**Reduction in cases of illness since 2018**

At the end of the reporting year 2022, Galenica recorded 409 cases of illness. Cases of illness are classed as all long-term absences due to an illness lasting more than 30 days and which are entitled to daily sickness benefits. The number for the reporting year should always be interpreted with caution, as certain cases are usually reported at a later date in the following year. Between 2018 and 2022, the number of cases of illness fell by 27%.

In 2020, Galenica recorded the absences of all employees for the first time. In 2022, the Galenica Group recorded a total of 599,540 hours of absence, an increase of 11% compared to the previous year. Compared to the target hours, this results in an absence rate of around 4% for the reporting year. The absence rate has thus increased by 7% compared to the previous year.

In 2022, Galenica Case Management provided assistance to 97 employees at risk of illness or who had already fallen ill, thus helping to prevent or reduce absences where possible. Out of 84 closed cases in 2022, 69 employees were able to return to work thanks to Case Management. This corresponds to a return rate of around 82%, which corresponds to an increase of around 9% compared to the previous year.

**Patient safety and health**

Aspect	Unit	2022	2021	2020	2019	2018
<b>Pharmacovigilance: forwarding of reports of side effects</b>						
- compliance with deadline for forwarding a report of side effects	%	98	92	97	98	99
<b>Reliable procurement and supply chain</b>						
Availability of medicinal products on average	%	99.0	99.6			

### **Employees adhering to pharmacovigilance**

In 2022, Verfora employees met the deadline for forwarding adverse event reports in 98% (target: >90%) of cases.

### **Employee data**

The key figures on the number of employees cover all companies of the Galenica Group in which a majority stake is held. The other key employee figures only include those companies that are fully integrated into the Galenica Group HR system. The HR integration of new companies which have only belonged to Galenica since 2022 will take place at a later date. Due to systemic challenges, full HR integration may take some time, depending on the size of the company.

# Key environmental figures

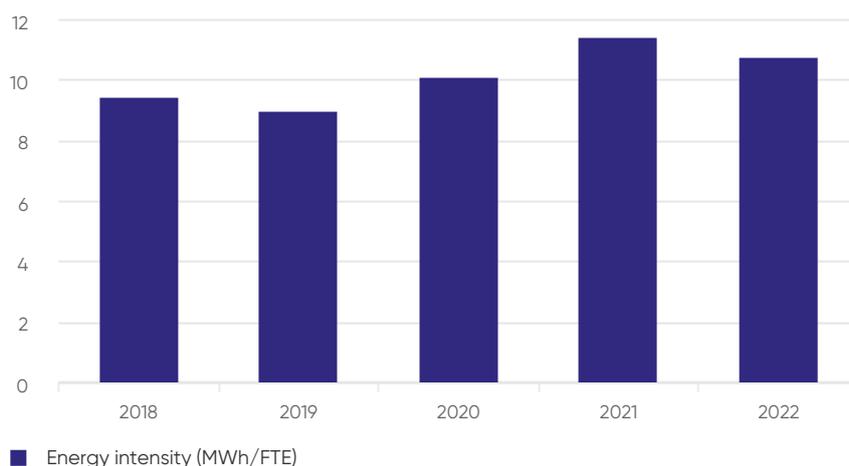
## Key figures

Galenica discloses key figures on energy consumption, greenhouse gas emissions, waste generated and water intake.

## Energy consumption

Aspect	GRI Indicator	Unit	2022	2021	2020	2019	2018
<b>Energy consumption (within and outside of the organisation)</b>	302-1	GJ	205,734	228,373	208,209	180,335	177,505
<b>Energy consumption within the organisation</b>	302-1	GJ	159,065	169,467	151,154	127,808	128,568
- non-renewable sources (heating oil, natural gas, diesel, petrol)	302-1	GJ	85,416	96,757	78,115	61,002	62,314
- renewable sources (hydropower, solar energy)	302-1	GJ	73,649	72,710	90,078	66,732	67,492
Electricity consumption within the organisation	302-1	GJ	88,503	88,513	88,577	83,523	83,266
Heat energy consumption within the organisation	302-1	GJ	24,775	22,418	25,251	15,324	15,097
<b>Energy consumption outside of the organization</b>	302-2						
- downstream transport and distribution	302-2	GJ	46,669	58,906	57,054	52,527	48,937
<b>Energy intensity</b>	302-3	MWh/FTE	10.77	11.43	10.12	9.00	9.46

Energy intensity 2018–2022 (MWh/FTE)



Data is not included from companies which have only belonged to Galenica since 2022, nor is the heating-related consumption of Careproduct, Verfora and Galaxis Ärzteservice. The fuel consumption of the Group's own vehicles has been included since 2021, as has heating-related consumption at the Galenica Group's headquarters. Heating-related consumption at the Sunstore and Amavita pharmacies, ApoDoc and Lifestage Solutions has been included since 2022.

### **Reduction in energy consumption per full-time equivalent**

In 2022, the Galenica Group's total energy consumption – both within and outside the organisation – amounted to 61,709 MWh (222,154 GJ). The decline of 2% compared to the previous year is due to the energy-saving measures introduced by the task force and reduced fuel consumption. Total energy consumption (in MWh) per full-time equivalent fell by 6%. Compared to the previous year, the intensity of energy consumption in 2022 decreased by 7% in relation to Group net sales. Absolute energy consumption at the Galenica Group has increased by 28% since 2018 as a result of growth and the expansion of the data basis. Energy consumption outside the organisation includes the fuel used by contract drivers. 44% of energy consumption within the organisation comes from renewable energy sources such as hydropower and photovoltaics and around 56% from non-renewable sources such as heating oil, natural gas, diesel and petrol.

### **Electricity and fuels as the main energy sources**

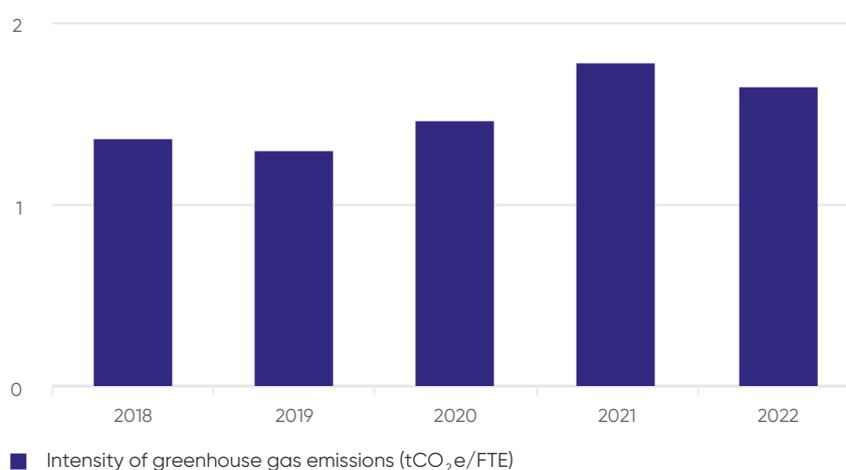
Electricity and fuels are the main energy sources used by Galenica. Electricity accounts for 40% of total energy consumption inside and outside the organisation. In 2022, electricity consumption amounted to 24,518 MWh. All operational and administrative sites of the Galenica Group obtain electricity from hydropower and photovoltaics. There is only very limited scope to influence the choice of energy source for electricity at pharmacy sales premises, as practically all premises are rented.

43% of the energy used in 2022 came from fuels. Around half of this fuel consumption is attributable to the Group companies' own delivery and service vehicles, and the other half to contract drivers. The fuel consumption of the Group's own fleet of delivery vehicles fell by 22% in 2022. Fuel consumption by third-party vehicles decreased by 2% compared to 2021. Galenica covers the remaining 17% or so of its energy requirements with fossil-fuel-based heating oil and natural gas. Heating-related consumption at pharmacies was first recorded in 2022, so absolute heating-related consumption increased by around 29% compared to the previous year.

## CO<sub>2</sub> emissions

Aspect	GRI Indicator	Unit	2022	2021	2020	2019	2018
<b>Direct and indirect GHG emissions</b>	305	tCO <sub>2</sub> e	10,052	11,828	10,207	8,785	8,620
Direct (Scope 1) GHG emissions: fuels and combustibles	305-1	tCO <sub>2</sub> e	4,895	5,708	4,262	3,047	3,117
Indirect (Scope 2) GHG emissions: purchased electricity	305-2	tCO <sub>2</sub> e	1,686	1,738	1,702	1,831	1,863
Other indirect (Scope 3) GHG emissions: downstream transport and distribution	305-3	tCO <sub>2</sub> e	3,471	4,381	4,244	3,907	3,640
<b>Intensity of GHG emissions</b>	305-4	tCO <sub>2</sub> e/FTE	1.98	2.13	1.76	1.56	1.64

Intensity of greenhouse gas emissions 2018–2022  
(tCO<sub>2</sub>e/FTE)



Data is not included from companies which have only belonged to Galenica since 2022, nor is the heating-related consumption of Careproduct, Verfora and Galexis Ärzteservice. The fuel consumption of the Group's own vehicles has been included since 2021, as has heating-related consumption at the Galenica Group's headquarters. Heating-related consumption at the Sunstore and Amavita pharmacies, ApoDoc and Lifestage Solutions has been included since 2022. Scope 3 includes the CO<sub>2</sub> emissions of contract drivers used by Galexis, Alloga and Pharmapool.

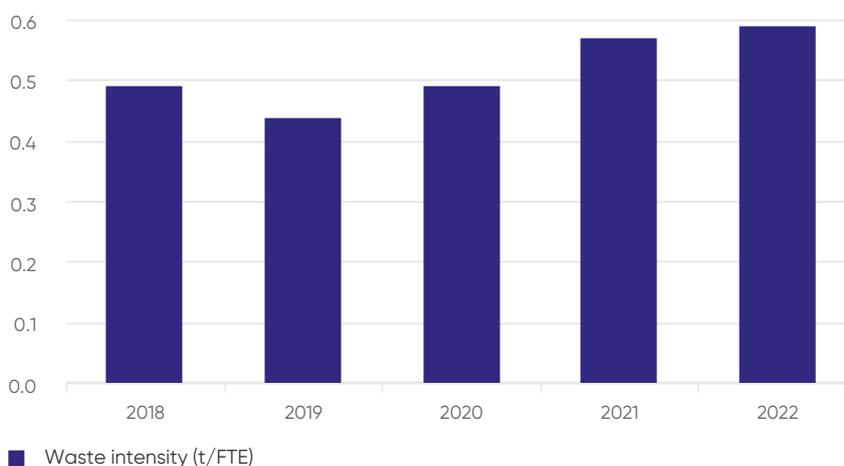
### Reduction in greenhouse gas emissions

In 2022, the Galenica Group's emissions amounted to 11,346 tonnes of CO<sub>2</sub> equivalents (tCO<sub>2</sub>e), which is a decrease of 4% compared to the previous year. The decrease is mainly attributable to reduced fuel consumption and the energy-saving measures introduced by the task force. Emissions per full-time equivalent are 7% lower than in 2021. The intensity of CO<sub>2</sub> emissions in relation to Group net sales in 2022 decreased by 8% compared to the previous year. Compared to 2018, absolute emissions increased by 36% as a result of the growth of the Galenica Group and the expansion of underlying data. The transport of goods by Galenica's own delivery vehicles and contract drivers is the main cause of direct and indirect CO<sub>2</sub> emissions. As a result, 7,157 tCO<sub>2</sub>e were released in 2022, corresponding to around 52% of Galenica's total CO<sub>2</sub> emissions.

## Waste and Recycling

Aspect	GRI Indicator	Unit	2022	2020	2020	2019	2018
<b>Total weight of waste generated</b>	306-3	t	3,228	3,163	2,703	2,400	2,496
<b>by type:</b>	306-3						
- non-hazardous waste	306-3	t	2,842	2,642	2,368	2,111	2,186
- hazardous waste	306-3	t	386	521	335	289	310
<b>by disposal method:</b>	306-5						
- incineration	306-5	t	1,494	1,274	986	943	1,066
- hazardous waste incineration	306-5	t	386	521	335	289	310
- recycling	306-5	t	1,348	1,368	1,382	1,168	1,120

Waste intensity 2018–2022 (t/FTE)



Data is not included from Verfora and HCI Solutions in Geneva. Data from Careproduct, Lifestage Solutions, Spagyros and Galenica’s headquarters has been included since 2022.

### Almost half of waste is recycled

In 2022, the total weight of waste at the Galenica Group amounted to 3,377 tonnes, an increase of 7%. This increase is mainly due to the widening of the data base. The weight of waste per full-time equivalent has increased by 3% compared to 2021. 88% of total waste was non-hazardous (mainly refuse from operations, cardboard, paper and plastics), while the remaining 12% was classified as hazardous waste (mainly medicines). 43% of waste was recycled, 45% was incinerated and 12% destroyed at a specialist facility for hazardous waste.

## Water

Aspect	GRI Indicator	Unit	2022	2021
<b>Water withdrawal</b>	303-1	m <sup>3</sup>	976,438	1,074,854
- municipal water supply	303-1	m <sup>3</sup>	53,534	45,235
- groundwater	303-1	m <sup>3</sup>	922,904	1,029,619

Data is included from Mediservice, Bichsel, Alloga and Galexis and also, since 2022, data from pharmacies, Lifestage Solutions and Pharmapool.

### Water

The Galenica Group's water intake amounted to 979,731 m<sup>3</sup> in 2022, with 6% coming from municipal water supplies and 94% from groundwater. Groundwater is not consumed, but fed back into the groundwater flow. Alloga, Galexis and Unione use groundwater for the heating and cooling circuit, either extracting heat or using it for cooling. Water also plays a key role in Bichsel's production processes. Data on water intake was reported for the first time in 2021.

### Data on environmental impact

As a rule, the key environmental figures cover all companies of the Galenica Group. This does not include the environmental data from companies where a minority stake is held, nor new companies like Aquantic, which have only been part of Galenica since 2022. However, this data from new companies is to be collected from 2023.

Data on electricity consumption and municipal waste is available for the Amavita and Sun Store pharmacies as well as ApoDoc. The data on electricity consumption and municipal waste for the Amavita and Sun Store pharmacies as well as ApoDoc are extrapolations based on a representative sample totalling 20 pharmacies. Almost all premises are leased, which is why only the annual costs are provided for each location, and not the actual consumption. The electricity consumption of the pharmacies is calculated based on electricity costs in the year under review and the average electricity prices per region according to the Federal Electricity Commission (ElCom). Since 2022, heating-related consumption for the Amavita and Sun Store pharmacies has also been calculated based on a representative sample. Estimates based on costs are also only available for heating-related consumption at the Geneva site of HCI Solutions and ApoDoc.

As Galenica is continuously optimising its environmental indicator system and is gradually expanding its system limits (due to the primarily inorganic growth of the company), data can only be compared to a limited extent from year to year. Also, the key environmental figures from Coop Vitality were retroactively excluded for previous years as these are factored in for Coop at 100%.

The CO<sub>2</sub> emissions caused by energy consumption are calculated using scientific emission factors (Swiss greenhouse gas inventory of the Federal Office for the Environment). The calculated CO<sub>2</sub> emissions refer to direct and indirect energy-related emission sources. According to the Greenhouse Gas Protocol, direct sources of emissions include the

production of heat for buildings and the operation of the vehicle fleet (= Scope 1). The largest indirect sources of emissions are the production of purchased electricity (= Scope 2) and the logistics services of contract drivers (= Scope 3).

# Corporate Reporting

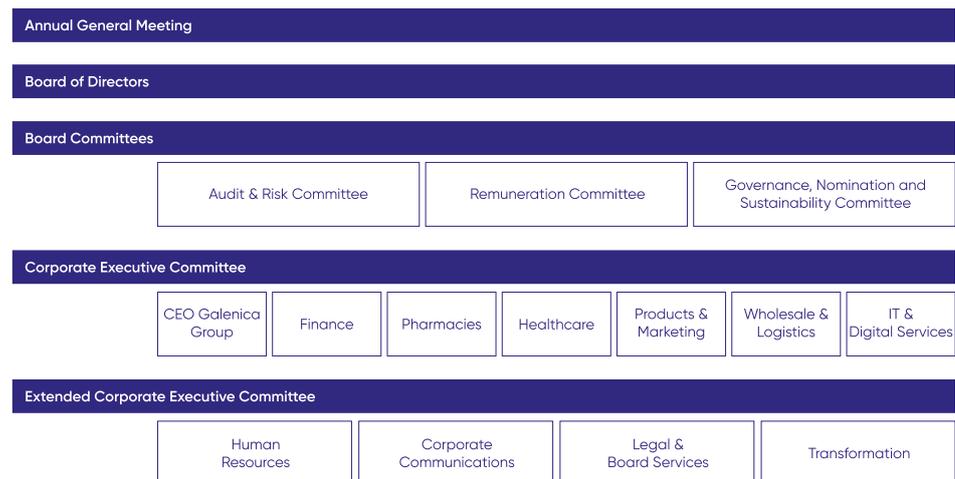
# Contents Corporate Reporting

<b>77</b>	<b>Corporate Governance</b>
77	Corporate Governance
78	Group structure and shareholders
80	Structure of the share capital
82	Board of Directors
88	Information and monitoring tools of the Board of Directors with respect to management
90	Management
92	Remuneration, Shareholdings and Loans
93	Shareholders' rights to participate
95	Change of control and defence measures
96	Auditors
97	Information policy
99	Fixed blackout periods
100	Members of the Board of Directors
103	Members of the Executive Committee
<hr/>	
<b>107</b>	<b>Remuneration report</b>
108	Remuneration report
109	Letter from the Chair of the Remuneration Committee
111	Governance: principles and responsibilities in setting compensation
115	Remuneration system of the Board of Directors
116	Remuneration system of the Corporate Executive Committee
124	Remuneration awarded for 2022 and 2021
129	Other remuneration
130	Shareholdings of the Corporate Executive Committee and the Board of Directors
131	Report of the statutory auditor on the remuneration report

# Corporate Governance

## 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, Chapter Remuneration awarded for 2022 and 2021.



# Group structure and shareholders

## Structure of the Group

Galenica 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 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 Consolidated financial statements 2022 ([Note 31, Group companies](#)). The addresses of the main Group companies as well as the [Articles of Association](#) of Galenica, the Organisational Regulations and the charters of the committees of the Board of Directors can be accessed on the [Galenica website](#).

## Shareholders

As at 31 December 2022, Galenica had 17,495 shareholders, six of which, according to documents submitted to Galenica and the SIX Swiss Exchange, were major shareholders holding 3% or more of the voting rights in Galenica Ltd.

### Major shareholders as at 31 December 2022 (holding 3% or more of the voting rights)

Shareholders	Number of shares	Shares in %
UBS Fund Management (Switzerland) AG, Switzerland	2,671,158	5.30
Credit Suisse Funds AG, Switzerland	2,495,385	5.00
Alecta Pensionsförsäkring, Sweden	2,000,000	4.00
BlackRock, Inc., USA	1,579,198	3.20
Swisscanto Fondsleitung AG, Switzerland	1,533,324	3.10
Vontobel Fonds Services AG, Switzerland	1,502,395	3.00

No other shareholder disclosed exceeding the 3% threshold of shares.

The transactions disclosed to the Stock Exchange Disclosure Office pursuant to Article 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinMIA) can be viewed on the Disclosure Office website of the [SIX Swiss Exchange](#).

As of 31 December 2022, the pension fund of the Galenica Group was not registered.

## Changes since the balance sheet date until the closing date of the Annual report 2022

Vontobel Fonds Services AG, Switzerland, reported falling below the 3.0% threshold on 18 January 2023.

## Cross shareholdings

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

### Number of registered shareholders as at 31 December 2022

Number of shares	Shareholders	Shares in %
1 - 100	3,518	0.4%
101 - 1,000	11,556	9.2%
1,001 - 10,000	2,138	11.1%
10,001 - 100,000	231	14.6%
> 100,000	52	33.6%
<b>Total registered shareholders/shares</b>	<b>17,495</b>	<b>68.9%</b>
Unregistered shares		31.1%
<b>Total</b>		<b>100.0%</b>

### Registered shareholders per type as at 31 December 2022

	Shareholders in %	Shares in %
Individual Shareholders	94.6%	31.7%
Legal entities	5.4%	68.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Registered shareholders per country as at 31 December 2022

	Shareholders in %	Shares in %
Switzerland	96.0%	77.6%
Germany	2.0%	1.0%
USA	0.1%	3.4%
GB	0.2%	14.4%
Other countries	1.7%	3.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

# Structure of the share capital

## Share capital

As at 31 December 2022, the fully paid share capital of Galenica amounted to CHF 5,000,000, divided into 50,000,000 shares, each with a nominal value of CHF 0.10. Galenica shares (securities no. 36 067 446, ISIN CH036 067 446 6) are listed on the SIX Swiss Exchange. As at 31 December 2022, 49,816,260 shares were outstanding (not including treasury shares). The market capitalisation amounted to CHF 3,763.6 million.

## Capital band and conditional capital in particular

According to Article 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 2022, Galenica had no conditional capital. For authorised capital, see below.

## Changes in the capital

In 2021, the Annual General Meeting did not approve the Board of Directors being authorised to increase the Company's share capital by a maximum of CHF 500,000 at any time up to 12 May 2023, by issuing a maximum of 5,000,000 fully paid-up registered shares, each with a nominal value of CHF 0.10. Therefore, Galenica no longer has any authorised capital.

Further information about changes in the share capital, reserves during the last three financial years and distributable profit during the last three financial years can be found in the [Financial statements 2022](#) of Galenica Ltd., Note Shareholders' equity.

## 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 Article 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 in an amount not exceeding 20% of the share capital. The Board did not exercise this right in the year under review.

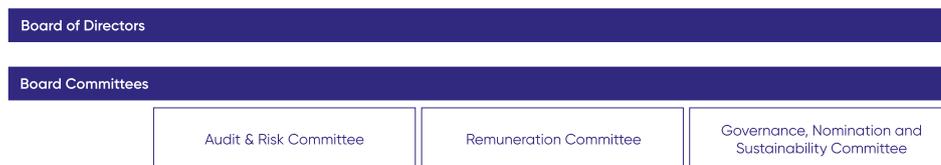
## Registration of nominees

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 (Article 6(2) of the [Articles of Association](#)). 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.

# Board of Directors



The Board of Directors of Galenica 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. With regard to personnel, the Board of Directors 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 are based on the Code of Obligations (in particular Article 716a CO), the company's [Articles of Association](#), and its [Organisational Regulations](#). Pursuant to the Articles of Association, the Board of Directors consists of five to nine members.

The Board of Directors consisted of seven members as of the end of 2022.

At the Annual General Meeting on 3 May 2023, Daniela Bosshardt and Michel Burnier will not stand for re-election. The Board of Directors proposes Markus R. Neuhaus, Board member since 2019, for election as new chairman of the Board of Directors.

The Board of Directors proposes Solange Peters and Jörg Zulauf for election as new members of the Board of Directors to the Annual General Meeting on 3 May 2023.

## Board of Directors competence and evaluation

In selecting the members of the Board of Directors, care is taken to ensure that the relevant competences for Galenica’s activities are represented and that the necessary specialised expertise is available. The Board of Directors evaluates current and prospective members of the Board according to a competence matrix to ensure that an appropriate mix of relevant skills and experience is represented. Particular attention is paid to diversity and complementarity.

In 2022, an assessment was carried out with external support (Thomas Hammer, Board Consulting). The Board of Directors is 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 carried out a self-assessment in 2022.

### Competences

	Daniela Bosshardt	Pascale Bruderer	Michel Burnier	Bertrand Jungo	Judith Meier	Markus R. Neuhaus	Andreas Walde
Industry Experience	x	x	x	x	x		
Digitalisation		(x)		(x)			
Regulations/Politics		x			x	x	x
Leadership/Big Corp.				x	x	x	
Finance/M&A	x					x	x
Legal/Compliance						x	x
HR/Remuneration	x		x	x	x	x	x
Sustainability	x	x				x	x

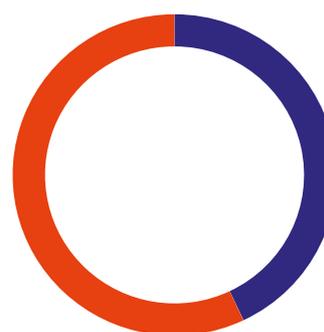
An (x) in brackets refers to substantive experience that was gained through intensive engagement in the corresponding area, but without formally holding a position of responsibility or having completed an educational programme in the respective field.

Age



- 40 - 45: 0%
- 45 - 50: 15%
- 50 - 55: 14%
- 55 - 60: 14%
- 60 - 65: 43%
- 65 - 70: 14%

Gender



- Female: 43%
- Male: 57%

The [Articles of Association](#) of Galenica restrict the ability of its directors to act in the highest management and administrative bodies of other legal entities outside the Group (Article 17 (3) of the [Articles of Association](#)). This includes, in particular, limiting such outside activity to five mandates in listed legal entities and seven mandates in profit-oriented, non-listed legal entities (Article 17 (3) of the [Articles of Association](#)).

None of the members of the Board of Directors hold an executive role within Galenica or in any of the companies within the Group in the year under review or has held such a role in any of the three financial years prior to the year under review.

Based on the criteria of the Swiss Code of Best Practice for Corporate Governance, all members are therefore independent.

## 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.

## Election and term of office

Each member of the Board of Directors and the Chairman are elected individually by the Annual General Meeting for a term of office of one year until the end of the next Annual General Meeting. Re-election is permissible. Upon reaching the age of 70, the members of the Group Board of Directors must resign from office with effect from the next Annual General Meeting (Article 3.4 of the [Organisational Regulations](#)). The Group Board of Directors may, however, propose to the Annual General Meeting that they be re-elected in individual cases (Article 3.2 of the [Organisational Regulations](#)).

## 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 on 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.

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.

A commitment to abiding by the law and guidelines (compliance) and acting with integrity is the cornerstone of the corporate culture of the Galenica Group and is a consistent focus of its corporate governance. The Board of Directors ascertained the current status of the various compliance measures at a meeting held during the year under review. The Code of Conduct of the Galenica Group is particularly important for the Board of Directors. It sets out all of the key principles relating to corruption, bribery, gifts and the provision of hospitality for all employees.

The Galenica Group operates mostly in Switzerland. Accordingly, the OECD's action plan regarding taxes on multinational companies (BEPS action plan) is only limited applicable to Galenica. Galenica is currently assessing the impact of the new BEPS 2.0 (applicable as of 1.1.2024).

## Committees

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

- Governance, Nomination and Sustainability Committee
- Remuneration Committee
- Audit and Risk Committee

The committees prepare the business of the Board of Directors in the areas of activity assigned to them and submit recommendations to the entire Board of Directors. They meet as often as business requires and report to the Board of Directors on their 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](#).

### Committees of the Board of Directors and their chairs and members 2022

	Name	Member since	Independent	Remuneration Committee (RC)	Audit and Risk Committee (ARC)	Governance, Nomination and Sustainability Committee (GNSC)
Board of Directors	Daniela Bosshardt Chairwoman	2017	Yes			Chairwoman
	Bertrand Jungo Vice-Chairman	2018	Yes		Member	Member
	Pascale Bruderer	2020	Yes			Member
	Michel Burnier	2017	Yes	Member		
	Judith Meier (since AGM 2022)	2022	Yes		Member	
	Markus R. Neuhaus	2019	Yes	Member	Chairman	Member
	Andreas Walde	2017	Yes	Chairman	Member	
Honorary Chairman	Etienne Jornod					
General Secretary	Barbara Wälchli					

## Governance, Nomination and Sustainability Committee

The Governance, Nomination and Sustainability Committee comprises four members. This committee supports the Board of Directors in the ultimate direction and supervision of the Company and the Group. It supports the Board of Directors in determining the appropriate size, function, and needs of the Board, as well as the identification of individuals qualified to become or be re-elected as Board members. It also evaluates the appointment of and changes to the members of the Executive Committee and is kept informed about the succession planning for the Senior – Senior Management levels.

The Committee assists the Board in advising on the sustainability strategy, targets, initiatives and legislation regarding ESG topics. It includes assessing the completeness and accuracy of the reporting of the sustainability matters and monitoring progress on sustainability goals.

## 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 the salaries and remuneration for the members of the Board of Directors, the Chairwoman and the CEO to the Board of Directors;
- 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.

The regulations in the [Articles of Association](#) governing remuneration as well as the activities and focuses of the Remuneration Committee in the year under review are detailed in the [Remuneration report](#).

## Audit and Risk Committee

The Audit and Risk Committee comprises four members and supports the Board of Directors in fulfilling its duties with regard to accounting, financial reporting, risk management, and 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 on the company's compliance and risk management process;
- Monitors measures taken by the Corporate Executive Committee for compliance with internal and external regulations;
- Evaluates the effectiveness of the external auditor and approves its fees;

- Evaluates the internal audit programme, takes note of 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.

## Frequency of meetings of the Board of Directors and its committees in 2022

In 2022, the Board of Directors held seven meetings. Each meeting lasted between two to seven hours, including a two-day strategy meeting. The Remuneration Committee met four times, the Audit and Risk Committee nine times. The Governance Nomination and Sustainability Committee met four times. Furthermore, various videoconferences regarding specific issues were held.

In principle, all the members participate in all the meetings of the Board of Directors. Attendance of meetings of the Board of Directors in 2022 was 97%, and that of committee meetings was 99%.

The CEO and CFO attended each meeting of the Board of Directors and the Audit and Risk Committee. The Board of Directors and its Committees invites members of the Corporate Executive Committee and the Extended Corporate Executive Committee to attend the meetings related to specific topics.

### Attendance in Board Meetings and Committees

	Board of Directors	Audit and Risk Committee (ARC)	Remuneration Committee (RC)	Governance, Nomination and Sustainability Committee (GNSC)
Number of meetings	7	9	4	4
Average duration (hours)	5	2	1	1
Meeting attendance	97%	97%	100%	100%

	Board of Directors	Audit and Risk Committee (ARC)	Remuneration Committee (RC)	Governance, Nomination and Sustainability Committee (GNSC)
<b>Number of meetings</b>	<b>7</b>	<b>9</b>	<b>4</b>	<b>4</b>
Daniela Bosshardt	7			4
Pascale Bruderer	7			4
Michel Burnier	7		4	
Bertrand Jungo	7	9		4
Judith Meier	6*	5*		
Markus R. Neuhaus	7	9	4	4
Andreas Walde	7	8	4	

\* (member since May 2022)

# Information and monitoring tools of the Board of Directors with respect to management

## Risk management

Galenica has a risk management process in place which enables the Board of Directors, the Corporate Executive Committee, and 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 Service Unit 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 2022, Note 26 Financial Risk Management](#).

## 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 Service Units 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.

# Management

## Corporate Executive Committee

Marc Werner CEO Galenica Group	Felix Burkhard Finance	Virginie Pache Pharmacies	Daniele Madonna Healthcare	Dr. Thomas Szuran Products & Marketing	Andreas Koch Wholesale & Logistics	Lukas Ackermann IT & Digital Services
-----------------------------------	---------------------------	------------------------------	-------------------------------	---	---------------------------------------	--

## Extended Corporate Executive Committee

Marianne Ellenberger Human Resources	Christina Hertig Corporate Communications	Barbara Wälchli Legal & Board Services	Jürg Pauli Transformation
---	--	---	------------------------------

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 both the Corporate Executive Committee and the Extended Corporate Executive Committee. The CEO reports to the Chairwoman of the Board of Directors. The Board of Directors maintains regular contact with the CEO and the members of the Corporate Executive Committee and the Extended Corporate Executive Committee.

## Corporate Executive Committee

The instructions and resolutions of the Board of Directors are implemented for each of the Group's Service Units by the Corporate Executive Committee and the Extended 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 Service Unit 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 first quarter of the current financial year, the annual financial statements for the previous year are prepared, and in the second quarter, an initial forecast "Last Estimate 1" for the current financial year is drawn up. The third quarter sees the preparation of the half-year financial statements, and the fourth quarter a second forecast "Last Estimate 2" together with the budget for the following year and medium-term planning for the subsequent two years.

The [Articles of Association](#) of Galenica 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 (Article 20 (3) of the [Articles of Association](#)). None of the members of the Corporate Executive Committee reached this limit in 2022.

Further information on the other duties of the Board of Directors and the Corporate Executive Committee can be found in the Organisational Regulations published on the [Galenica website](#).

## **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 Annexe to the SIX Swiss Exchange Directive Corporate Governance.

# Remuneration, Shareholdings and Loans

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](#).

# Shareholders' rights to participate

The Annual General Meeting is held each year within six months of the close of the financial year (Article 10(1) of the [Articles of Association](#)). 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 (Article 10(2) of the [Articles of Association](#)).

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.

## Voting restrictions and proxy voting

According to Article 13(3) of the [Articles of Association](#), 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 (Article 13(1) of the [Articles of Association](#)).

## 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 (Article 10(3) of the [Articles of Association](#)). 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 Article 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 (Article 15c of the [Articles of Association](#));

- Conversion of registered shares into bearer shares and vice versa (Article 15d of the [Articles of Association](#)).

## Convening of the Annual General Meeting

The [Articles of Association](#) do not differ from the relevant legal regulations as regards the convening of the Annual General Meeting and the setting of the agenda. The Annual General Meeting is convened by the Board of Directors no later than 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 (Article 11(1) of the [Articles of Association](#)). 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 (Article 11(2) of the [Articles of Association](#)).

## 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 (Article 10(3) of the [Articles of Association](#)). The items to be included on the agenda must be specified along with the motion on which the shareholder requests a vote (Article 11(2) of the [Articles of Association](#)).

## Shareholders' register

There are no regulations in the [Articles of Association](#) regarding a deadline for entry in the shareholders' register. However, for practical reasons the shareholders' register remains closed to entries for several days prior to an Annual General Meeting. This will be the case from Wednesday 26 April 2023 for financial year 2022 and from Wednesday 3 April 2024 for financial year 2023. Shareholders entered in the shareholders' register by Tuesday 25 April 2023 and Tuesday 2 April 2024 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 called Nimbus Shapp®, which is used by Galenica. The invitation to the Annual General Meeting, which will be sent to all shareholders on or around 5 April 2023, includes the required login information to create a personal user profile (Article 13(3) of the [Articles of Association](#)). The instructions must be received by the independent proxy holder by the evening of the penultimate day before the Annual General Meeting, i.e. by Monday 1 May 2023 for the 2023 Annual General Meeting and by Monday 8 April 2024 for the 2024 Annual General Meeting.

## Change of control and defence measures

The obligation to make a public offer pursuant to Article 125 et seq. FinMIA 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 contain no provisions to this effect either.

# Auditors

Ernst & Young AG, Bern, Switzerland, have been the Galenica Group's auditors since 2017. Daniel Zaugg, certified accountant and partner at Ernst & Young, has been the leading auditor since the business year 2021. The fees paid to the Group's auditors, Ernst & Young, in 2022 for their audit of Galenica and its subsidiaries totalled CHF 820,000.

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 138,000 for additional advice in audit matters.

In 2022, the auditors attended two meetings of the Audit and Risk Committee. The auditors presented their report to the Board of Directors at the meeting of 2 March 2023.

The auditors are regularly informed of new projects. Their 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, quality of reporting, compliance with deadlines, independence, and costs. The auditors have direct access to the chair of the Audit and Risk Committee regarding the discussion of relevant issues.

# Information policy

---

## Corporate Governance

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 announcements pursuant to Art. 53 LR

Price-sensitive facts are communicated in a timely manner via electronic media and in accordance with the SIX Swiss Exchange Directive.

### 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](#). Galenica sends a printed version of the Annual report to shareholders by post mail only [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](#) ([www.galenica.com](http://www.galenica.com)).

### Contact persons and important publication dates

#### For shareholders

For shareholders in relation to Corporate Governance:  
Barbara Wälchli, Secretary of the Board of Directors  
phone +41 58 852 85 78, [aktienregister@galenica.com](mailto:aktienregister@galenica.com)

#### For investors

Felix Burkhard, CFO  
phone +41 58 852 85 31, [investors@galenica.com](mailto:investors@galenica.com)

#### For the media

Christina Hertig, Head of Corporate Communications  
phone +41 58 852 85 17, [media@galenica.com](mailto:media@galenica.com)

**Agenda 2023/2024**

- Annual General Meeting 2023: 3 May 2023
- Half-year report 2023: 8 August 2023
- Annual report 2024: 12 March 2024
- Annual General Meeting 2024: 10 April 2024

Further important dates can be found on the [Galenica website](#).

## Fixed blackout periods

Members of the Board of Directors and the Executive Committee and all members of senior management and middle management and employees involved in preparing the financial statements are required to observe the prohibition on trading during the fixed blackout periods:

Event	Start of blackout period	End of blackout period
<b>Publication of annual results</b>	Executive Committee meeting, in which the announcement is made by the CFO following consolidation; for the Board of Directors, the following Board of Directors meeting	First trading day following publication
<b>Publication of half-year results</b>	Executive Committee meeting, in which the announcement is made by the CFO following consolidation; for the Board of Directors, the following teleconference with the CFO	First trading day following publication

With effect from 1 January 2023, the following applies to fixed blackout periods:

The fixed blackout periods in connection with the preparation of the regular financial reports generally last:

- for the annual results: from 1 January to the first trading day following publication;
- for the half-year results: from 1 July to the first trading day following publication.

## Members of the Board of Directors



**Daniela Bosshardt**  
Chairwoman of the Board of Directors

Board member since 2017, born in 1972, Swiss citizen

**Corporate Governance:**  
Independent member

**Career highlights:** After completing her studies, she practiced as a pharmacist (1996–1998). Daniela Bosshardt was a financial analyst at Bank am Bellevue (1998–2002) and M2 Capital (2003–2004). Since 2004, she has worked as an independent consultant in the healthcare sector. Daniela Bosshardt was a board member of Vifor Pharma AG (2008–2019), Verve Capital Partners AG (2017–2019) and Nobel Biocare AG (2010–2014).

**Qualification:** Federal Diploma in Pharmacy from the Federal Institute of Technology, Zurich (ETH).

**Other main activities:** Daniela Bosshardt is a member of the Board of Directors of RepRisk AG (an Environmental, Social & Governance data science company) and EGS (Ernst Göhner Stiftung) Beteiligungen AG.

---



**Bertrand Jungo**  
Vice-Chairman of the Board of Directors

Board member since 2018, born in 1965, Swiss citizen

**Corporate Governance:**  
Independent member

**Career highlights:** From 2006 to 2017, he held the position of CEO of the Swiss department store group Manor. From 2017 until February 2020, he was CEO of Admeira AG, and from 2020 to July 2021, he served as a member of the Board of Directors at Admeira AG. He was also a member of the Advisory Board of the International Retail Summit (IRS) of the Gottlieb Duttweiler Institute (GDI) (2010 – July 2021).

**Qualification:** Degree as business administrator lic.rer.pol from the University of Fribourg.

**Other main activities:** Since August 2021, he has been a delegate of the Board of Directors of the AG Grand Hotels Engadinerkulm Holding. Furthermore, he is a member of the Board of Neoperl AG as well as at Zoologischer Garten Basel AG.

---



**Pascale Bruderer**

Board member since 2020, born in 1977, Swiss citizen

**Corporate Governance:**  
Independent member

**Career highlights:** Pascale Bruderer was a member of the National council from 2002 to 2011 (president of the National council 2009/2010) and a Member of the Council of States from 2011 to 2019. She was formerly a member of the Social Security and Health Committee. She served as president of the umbrella organisation for disabled people, Inclusion Handicap, and was the managing director of Krebsliga Aargau.

**Qualification:** Master's degree in political science from the University of Zurich and education at Harvard University (USA) and at the Executive School of the University of St. Gallen.

**Other main activities:** Pascale Bruderer is a member of the Board of Directors of the BERNEXPO AG, Tamedia AG and the TX Group AG. Since 2019, she has been member of the executive Board of Crossiety AG and since 2022, chairwoman of the board of directors of Swiss Stablecoin AG.

---



**Prof. Hon. Dr Michel Burnier**

Board member since 2017, born in 1953, Swiss citizen

**Corporate Governance:**  
Independent member

**Career highlights:** Prof. Hon. Dr Michel Burnier was a member of the Medicines Committee of the Swiss Association of Pharmacists until 2001 and served on the boards of Swissmedic from 2002 to 2010 and Speedel Holding AG from 2007 to 2009.

**Qualification:** Swiss-registered Doctor of Internal Medicine and Nephrology.

**Other main activities:** Prof. Hon. Dr Michel Burnier is currently Professor Emeritus at the University of Lausanne, where he was the head of the Service of Nephrology and Hypertension until July 2019 and Invited Professor at the Medical University of Gdansk (Poland). Furthermore, he was on the Board of Vifor Pharma AG until July 2022 and is a member of the Swiss Society of Nephrology (former President), the Scientific Council of the European Society of Hypertension (former Treasurer) and the Swiss Society of Hypertension (former President). Since 2020, he is presiding the Board of the Fondation Méline and is the Editor in Chief of the journal Blood Pressure since 2022.

---



**Judith Meier**

Board member since 2022, born in 1962, Swiss citizen

**Corporate Governance:**  
Independent member

**Career highlights:** From 2009 to 2016, Judith Meier headed Zurzach Care AG (formerly the Reha Clinic Group) as CEO, was a delegate from 2017 and Vice Chairwoman of the Board of Directors of Zurzach Care AG since 2019. She is a co-founder of reha at home AG (founding year 2018). From 1989 to 2001, she was a member of the Great Council of the Canton of Aargau.

**Qualifications:** Executive Master of Health Service Administration (Eastern Switzerland University of Applied Sciences), qualified physiotherapist.

**Other main activities:** Judith Meier is Vice Chairwoman of the Board of Directors of Zurzach Care AG. Since 2017, she has been a member of the Board of Directors of the Cantonal Hospital of Graubünden. Since 2017, she has been a member of the Board of Trustees of the Health Promotion Foundation Bad Zurzach + Baden.

---



**Dr Markus R. Neuhaus**

Board member since 2019, born in 1958, Swiss citizen

**Corporate Governance:**  
Independent member

**Career highlights:** Dr Markus R. Neuhaus held various roles at PwC from 1985 on, 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.

**Qualification:** Master of law and doctorate in law from the University of Zurich. Certified tax expert. Various management courses at international business schools (Harvard, Insead, IMD).

**Other main activities:** Dr Markus R. Neuhaus is Vice-Chairman of the Board of Directors of Barry Callebaut AG and Orior AG (until AGM 2023) and a member of the Board of Directors of Baloise AG and Jacobs Holding AG. He also serves as Vice-Chair of the Board of Trustees of Avenir Suisse.

---



### **Dr Andreas Walde**

Board member since 2017, born in 1962, Swiss citizen

#### **Corporate Governance:**

Independent member

**Career highlights:** After completing his studies and being admitted to the Swiss Bar, he held various legal and management positions in international chemical and pharmaceutical companies for more than 30 years with a focus on corporate governance, remuneration systems, sustainability, risk management, ethics and compliance, as well as on financial and corporate structures and M&A, e.g. at Roche (1988–1996), Clariant (1998–2010), Petroplus (2012–2013) and Vifor Pharma (2013–2022). His former positions include memberships on the board of several private and (non-Swiss) public listed companies.

**Qualification:** Attorney-at-law, master and doctorate in law from the University of Basel.

**Other main activities:** Dr Andreas Walde is a member of the board of scienceindustries and has served on the boards of SwissHoldings and the Society of Swiss Enterprises in Germany.

---

## Members of the Executive Committee



**Marc Werner**  
CEO

Member of the Executive Committee of the Galenica Group since 2020, born in 1967, Swiss citizen

**Career highlights:** His journey started as Head of Sales at Sinomec AG (1990 – 1995) before he moved on to serve as Head of Product Management Photofinishing at the Federation of Migros Co-operatives (1995 – 1996). He became Head of Marketing and Sales and Member of the Executive Board at Minolta (Switzerland) AG (1997 – 2000) and then Head of Marketing & Sales at Bluewin AG (2000 – 2004). In 2005, Marc Werner joined then the Swisscom Group as head of Marketing & Sales. He moved into the role of Head of Private Customers (2013 – 2015) and Member of the Group Executive Board before serving as head of Sales & Services (2016 – 2019).

**Qualification:** Federal certified marketing director and graduate of various Executive Education programmes at the International Institute for Management Development (IMD) in Lausanne, University of St. Gallen, London Business School, and Harvard Business School.

---



**Lukas Ackermann**  
Chief IT & Digital Services Officer

Member of the Executive Committee of the Galenica Group since 2022, born in 1972, Swiss citizen

**Career highlights:** Lukas Ackermann started off his career as Product Manager at Helsana Insurance Company Ltd and then became Deputy Head of Product Management (1999 – 2002). In 2002, he was appointed CEO of Medica Ltd. Afterwards, he became Head of Health Care Market at Synesix Ltd (2008 – 2010). The two following years, Lukas Ackermann was Head of I-Lab at the University of St.Gallen, and from 2013 to 2020 he was General Manager / CEO of amétiq Ltd. Before Lukas Ackermann became Head of IT & Digital Services at Galenica Ltd at the Galenica Group in 2021, he was Managing Director of HCI Solutions Ltd.

**Qualification:** He obtained a Diploma in Natural Sciences from Federal Institute of Technology (ETH) Zurich and has a MAS MTEC from the Federal Institute of Technology (ETH) Zurich.

---



**Felix Burkhard**  
CFO

Member of the Executive Committee of the Galenica Group since 2010, born in 1966, Swiss citizen

**Career highlights:** From 1991 to 1994, Felix Burkhard acted as Financial Auditor at Revisuisse PriceWaterhouse in Berne and 1995 as Head of Finance and Controlling at Amidro AG in Biel-Bienne. He joined the former Galenica Group in 1996 as Corporate Controller before becoming Deputy Head Retail Business sector in 2000. In 2008, he was named Head of the Amavita pharmacy chain and later Head Retail Business sector (2010 – 2015). Felix Burkhard then moved into the role of Head Strategic Projects (2015 – 2017). He has served as a member of the Corporate Executive Committee of the Galenica Group since 2010.

**Qualification:** Lic. oec. at the University of St. Gallen (HSG), and Swiss certified accountant.

---



**Andreas Koch**  
Head of Wholesale & Logistics

Member of the Executive Committee of the Galenica Group since 2020, born 1971, German and Swiss citizen

**Career highlights:** Between 2000 and 2009, Andreas Koch worked in different consulting and management functions in the field of supply chain management at various consulting firms. He then became Head of Supply Chain Management at Galexis – from 2011 also at Alloga – and was a member of both Executive Committees. In 2015, he rose to the position of Head of Alloga, after which he became Head of Galexis in 2019. In 2020, Andreas Koch took over the responsibility for the Services Business Sector at Galenica.

**Qualification:** He completed an apprenticeship as forwarding & logistics manager before studying business administration at the University of Mannheim, and graduated with a degree in business administration. He later completed the Programme for Executive Development (PED) at IMD Lausanne.

---



**Daniele Madonna**  
Chief Healthcare Officer

Member of the Executive Committee of the Galenica Group since 2017, born in 1977, Swiss citizen

**Career highlights:** After his studies, Daniele Madonna worked as a pharmacist at the Olympia Pharmacy and the Victoria Pharmacy in Zurich (2003 – 2004). He joined the former Galenica Group in 2004 as Manager of the Coop Vitality pharmacy in Tenero. He later acted as Regional Sales Manager at Coop Vitality (2010 – 2014). Daniele Madonna was CEO of Coop Vitality AG (2014 – 2018) before becoming Head Retail Business sector in 2017. Since 2021, he has served as Chief Healthcare Officer at Galenica.

**Qualification:** He obtained the Federal Diploma in Pharmacy from the Federal Institute of Technology, Zurich (ETH), did further training as an FPH in Retail Pharmacy and a CAS in General Management at the University of St. Gallen (HSG), completed the Programme for Executive Development (PED) at IMD in Lausanne and attended the leadership program “Leading and Building a Culture of Innovation” at Harvard Business School in Boston (USA).

**Other main activity:** Member of the Board of Coop Vitality, Member of the Board of Apotheke im KSW – Winterthur, Delegate of Pharmasuisse.

---



**Virginie Pache Jeschka**  
Chief Pharmacies Officer

Member of the Executive Committee of the Galenica Group since 2020, born in 1979, Swiss citizen

**Career highlights:** After completing her studies, Virginie Pache started working as a Junior Marketing Manager at Danone Schweiz AG (mineral water) in Fribourg (2003 – 2006). Afterwards, she became Category Manager and Head of Sales at L’Oréal – Apothekenkosmetik Schweiz AG (2006-2010). She then was appointed Head of Caudalie Suisse (and Poland ad interim) and afterwards Caudalie D-A-CH GmbH in Switzerland, then in Düsseldorf, Germany (2010–2018), before she became Head of Coop Vitality in 2018.

**Qualification:** Masters in Political Sciences – University of Lausanne and three semesters in Mainz (Germany).

---



**Dr Thomas Szuran**  
Chief Products & Marketing  
Officer

Member of the Executive  
Committee of the Galenica Group  
since 2019, born in 1967, Swiss  
citizen

**Career highlights:** After having graduated from ETH Zurich, Thomas Szuran acted in various roles at Abbott Laboratories between 1997 and 2002, including being Sales & Marketing Manager for the Eastern European & Mediterranean region. He later became Sales Director at Pfizer Switzerland (Zurich) (2002 – 2005) and Country Manager at Pfizer in Israel (2005 to 2007). He joined Biomed AG in Dübendorf in 2008 as Marketing Director and was CEO of Biomed AG from 2011 to 2018. In 2019, Thomas Szuran became Head Products & Brands Business sector at the Galenica Group.

**Qualification:** Dr sc. nat. Federal  
Institute of Technology (ETH)  
Zurich

**Other main activity:** From  
2012–2020, Thomas Szuran was  
member of the Executive Board  
and since 2013, he has served as  
President of the Association of the  
Swiss Self-Medication Industry  
(ASSGP).

---

Further information about the CVs of the Executive Committee and the Extended Executive Committee can be found on the [Galenica website](#).

**Members of the Corporate Executive Committee 2022**

Name	Member since	Role
Marc Werner	2020	CEO
Lukas Ackermann	2022	Chief IT & Digital Services Officer
Felix Burkhard	2017	CFO
Andreas Koch	2020	Head of Wholesale & Logistics
Daniele Madonna	2017	Chief Healthcare Officer
Virginie Pache Jeschka	2021	Chief Pharmacies Officer
Thomas Szuran	2019	Chief Products & Marketing Officer

# Remuneration report

# Remuneration report

---

## Remuneration report

In this report, Galenica provides an overview of its remuneration model and remuneration principles. The following pages describe the remuneration system applicable to the Board of Directors and the Corporate Executive Committee and outline the process and responsibilities under which the remuneration of those two bodies is determined. 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.

# Letter from the Chair 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 2022.

The remuneration policy of Galenica aims to attract, motivate and retain best-in-class employees who are entrepreneurially minded, success-oriented and have high personal standards. The remuneration system is designed to support the achievement of the strategic goals defined by the Board of Directors and to provide appropriate remuneration 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 to strengthen the overall market position of the company while delivering the expected returns to its shareholders.

The Galenica Group performed very well in a challenging market environment in 2022. As a result, the short-term bonus targets were exceeded with a GEP achievement of 208.2% and the net sales growth achievement of 192.1% while the target achievement of the LTI plan 2020–2022 due in 2023 was 140.4%. Further details on the performance achieved and the payouts under the incentive plans are provided in this report.

Back in 2020, the Remuneration Committee performed a thorough review of the remuneration system applicable to the Corporate Executive Committee. As a result of this review, the Remuneration Committee adopted specific changes related to the STI and LTI KPIs as well as the clawback/malus provisions, applicable as of 2021. In the reporting year, the Remuneration Committee proposed to further tailor the STI KPI framework. Consequently, as of 2023, the individual objectives – constituting 25% of the STI – will be replaced by a collective environmental, social and governance (ESG) component. This means that while ESG was included in one of the three individual objectives in 2022 (namely with an employee satisfaction target), it will make up the entire 25% in 2023. The following collective ESG KPIs will be applied to the STI in 2023: Net Promoter Score (NPS) and employees who recommend Galenica as an employer. The selected ESG KPIs are fundamental and key strategic goals for Galenica, which will now also be anchored in the variable remuneration. Apart from this adaptation, the Remuneration Committee concluded that no changes to the remuneration system were required and that the overall remuneration structure was appropriate and in line with market practice.

In terms of remuneration levels of the Corporate Executive Committee, a benchmarking analysis was last conducted in 2021. The outcome of this analysis is summarised in this report. In line with the review cycle in place, the Remuneration Committee will conduct the next benchmarking analysis between 2023 and 2025.

With respect to the remuneration programme for the Board of Directors, the Remuneration Committee conducted a benchmarking analysis and review of the remuneration structure and levels in the reporting year. While the overall structure and levels are in line with market practice, the Remuneration Committee proposed to express the remuneration of the Board of Directors in gross terms, rather than in net terms. This is not a change of the remuneration system or levels but an improvement in terms of disclosure and transparency.

Going forward, the Remuneration Committee will continue to regularly review the remuneration system to ensure that it is still fit-for-purpose in the evolving context in which the company operates. The Remuneration report provides detailed information on our remuneration system and the remuneration awarded in 2022 to the Corporate Executive Committee and the Board of Directors and will be submitted to the shareholders at the Annual General Meeting on 3 May 2023 for a non-binding consultative vote.

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

A handwritten signature in black ink, appearing to read 'Walde', with a stylized, cursive script.

Andreas Walde  
Chairman of the Remuneration  
Committee

# Governance: principles and responsibilities in setting compensation

The guiding principles for the remuneration of the Board of Directors and 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 (Article 22 of the [Articles of Association](#)).

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 financial year following the Annual General Meeting. In addition, the Annual General Meeting holds a consultative vote on the Remuneration report for the year under review (Article 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. The Board of Directors also decides on an annual basis on the individual remuneration of the Chair of the Board of Directors and the CEO. The remuneration of members of the Board of Directors is determined by the Board of Directors based on a proposal from the Remuneration Committee within the limits 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 2022 Annual General Meeting, Andreas Walde (Chairman), Markus R. Neuhaus and Michel Burnier were re-elected as members of the Remuneration Committee.

The Remuneration Committee reviews and approves the remuneration principles and programmes of Galenica, including the design of the incentive plans, determines the performance indicators and targets for the CEO and the other members of the Corporate Executive Committee at the beginning of the financial year and assesses the extent to which these targets have been achieved at year end. The Remuneration Committee is responsible for setting the individual target remuneration of the members of the Corporate Executive Committee and proposes the CEO's target remuneration to the Board of Directors in consultation with the Chair of the Board of Directors.

## Responsibility for the remuneration process

Level of authority	CEO	Remuneration Committee	Board of Directors	Annual General Meeting
Remuneration policy		proposes	approves	consultative vote on the Remuneration report
Performance objectives for short-term bonus and long-term remuneration		proposes	approves	
Individual performance objectives for short-term bonus	proposes (except for own objectives)	proposes (CEO) approves (Corporate Executive Committee)	approves (CEO)	
Remuneration of members of the Board of Directors		proposes	approves	approves maximum possible remuneration for the Board of Directors for the following year
Remuneration of the CEO		proposes (in consultation with CBD)	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 the CBD)	approves	is informed	

CBD = Chair of the Board of Directors

## 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		Review of shareholders' feedback  Benchmarking and review (every 2-4 years)	Benchmarking and review (every 2-4 years)
Remuneration of Board of Directors		Review of remuneration regulations	Determination of remuneration (following year)
Remuneration of Corporate Executive Committee	Performance evaluation (previous year)  STI payout (previous year)  LTI vesting (previous period)	Performance objectives for STI and LTI (current year/ period)  Benchmarking of remuneration levels (every 2-4 years)	Target remuneration (basic salary, following year)  Target STI (following year)  LTI allocation (following year)
Remuneration governance	Remuneration report  AGM preparation		Preparation of Remuneration report  Annual meeting schedule and topics (following year)  Remuneration Committee self-assessment  Galenica Group salary review (following year)

In 2022, the Remuneration Committee held four ordinary meetings according to the annual schedule, and no ad hoc meeting.

In 2022, all members attended all meetings, which corresponds to an attendance rate of 100%.

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. The minutes of the meetings are made available to the members of the Board of Directors.

The Chair of the Board of Directors 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 that concern his performance or remuneration.

The Remuneration Committee conducted a benchmarking analysis of the remuneration structure and levels of the Board of Directors in the reporting year. Further information can be found in the section "Benchmarking and external advisors" below.

Otherwise, the Remuneration Committee performed its regular duties, in particular setting performance targets and evaluating their achievement, determining the remuneration of the members of the Board of Directors and the Corporate Executive Committee and preparing the Remuneration report and the Annual General Meeting. In addition, the Remuneration Committee conducted a self-assessment of its functioning. It rated its discussions and decision-making as efficient and appropriate, and the support of the Board of Directors in matters of remuneration as effective.

Further details on the Remuneration Committee can be found in the [Corporate Governance section](#) (Chapter Remuneration Committee) as well as in the Remuneration Committee Charter, which can be found on the [Galenica website](#).

## Benchmarking and external advisors

In order to ensure its continued attractiveness as an employer, Galenica regularly compares its remuneration system and levels with those of relevant peers. In terms of remuneration levels, Galenica considers a positioning at market median as being competitive.

The Remuneration Committee carried out a benchmarking analysis of the remuneration levels of the Corporate Executive Committee back in 2021. For this purpose, Klingler Consultants provided benchmarking data based on two different peer groups: a peer group of 21 Swiss listed companies of comparable size and a peer group of 25 private companies in the healthcare, retail and logistic sectors. The companies included in the peer groups are disclosed below. Overall, the benchmark study showed that the remuneration of the Corporate Executive Committee is below market levels when comparing with the Swiss listed peers and above market levels when comparing with the sector-based peers. This result can be explained by the fact that the sector-based peers do not offer a long-term remuneration component, while Swiss listed peers typically do. Further, most Swiss listed peers have an international organisation. This is not the case at Galenica and could be a factor driving lower remuneration levels compared to other Swiss listed companies.

## Peer groups to benchmark the remuneration levels of the Corporate Executive Committee

Swiss listed peers			Sector-based peers				
Also	Aryzta	Bachem	<b>Retail and logistics:</b>		<b>Medical insurances:</b>		
Belimo	Bell	BKW	Brack	Coop	Assura	Concordia	CSS
Bucher	Datwyler	dormakaba	Digitec	Galliker	Group Mutuel	Helsana	KPT
Emmi	Forbo	Georg Fischer	Kühne+Nagel	Manor	Sanitas	Swica	Sympany
Idorsia	Interroll	Oerlikon	Migros	Planzer	Visana		
SFS	Siegfried	Sulzer	<b>State-owned companies:</b>		<b>Healthcare:</b>		
Tecan	Valora	Zur Rose	SBB	Post	CHUV	Hirslanden	Inselspital
					Swiss Medical Network		USZ

Those companies were selected by the Remuneration Committee as the most relevant for Galenica.

The remuneration structure and levels of the Board of Directors were reviewed in the reporting year. The market comparison was carried out by PricewaterhouseCoopers (PwC). The same 21 Swiss listed companies mentioned above were used as peer group. While the overall structure and levels of remuneration are in line with market practice, the Remuneration Committee proposed to express the remuneration of the Board of Directors in gross terms, rather than in net terms. This is not a change of the remuneration system or levels but an improvement in terms of disclosure and transparency.

The Remuneration Committee may decide to consult external advisors on specific remuneration matters. In 2022, PwC provided services related to executive compensation. PwC provides other services to Galenica and there are clear rules in place to ensure the independence of PwC consultants. No other external advisors were consulted on remuneration matters in the reporting year.

# Remuneration system of the Board of Directors

The remuneration of the Board of Directors comprises fixed remuneration only (i.e., no performance-based remuneration). The remuneration depends on the function assumed on the Board of Directors and its committees, either as a member or chair. It is paid 50% in cash and 50% in restricted shares or, if the respective member of the Board of Directors decides on a voluntary basis, 100% in restricted shares. The shares are blocked for a period of five years.

For the reporting year, remuneration settled in the form of shares was paid at the average price for the month of December 2022, i.e., CHF 73.66 per share, net of a 25% discount to reflect the blocking period of five years. The payment was made in January 2023.

In accordance with Galenica's share ownership guidelines, members of the Board of Directors are required to hold shares of Galenica equal in value to one time the annual remuneration within a period of two years of their appointment to the Board of Directors.

Based on Galenica's regulations, the members of the Board of Directors have the option of joining the Galenica Pension Fund. All contributions (employer and employee contributions for savings and risk) are borne by the respective member of the Board of Directors.

The remuneration system of the Board of Directors remained unchanged in 2022 compared to the previous year. As of the reporting year, the remuneration amounts are expressed in gross terms in order to increase the transparency of the disclosure.

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

	Net amount <sup>1)</sup>	Gross amount equivalent (rounded up)
Chair of the Board of Directors	350	373
Vice-Chair of the Board of Directors	130	139
Member of the Board of Directors	110	118
Committee chair	30	33
Committee member	10	11

<sup>1)</sup> Net of social security contributions (approximately 7%)

The remuneration (cash and shares) is paid in January for the previous business year.

The remuneration amounts outlined in the above table do not reflect the 25% discount on the share price granted on the restricted shares. Considering the value of the 25% discount, and assuming that 50% of the remuneration is paid in cash and 50% in restricted shares, the remuneration amounts (rounded up) correspond to gross CHF 431 thousand for the Chair of the Board of Directors, CHF 161 thousand for the Vice-Chair of the Board of Directors, CHF 136 thousand for the members of the Board of Directors, CHF 37 thousand for the committee chairs and CHF 13 thousand for the committee members.

# Remuneration system of the Corporate Executive Committee

---

## Remuneration report

In order to attract talented employees, reward performance, promote the loyalty of key talents and ensure their long-term commitment to Galenica, Galenica offers competitive remuneration. The remuneration model applicable to the Corporate Executive Committee is based on three components: a fixed remuneration (including a base salary and benefits), a short-term bonus and a long-term incentive.

## Remuneration components

The remuneration of the Corporate Executive Committee consists of a fixed remuneration, benefits and a variable remuneration. The variable remuneration allows members of the Corporate Executive Committee to participate in the success of Galenica and to be rewarded for their individual contributions. The variable remuneration for the Corporate Executive Committee includes a short-term bonus (STI) and a long-term incentive (LTI).

The STI compensates for annual performance. Up to 2022, it was based on the annual financial company results and individual performance. As of 2023, the individual performance will be replaced by an ESG component. The LTI on the other hand rewards for the long-term performance and harmonises the interests of shareholders with those of the executives. No changes to the LTI were implemented in the reporting year or are currently planned going forward.

Consequently, the remuneration system rewards short-term success as well as long-term performance and sustainable value creation for customers and shareholders in a balanced manner. In order to align the interests of members of the Corporate Executive Committee with the interests of shareholders, a portion of the STI (32%) and the entire LTI (100%) are awarded in shares of Galenica.

In accordance with Galenica's share ownership guidelines, members of the Corporate Executive Committee are required to hold shares of Galenica equal in value to at least 75% of their fixed annual base salary and target STI within a period of five years of their appointment to the Corporate Executive Committee.

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 amount of the STI effectively paid out and of the grant value of the LTI is limited to 300% of the base salary for the CEO and to 250% of the base salary for each of the members of the Corporate Executive Committee (Art. 22 (7) [Articles of Association of Galenica Ltd.](#)).

In addition to the remuneration components mentioned above, the members of the Corporate Executive Committee are eligible to participate in the share acquisition plan where employees are invited every year to acquire a certain number of blocked shares of Galenica at a discounted price (more information in the [Notes to the consolidated financial statements 2022 \(note 28, Share-based payments\)](#) and in the [GRI Report](#)).

## Overview of the remuneration components for the Corporate Executive Committee

Remuneration component	Vehicle	Purpose	Performance measures
<b>Annual base salary</b>	Monthly cash salary	Attract and retain employees	
<b>Pension &amp; benefits</b>	Pension and insurances	Protect against risks	
	Fringe benefits	Attract and retain employees	
<b>Short-term bonus (STI)</b>	Annual bonus in cash & shares blocked for 5 years	Compensate for annual performance	Combination of financial objectives for the Group and individual objectives:
			GEP (50%) Annual net sales growth (25%)
<b>Long-term incentive (LTI)</b>	PSU with a 3-year performance vesting	Compensate for long-term performance Align with shareholders' interests	Individual objectives, including ESG (25%) <sup>1)</sup>
			GEP and appreciation of share value: Average GEP (50%) Relative total shareholder return (TSR) (50%)

<sup>1)</sup> Effective as of 2023, the individual objectives will be replaced by a collective ESG component.

### Clawback and malus provisions

For the LTI, clawback and malus provisions apply in case of a financial restatement due to material non-compliance with any accounting reporting standards, or in case a participant acts in violation of the law or internal regulations of Galenica.

For the STI, similar clawback and malus provisions will apply as of 2023.

### Share ownership guidelines

Minimum shareholding requirements of 75 % of the fixed annual base salary and target STI.

## Annual base salary (fixed)

The annual base salary is the fixed remuneration 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 Corporate Executive Committee member. The base salary is determined according to typical market practice (external benchmark) and the Group internal salary structure. A base salary at median of the benchmark is considered competitive and, therefore, 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 salaries at a particular level based on its financial performance and the evolving experience of the individual in

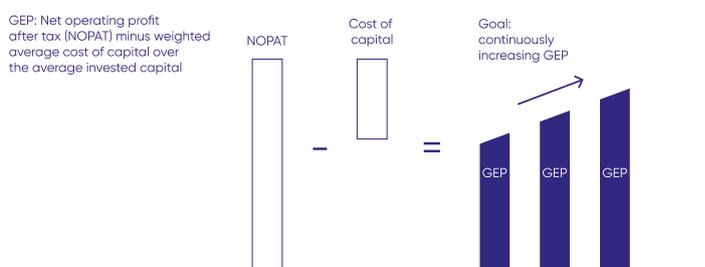
the function. The annual base salary is paid out in cash in 13 monthly instalments.

## Incentives

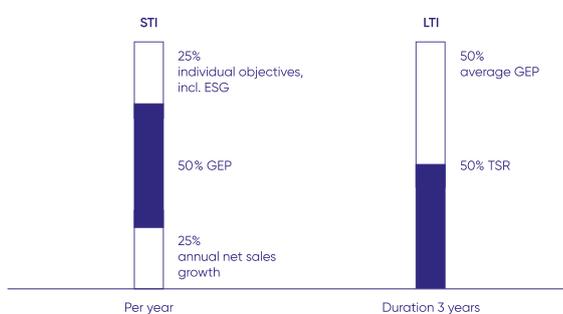
### Galenica economic profit as a performance indicator

The STI and the LTI significantly depend on the achievement of the GEP, which is designed to reflect the principles of value-based management derived from an economic value added (EVA) approach. It is based on the understanding that in the interests of shareholders and other important stakeholder groups, Galenica will strive to achieve a long-term investment return which exceeds the weighted average cost of capital. GEP is the key indicator in Galenica’s value-based management concept. It comprises different values, such as net operating profit after tax (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. The GEP is calculated as the net operating profit after tax (NOPAT) less the weighted average cost of capital (WACC) over the average invested capital. The extent to which the GEP increase is achieved has a 50% impact on the STI and a 50% impact on the number of shares allocated under the LTI. Therefore, poor performance inevitably has a negative impact on the total remuneration (lower bonus, fewer shares, with each of them potentially having a lower value). Further information on the GEP can be found in the Value based management section, under [Alternative performance measures](#) in the Annual Report 2022.

Relevant parameter: Galenica economic profit (GEP)



Weight of GEP as performance indicator in the incentive plans



## Short-term incentive (STI)

The STI aims to reward the achievement of the financial objectives of Galenica and recognises individual contributions to the company's performance over a financial year. The target STI, i.e., the amount paid out if all performance objectives are reached at 100%, is defined individually and annually, before the beginning of the performance year. The target STI is expressed as a percentage of the annual base salary and varies depending on the function in the organisation and on the impact of the function on the overall business result. The target STI for the CEO amounts to 50% of annual base salary and ranges from 40% to 45% of annual base salary for the other members of the Corporate Executive Committee.

In 2022, the financial objectives were weighted at 75% and included the GEP (two-thirds) and annual net sales growth (one-third). The individual objectives made up the remaining 25%, consisting of a maximum of three individual objectives, cascaded from the strategic objectives defined for the Group. At least one of these individual objectives referred to sustainability, chosen based on the core ESG topics identified in the sustainability strategy of Galenica. For 2022, the ESG objective was based on employee satisfaction. As of 2023, the individual performance will be replaced by a collective ESG component: Net Promoter Score (NPS) and employees who recommend Galenica as an employer.

## STI performance objectives

For each financial objective, a threshold, a target, a cap and a payout curve are defined annually by the Board of Directors upon recommendation of the Remuneration Committee, against which the results are assessed. An achievement at the threshold performance leads to a 50% payout factor, a target achievement leads to a 100% payout factor and achieving the cap corresponds to a 220% payout factor. For the individual objectives, achieving the cap corresponds to a 150% payout factor. The STI payout overall is capped at 200% of target.

The achievement of the GEP, the Group annual net sales growth and the individual objectives of the CEO is assessed by the Remuneration Committee and submitted to the Board of Directors for approval. The attainment of the individual objectives of the other members of the Corporate Executive Committee is assessed by the CEO and, in consultation with the Chair of the Board of Directors, submitted to the Remuneration Committee for approval.

The payment of the STI is made in the subsequent year after the publication of the Annual report. The CEO and other members of the Corporate Executive Committee are required to draw 32% of their STI in Galenica shares, while the rest is paid in cash. A discount of 25% on the average stock market price for the month of December 2022 applies to the shares. The shares remain blocked for five years.

If employment ends due to termination, the calculation and payment for a completed assessment period (= financial 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 STI is paid on a pro-rata basis.

Clawback and malus provisions will apply in the STI plan as of 2023. They allow the Board of Directors to reduce or cancel the payment of an STI and/or to claim back STI payments already made in case of a financial restatement due to material non-compliance with any accounting reporting standards, or in case a participant acts in violation of the law or internal regulations of Galenica.

## Long-term incentive (LTI)

The objective of the LTI is to promote the strategy of Galenica, long-term thinking, alignment to shareholders' interests and the creation of sustainable value for customers and shareholders over the long term. In addition, the LTI aims to strengthen loyalty to Galenica and identification with the company.

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

The LTI is based on performance share units (PSU), which are granted to participants after the release of the results for the preceding year and which convert into shares of Galenica subject to service conditions and the attainment of performance objectives over a three-year period defined by the Remuneration Committee. PSU are virtual, i.e., no real shares are issued.

The number of PSU allocated at the beginning of the plan period depends on a defined percentage of the annual base salary of the participant as well as the average share price during the final month prior to allocation, i.e., February. In 2022, the LTI grant for the CEO amounted to 50% of annual base salary and ranged from 25% to 35% of annual base salary for the other members of the Corporate Executive Committee.

The vesting of the PSU is conditional upon continuous employment and the fulfilment of performance conditions during the three-year plan period. The performance objectives are defined by the Remuneration Committee and for the LTI 2022-2024, they include the GEP and relative total shareholders return (relative TSR). Those two performance conditions are equally weighted.

The GEP target is measured by averaging the annual GEP results over the three-year performance period. Relative TSR is measured as a percentile ranking against a peer group of relevant companies. The objective is to outperform half of the peer companies (100% payout). The peer group is approved by the Board of Directors on a yearly basis and includes SMIM companies excluding financial services, real estate and companies that are active in a very cyclical businesses (e.g., Adecco, Dufry, Kühne+Nagel and OC Oerlikon), as well as selected healthcare and pharma companies from the SMI. The peer group for the LTI 2022-2024 is outlined below.

## Relative TSR performance peer group for LTI 2022–2024

Ams–Osram	Givaudan	Schindler Holding	Temenos
Barry Callebaut	Lindt & Sprüngli	SIG Combibloc Group	VAT Group
Clariant	Lonza Group	Sonova Holding	Zur Rose Group
EMS–CHEMIE HOLDING	Novartis	Straumann Holding	
Georg Fischer	Roche Holding	Tecan Group	

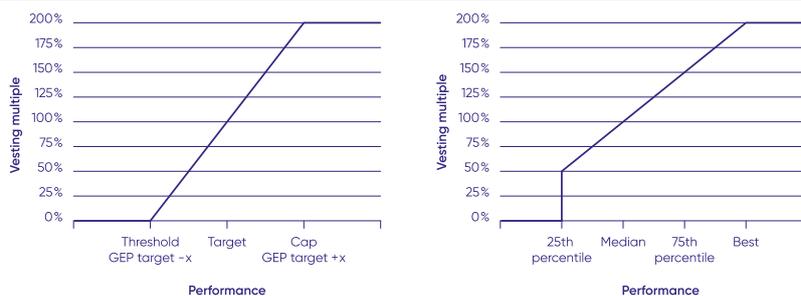
The following changes were made to the peer group compared to the LTI 2021–2023: Logitech was removed (constituent of SMI since 2021), while Vifor Pharma (delisted from the SIX stock exchange in 2022) was replaced by Zur Rose Group (constituent of SMIM since 2021).

For each performance condition, a threshold level of performance is determined, below which there is no vesting, as well as a target level of performance, corresponding to a 100% vesting and a cap providing for a 200% vesting. A linear interpolation is applied between the threshold and the target, and between the target and the cap. The weighted average of the vesting multiple for each performance objective provides for the overall vesting multiple. The number of PSU initially allocated is multiplied by the vesting multiple at the end of the three-year plan period. More details on the LTI performance objectives are provided in the following table.

## Overview of LTI structure for 2022–2024

Performance measure	GEP	Relative TSR
<b>Description</b>	GEP is measured for each financial year and then averaged across the 3 years of the performance period. It is measured against a pre-determined target average for the performance period to determine the vesting multiple	TSR combines share price appreciation and dividends paid to reflect the annual total return to shareholders  The TSR of Galenica is ranked against the TSR of the peer group companies for each financial year of the performance period, the annual percentile rankings are averaged over the 3-year performance period to determine the vesting multiple
<b>Rationale</b>	Absolute internal measure  Demonstrates Galenica's average operating performance over a 3-year period	Relative external measure  Demonstrates Galenica's shareholders returns compared to relevant peer companies
<b>Weighting</b>	50% of the PSU grant	50% of the PSU grant
<b>Target level</b>	Pre-determined by the Remuneration Committee 100% vesting	TSR ranking at the median of the peer group 100% vesting
<b>Maximum vesting multiple</b>	200% of target	200% of target
<b>Vesting period</b>	3 years	3 years
<b>Vesting rules and curve</b>	Vesting multiple is interpolated linearly between the threshold, target and maximum	<b>Threshold:</b> 25th percentile ranking = 50% vesting <b>Target:</b> median ranking = 100% vesting <b>Stretch:</b> 75th percentile ranking = 150% vesting <b>Maximum:</b> best in the peer group = 200% vesting  Vesting multiple is interpolated linearly between the threshold, target and maximum

Ratio between fixed and variable remuneration 2022 (remuneration awarded)



As a rule, the three-year plan period must be completed for employees to be eligible for the conversion of PSU in shares. If the employment is terminated within a plan period, the PSU forfeit without any compensation except in the following cases:

- Retirement, disability or termination by the company not for cause, performance or behaviour: unvested PSU are subject to a pro-rata vesting at the regular vesting date
- Death: unvested PSU immediately vest pro-rata, based on a performance estimate by the Board of Directors or at target level (100% vesting)
- Termination following change of control: unvested PSU immediately vest in full, based on a performance estimate by the Board of Directors or at target level (100% vesting).

## LTI plan period

LTI plan period  
LTI three-year programme

	GEP			Vesting		
		GEP		GEP		
		GEP/TSR	GEP/TSR	GEP/TSR	GEP/TSR	Vesting
			GEP/TSR	GEP/TSR	GEP/TSR	Vesting
				GEP/TSR	GEP/TSR	Vesting
2020	2021	2022	2023	2024	2025	

Clawback and malus provisions apply in the LTI plan. They allow the Board of Directors to reduce or cancel the vesting of outstanding PSU and/or to claim back shares already vested in case of a financial restatement due to material non-compliance with any accounting reporting standards, or in case a participant acts in violation of the law or internal regulations of Galenica.

## 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 fulfils the legal

requirements of the Swiss Federal Law on Occupational Pension Schemes (BVG) and is in line with what is being offered on the market.

Except for the expense allowance and the entitlement to a company car in line with the car policy of Galenica, the CEO and the members of the Corporate Executive Committee do not receive any particular additional benefits. The private use of the company car is disclosed at fair value in the remuneration table under other remuneration.

### **Share ownership guideline**

Members of the Corporate Executive Committee are required to hold shares of Galenica equal in value to at least 75% of their fixed annual base salary and target STI within a period of five years of their appointment to the Corporate Executive Committee.

### **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. The employee contracts do not include non-competition clauses. With regard to clawback, the statutory claims for repayment apply (see among others Art. 678 of the Code of Obligations).

# Remuneration awarded for 2022 and 2021

## Remuneration awarded to the Board of Directors for 2022 and 2021

### Comments to the remuneration tables of the members of the Board of Directors

In 2022, the Board of Directors consisted of seven members. The total remuneration awarded to the Board of Directors (including the Chairwoman) amounts to CHF 1.5 million and is within the amount of CHF 1.9 million approved at the Annual General Meeting in 2021. It corresponds to an increase of 6.9% compared to the previous year, which is solely due to the composition of the Board (seven members in 2022 compared to six members in 2021). The remuneration system remained unchanged compared to the previous year.

## Remuneration awarded to the CEO and the members of the Corporate Executive Committee for 2022 and 2021

### Comments to the remuneration tables of the members of the Corporate Executive Committee

In 2022, Marc Werner, CEO, was the member of the Corporate Executive Committee with the highest remuneration.

The remuneration awarded to the CEO in the year 2022 and the Corporate Executive Committee amounts to CHF 6.2 million and is within the amount of CHF 7.2 million approved at the Annual General Meeting in 2021. It is an increase compared to previous year, for the following reasons:

- The aggregated amount of base salaries was higher compared with the previous year. This is due to the new composition of the Corporate Executive Committee (seven members in 2022 compared to six members in 2021). The individual base salaries of the members of the Corporate Executive Committee were not increased in the reporting year.
- While the strong performance in 2022 led to an STI payout above target, it was below the payout level in 2021, which nearly reached the maximum due to an outstanding and extraordinary performance. Additional details are provided in the section "Performance in 2022" below.
- The LTI grant value increased compared to the previous year. This is due to the different composition of the Corporate Executive Committee with seven members compared to six members in 2021. The grant size of the individual Corporate Executive Committee members remained unchanged compared to previous year.
- The variable remuneration in the year 2022 amounted to 142% of the annual base salary for the CEO (previous year: 151%) and ranged between 101% and 119% of the annual base salary for the other

members of the Corporate Executive Committee (previous year: 106% and 127%).

### Performance in 2022

In the 2022 financial year, the Galenica Group generated consolidated net sales of CHF 4,014.3 million, thus exceeding the CHF 4 billion mark for the first time. This corresponds to strong growth of 4.7% compared to the previous year.

Adjusted<sup>1</sup> operating profit (EBIT), i.e. excluding the effects of the accounting standards IFRS 16 (leasing) and IAS 19 (employee benefits), declined by 5.8% to CHF 200.8 million. Adjusted<sup>1</sup> return on sales (ROS) fell year-on-year from 5.6% to 5.0%. Excluding the exceptional results from the COVID 19 initiatives (estimated at CHF 25 million) and the sale of real estate at the Bern headquarters (CHF 9.4 million), adjusted<sup>1</sup> EBIT growth was a strong 12.4%.

Adjusted<sup>1</sup> net profit decreased by 5.2% to CHF 165.7 million (previous year: CHF 174.8 million) due to the aforementioned special effects in the previous year. Reported net profit was slightly below the previous year's level at CHF 165.9 million (previous year: CHF 168.2 million, -1.4%).

1) See section Alternative performance measures in the Annual report 2022.

#### Payout factor 2021 and 2022

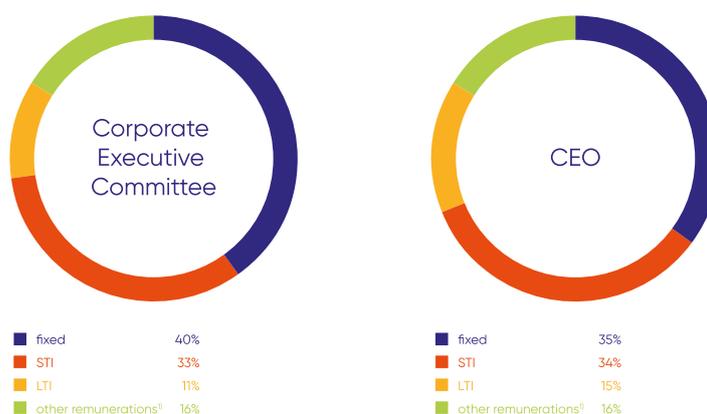
Payout factor for STI (one-year basis)



Payout factor for LTI (three-year basis)



#### Ratio between fixed and variable remuneration 2022 (remuneration awarded)



<sup>§</sup>Including costs for employee benefit plans and social security charges

## Remuneration of the members of the Board of Directors in 2022

Payments in thousand CHF	Remuneration			Total	Number of shares	
	Fees in cash	Equivalent in shares <sup>1)</sup>	Other remuneration <sup>2)</sup>		Held as at 31.12.2022 <sup>3)</sup>	Allocated for 2022
Daniela Bosshardt, Chairwoman	175	233	45	453	25,695	3,167
Pascale Bruderer <sup>4)</sup>	60	80	16	156	2,963	1,086
Michel Burnier	60	80	12	152	9,487	1,086
Bertrand Jungo <sup>4)</sup>	75	100	20	195	8,248	1,357
Judith Meier (from 12 May 2022)	–	107	11	118	–	1,448
Markus R. Neuhaus	80	107	22	208	9,084	1,448
Andreas Walde	–	200	20	220	13,509	2,715
<b>Remuneration of the members of the Board of Directors<sup>5)</sup></b>	<b>450</b>	<b>907</b>	<b>146</b>	<b>1,503</b>	<b>68,986</b>	<b>12,307</b>
Maximum amount according to AGM resolution				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 charges (both employer and employee contributions)

<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> Those board members participate in the pension fund and finance the entire cost themselves

<sup>5)</sup> See chapter Board of Directors of the Corporate Governance section for roles and membership of committees

## Remuneration of the members of the Board of Directors in 2021

Payments in thousand CHF	Remuneration			Total	Number of shares	
	Fees in cash	Equivalent in shares <sup>1)</sup>	Other remuneration <sup>2)</sup>		Held as at 31.12.2021 <sup>3)</sup>	Allocated for 2021
Daniela Bosshardt, Chairwoman	175	233	45	453	22,131	3,564
Pascale Bruderer <sup>4)</sup>	62	82	17	161	1,703	1,260
Michel Burnier	60	80	12	152	8,265	1,222
Bertrand Jungo <sup>4)</sup>	–	215	22	237	4,964	3,284
Markus R. Neuhaus	82	109	22	213	7,416	1,668
Philippe Nussbaumer (until 12 May 2021)	–	60	6	66	–	916
Andreas Walde	75	100	20	195	11,982	1,527
<b>Remuneration of the members of the Board of Directors<sup>5)</sup></b>	<b>454</b>	<b>880</b>	<b>144</b>	<b>1,477</b>	<b>56,461</b>	<b>13,441</b>
Maximum amount according to AGM resolution				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 charges (both employer and employee contributions). These figures have been restated to also include the employer contributions (not included in the past, but mentioned in the footnote)

<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> Those board members participate in the pension fund and finance the entire cost themselves

<sup>5)</sup> See chapter Board of Directors of the Corporate Governance section for roles and membership of committees

## Remuneration of the members of the Corporate Executive Committee in 2022

Gross payments in thousand CHF	Total	of which Marc Werner, CEO
Base salary	2,452	500
Short-term bonus in cash (STI) <sup>1)</sup>	1,264	301
Short-term bonus in shares (STI) <sup>2)</sup>	793	189
Long-term incentive (LTI) <sup>3)</sup>	690	222
Contributions to pension funds	487	118
Other remuneration <sup>4)</sup>	58	18
<b>Remuneration awarded</b>	<b>5,744</b>	<b>1,348</b>
Social security costs	421	93
<b>Remuneration of the members of the Corporate Executive Committee</b>	<b>6,165</b>	<b>1,440</b>
Maximum amount according to AGM resolution	7,200	

Seven members in 2022

- <sup>1)</sup> The short-term bonus for the reporting year, which is paid out in the following year  
<sup>2)</sup> The amounts include the calculated discount of 25% granted due to the five-year blocking period  
<sup>3)</sup> Performance share units falling due after three years are included with the fair value at allocation based on the estimated target achievement  
<sup>4)</sup> Including private use of company car

## Remuneration of the members of the Corporate Executive Committee in 2021

Gross payments in thousand CHF	Total	of which Marc Werner, CEO
Base salary	2,178	500
Short-term bonus in cash (STI) <sup>1)</sup>	1,234	329
Short-term bonus in shares (STI) <sup>2)</sup>	774	207
Long-term incentive (LTI) <sup>3)</sup>	621	219
Contributions to pension funds	374	92
Other remuneration <sup>4)</sup>	48	18
<b>Remuneration awarded</b>	<b>5,228</b>	<b>1,365</b>
Social security costs	381	95
<b>Remuneration of the members of the Corporate Executive Committee</b>	<b>5,609</b>	<b>1,460</b>
Maximum amount according to AGM resolution	6,300	

Six members in 2021

- <sup>1)</sup> The short-term bonus for the reporting year, which is paid out in the following year  
<sup>2)</sup> The amounts include the calculated discount of 25% granted due to the five-year blocking period  
<sup>3)</sup> Performance share units falling due after three years are included with the fair value at allocation based on the estimated target achievement  
<sup>4)</sup> Including private use of company car

## Short term incentive (STI)

In 2022, a GEP of CHF 67.4 million was achieved. This corresponds to a decrease of 7.7% compared to the previous year (without the one-off gain from the property sale of the headquarters), see [Value based management section](#), under Alternative performance measures in the Annual report 2022. This represents a payout factor of 208.2% for the financial year 2022 for the portion of the STI payout based on GEP performance.

The Group annual net sales growth achieved was 4.7%, corresponding to a payout factor of 192.1% for that portion of the STI.

Collective performance is measured using 3 qualitative and quantitative personal objectives defined for the Corporate Executive Committee member. The payout factor for the members of the Corporate Executive Committee was 99.6%.

Consequently, the overall STI payout amounts to 177.0% of target for the CEO and to 177.0% of target for the other members of the Corporate Executive Committee. This compares to a payout of 193.6% for the CEO and of 190.0% to 196.5% of the target value for the other Corporate Executive Committee members in 2021.

### Performance / payout factor under STI in 2022

KPIs	2022 objectives	Payout	2022 results
<b>Group financial performance:</b>			
Galenica economic profit (GEP) (50% weighting)	Maximum	220%	GEP achieved: CHF 67.4 million Payout factor: 208.2%
	Target	100%	
	Threshold	50%	
Group annual net sales growth (25% weighting)	Maximum	220%	Net sales growth achieved: 4.7% Payout factor: 192.1%
	Target	100%	
	Threshold	50%	
Personal objectives (25% weighting)	3 quantitative and qualitative KPIs	0% – 150%	Average payout factor Corporate Executive Committee (incl. CEO): 99.6%

Payout	2022
CEO	177.0%
Corporate Executive Committee (without CEO)	177.0%

## Long-term incentive

For the LTI plan 2020–2022, payable in early 2023, the GEP achievement was CHF 67.4 million. This represents a vesting multiple of 140.4%.

# Other remuneration

## Options

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

## Loans and credits

Galenica did not grant any loans or credits to members of the Board of Directors, members of the Corporate Executive Committee or related persons in 2022. No loans or credits were outstanding at the end of the year under review.

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

Galenica did not pay any remuneration to former members of the Board of Directors or Corporate Executive Committee in 2022.

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

## Equity overhang and dilution as of 31 December 2022

The equity overhang, defined as the total number of PSU outstanding (55,687 unvested PSU) divided by the total number of outstanding shares (49, 816,260 shares) is 0.11% (previous year: 0.11%). The burn rate, defined as the total number of equities (shares and PSU) granted in 2022 (139,664 shares and 19,613 PSU) divided by the total number of outstanding shares, is 0.32 % (previous year: 0.29%).

## Shareholdings and rights to PSU of members of the Corporate Executive Committee 2022

	Number of shares held as at 31.12.2022 <sup>1)</sup>	Number of PSU held as at 31.12.2022 (at target) <sup>2)</sup>
Marc Werner	4,625	11,482
Lukas Ackermann	1,012	1,629
Felix Burkhard	17,700	6,380
Andreas Koch	5,545	3,460
Daniele Madonna	13,164	3,622
Virginie Pache	2,738	2,492
Thomas Szuran	8,083	3,896

<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 into a number (between 0 and 2) of shares at vesting and based on GEP and relative TSR target achievement

## Shareholdings and rights to PSU of members of the Corporate Executive Committee 2021

	Number of shares held as at 31.12.2021 <sup>1)</sup>	Number of PSU held as at 31.12.2021 (at target) <sup>2)</sup>
Marc Werner	1,390	7,634
Felix Burkhard	14,674	7,307
Andreas Koch	2,719	2,872
Daniele Madonna	8,325	4,042
Virginie Pache	1,072	1,300
Thomas Szuran	2,315	4,784

<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 into a number (between 0 and 2) of shares at vesting and based on GEP and relative TSR target achievement



Ernst & Young Ltd  
Schanzenstrasse 4a  
P.O. Box  
CH-3001 Berne

Phone: +41 58 286 61 11  
Fax: +41 58 286 68 18  
www.ey.com/ch

To the General Meeting of  
Galenica Ltd., Berne

Berne, 2 March 2023

## Report of the statutory auditor on the audit of the remuneration report



### Opinion

We have audited the remuneration report of Galenica Ltd. (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) contained in the chapters Remuneration awarded for 2022 and 2021, Other remuneration and Shareholdings of the Corporate Executive Committee and the Board of Directors of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report complies with Swiss law and Art. 14-16 VegüV.



### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the remuneration report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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.



### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the chapters Remuneration awarded for 2022 and 2021, Other remuneration and Shareholdings of the Corporate Executive Committee and the Board of Directors in the remuneration report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report 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.



### Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



### Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is 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 and SA-CH 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 this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

Daniel Zaugg  
Licensed audit expert  
(Auditor in charge)

Simone Wittwer  
Licensed audit expert

# GRI-Report

# Contents GRI report

135	General disclosures and material topics
144	Economic performance and compliance
150	Emissions and climate change, waste and recycling
156	Employees
167	Patient safety and health
172	Data protection, IT security and cybercrime
176	Reliable procurement and supply chain
178	GRI-Index

# General disclosures and material topics

---

## GRI Report

General information on the Galenica Group in accordance with GRI 2 and information on determining the material topics in accordance with GRI 3-1 and 3-2 are published here. This includes information about the organisation, activities and employees, governance, strategy, guidelines and procedures, as well as stakeholder engagement.

### **GRI 2, GRI 3-1, GRI 3-2**

Galenica is publishing its combined 2022 Annual and Sustainability Report in accordance with the GRI Standards 2021. The GRI Content Index, which lists each of the GRI Standards applied and all of the information contained in the report, is available [here](#).

## **The organisation and its reporting practices**

### **GRI 2-1**

#### **Organisation details**

**a.** Name of organisation: Galenica Ltd.

**b.** Ownership structure and legal form: Galenica is a corporation under Swiss law and, as a holding company, owns all the companies in the Galenica Group directly or indirectly.

**c.** Organisation headquarters

Galenica Ltd.  
Untermattweg 8  
CH-3027 Bern

**d.** Business premises: the Galenica Group operates almost exclusively in Switzerland.

### **GRI 2-2**

#### **Entities included in the organisation's sustainability reporting**

**a.-c.** The entities included in the combined Annual and Sustainability Report are listed in the Financial Report. The Financial Report also explains the approach for consolidating financial information. Entities included in the key non-financial figures are explained in each case in the key social figures and key environmental figures sections.

### **GRI 2-3**

#### **Reporting period, frequency and contact point**

**a.-b.** The reporting period covers 1 January 2022 to 31 December 2022. The combined Annual and Sustainability Report is published annually.

**c.** The combined Annual and Sustainability Report 2021 was published on 8 March 2022. The Half-Year report 2022 was published on 9 August 2022.

d. Contact point for questions about the report:

Investor Relations: Felix Burkhard, CFO

Media Relations: Christina Hertig, Head of Corporate Communications

## **GRI 2-4**

### **Correction or restatements of information**

a. In 2022, the Sustainability Committee adjusted some of the sustainability goals. This was approved by the Executive Committee and the Board of Directors at the end of 2022 (see Progress with goals). Furthermore, there were no significant changes to information compared to the previous year.

## **GRI 2-5**

### **External assurance**

a. The Sustainability Report 2022 has not been audited externally.

## Activities and workers

### GRI 2-6

#### Activities, value chain and other business relationships

**a.-d.** Galenica is active in the healthcare industry and offers healthcare services and products throughout Switzerland. Its customers include patients, pharmacies, drugstores, physicians, hospitals, care homes, health insurance funds and pharmaceutical companies.

Galenica is the leading fully integrated healthcare provider in Switzerland. The business activities of the Galenica Group comprise two segments. The Products & Care segment consists of the Service Units Pharmacies, Healthcare and Products & Marketing. They develop and market health services and products via various channels – in pharmacy stores, online and at home – to private customers and patients as well as to business customers and partners. The Logistics & IT segment consists of the Service Units Wholesale & Logistics and IT & Digital Services. They develop and operate the logistics, IT and digital infrastructure and digital platforms for the entire Galenica Group and for customers and partners in the healthcare industry. More information on activities, brands, products and services can be found in the [Management Report](#) and on the [Galenica website](#).

The Galenica Group value chain comprises production, packaging, logistics, marketing and information, retail trade and medication use. A description of the value chain and the economic, social and environmental impact of the Galenica Group can be found [here](#).

The following significant organisational and supply chain changes took place at Galenica in 2022. Together with Medicall, Galenica founded the joint venture Emeda to provide medical and pharmaceutical care to retirement and nursing homes in Switzerland. The Emeda team consists of mobile doctors who specialise in outpatient geriatric medical care for residents of nursing homes. In order to ensure that the training and development of employees in pharmacies and the health advice they provide remains at a high level and continues to advance, Galenica has expanded its existing partnership and acquired a 50% stake in Medinform Ltd. as of 5 July 2022. In addition, Galenica acquired 100% of the shares in Aquantic Ltd., a Swiss software development and consulting firm. In doing so, Galenica is building its digital B2B offering and increasing both efficiency and quality in healthcare for its partners and patients. Another addition is Bahnhof Apotheke Langnau Ltd. and thus also Cannaplant, the leading provider of formulations for medical cannabis preparations. This enables Galenica to offer many patients and their doctors valuable treatments. Galenica also invested in the digital healthcare platform Well, which gives patients easy access to a growing network of service providers. As of 20 September 2022, Galenica sold its subsidiary Careproduct because, contrary to expectations, the Careproduct offering has not been optimally integrated into the Galenica strategy. In 2022, four pharmacies were acquired and three new locations were opened. At the same time, seven locations were closed as part of optimisation measures. At the end of 2022, Galenica's own pharmacy network comprised a total of 368 pharmacies (+/-0). There were no significant changes in the reporting year with regard to the shareholding structure and locations of suppliers. More information can be found in the [Financial Report](#) and [Corporate Governance Report](#).

## GRI 2-7 Employees

Employees	Unit	2022
<b>by gender</b>		
- women	number	5,601
- men	number	2,007
<b>by degree of employment</b>		
- full-time	number	3,241
- full-time (women)	%	67.8
- part-time (<90%)	number	4,367
- non-guaranteed hours	number	266
- non-guaranteed hours (women)	%	66.9

**a.-d.** As of the end of 2022, Galenica employed 7,608 people. All employees work in Switzerland, which we regard as one region. Galenica discloses information on its staff and other employees under its [key social figures](#). The data is exported and consolidated from the various personnel management systems. The workforce of the Galenica Group does not undergo significant seasonal fluctuations.

## GRI 2-8 Workers who are not employed

**a.-c.** In addition to the Group's own employees, temporary employees are used as required and paid at an hourly rate, particularly in operational and warehousing roles. These are sourced via partners and are under contract with them. More detailed information on temporary employees is not available as it is not recorded in all our personnel systems. There are seasonal fluctuations during the reporting year, with temporary employees being particularly in demand prior to the Christmas trading period. Most of the business activities are carried out by employees of the Galenica Group.

## Governance

### GRI 2-9 Governance structure and composition

**a.-c.** The Executive Committee and the Board of Directors with its committees are presented in the [Corporate Governance Report](#). Additional information on the governance structure and composition can be found in the organisational regulations and the Annual Report. The Board of Directors has ultimate responsibility for economic, environmental and social topics. Other central bodies are the Governance, Nomination and Sustainability Committee of the Board of Directors, the Executive Committee and the Interdisciplinary Sustainability Committee. You can find more information about the sustainability organisation [here](#).

**GRI 2-10****Nomination and selection of the highest governance body**

**a.-b.** The nomination and selection procedure for the highest governance body is described in the articles of association, the [organisational regulations](#) and the [Corporate Governance Report](#).

**GRI 2-11****Chair of the highest governance body**

**a.** The entire Board of Directors, including the Chair of the Board of Directors, is independent and does not play an operational role in the company.

**GRI 2-12****Role of the highest governance body in overseeing and managing impacts**

**a.-c.** The role of the highest governance body in overseeing and managing impacts is described in the [Corporate Governance Report](#).

**GRI 2-13****Delegation of responsibility for managing impacts**

**a.-b.** Information on the delegation of responsibility for managing impacts can be found in the [Corporate Governance Report](#), the Annual Report, the articles of association and the [organisational regulations](#).

**GRI 2-14****Role of the highest governance body in sustainability reporting**

**a.-b.** The Board of Directors reviews and approves the combined annual and sustainability report. In addition, the Board of Directors acknowledged the updated relevance matrix in 2021.

**GRI 2-15****Conflicts of interest**

**a.-b.** Information regarding conflicts of interest can be found in the articles of association, the [organisational regulations](#), the [Code of Conduct](#) and the Annual Report. The other activities and vested interests of the Board of Directors and the Executive Committee are disclosed in the [Corporate Governance Report](#). No conflicts of interest were identified and/or disclosed in the reporting year.

**GRI 2-16****Communication of critical concerns**

**a.-b.** This information is confidential and is not communicated externally by Galenica.

**GRI 2-17****Collective knowledge of the highest governance body**

**a.** The members of the Board of Directors are regularly provided with written and oral information on sustainability topics to strengthen their collective knowledge about sustainable developments.

## GRI 2-18

### Evaluation of the performance of the highest governance body

a.-c. Please refer to the [Corporate Governance Report](#) for information on the evaluation of the performance of the highest governance body.

## GRI 2-19

### Remuneration policies

a.-b. Information about remuneration policies is disclosed in the [articles of association](#), the organisational regulations, and the [Remuneration Report](#).

## GRI 2-20

### Process to determine remuneration

a.-b. In Switzerland, the Annual General Meeting is required by law to vote on the principles of remuneration procedures for listed companies. This was the case with Galenica 2018. Each year, the Annual General Meeting votes on the approval of remuneration. All voting results are published in the minutes of the Annual General Meeting. Further information on the process to determine remuneration can be found in the [articles of association](#), the organisational regulations and the [Remuneration Report](#).

## GRI 2-21

### Annual total compensation ratio

a.-c. This information is confidential and is not communicated externally by Galenica.

## Strategy, policies and practices

## GRI 2-22

### Statement on sustainable development strategy

a. Sustainability is an integral part of Galenica's corporate management. Galenica is convinced that it can only achieve long-term economic success if it bears social responsibility and uses natural resources in a respectful and efficient manner. The relevance of sustainability to Galenica is explained in the [Foreword](#) to the Annual Report by Chair of the Board of Directors Daniela Bosshardt and CEO Marc Werner.

## GRI 2-23

### Declaration of commitment to principles and practices

a.-f. In addition to the statutory provisions, the Code of Conduct of the Galenica Group sets out the ethical rules and standards that all employees must adhere to. The Code of Conduct of the Galenica Group defines the ethical rules and standards that must be followed by all employees. It must be signed by all employees upon taking up employment as part of the employee manual. The Code addresses critical circumstances such as bribery, insider trading or discrimination and provides instructions for action. The Code of Conduct thus contributes to the removal of taboos from certain grey areas. The Code of Conduct was approved by the Audit and Risk Committee of the Board of Directors.

The precautionary principle is anchored in the sustainability principles of the Galenica Group: "the respectful and efficient use of resources and reduction of negative environmental impacts."

Galenica aims to minimise greenhouse gas emissions, reduce waste and dispose of it safely. Galenica has defined specific [environmental targets](#) in order to achieve these ambitions.

## **GRI 2-24**

### **Embedding policy commitments**

**a.** Information on integrating the economic, ecological and social commitments can be found [here](#). In 2023, Galenica plans to integrate the topic of sustainability even more systematically at the strategic level and in its internal structures, processes and business activities.

## **GRI 2-25**

### **Process to remediate negative impacts**

**a.-e.** Galenica has an external [Whistleblower Reporting Office](#). This offers all employees and business partners the opportunity to anonymously report suspected breaches of the rules. Suspected breaches of the rules by employees indicate potential for improvement and possible misconduct. All reports are investigated.

## **GRI 2-26**

### **Mechanisms for seeking advice and raising concerns**

**a.** Internal and external stakeholders may raise concerns through the external Whistleblower Reporting Office. Reports of violations of the [Code of Conduct](#) must also be sent to line managers and/or the Head of the Group's Legal Department. Reports of corruption and bribery must also be reported to the committee appointed by the Board of Directors. Various channels and points of contact are available to employees through which they can report concerns or matters of key importance. These include the Service Unit Human Resources (HR), staff committees, the employee survey and the annual performance reviews. The Executive Committee deals with key and critical points from the employee survey or the staff committee and derives effective measures.

## **GRI 2-27**

### **Compliance with laws and regulations**

**a.-d.** All companies of the Galenica Group continued to operate in compliance with the law in 2022: there were no fines or monetary sanctions resulting from non-compliance with legislation and/or regulations. For more information, please refer to the [Corporate Governance Report](#).

## GRI 2-28

### Memberships in associations and interest groups

**ASSGP**, Association of the Swiss Self-Medication Industry

**Blistersuisse**

**GESKES**, Society for Clinical Nutrition in Switzerland

**GSASA**, Swiss Association of Public Health Administration and Hospital Pharmacists

**Helvecura Genossenschaft**, compulsory storage organisation for therapeutic products

**Refdata**, Refdata Foundation

**Avenir Suisse**

**Medswiss.net Trägerverein**, Swiss Umbrella Association of Physician Networks

**pharmalog**, Swiss Pharma Logistics Association

**pharmaSuisse**, Swiss Association of Pharmacists

**ScienceIndustries**, Business Association for Chemistry-Pharma-Biotech

**Swiss Medtech**, Swiss Medical Technology Association

**GFH Healthcare Retailers Association**

**VIPS**, Association of Pharmaceutical Companies in Switzerland

**VSVA**, Association of Swiss Mail-order Pharmacies

**Association QualiCCare**, Association for the Improvement of Quality in Treatment of Chronic Diseases in Switzerland

**ASTAG**, Swiss Commercial Vehicle Association

**Freedom Healthcare Alliance**

**GIRP**, European Healthcare Distribution Association

**HIV**, Trade and Industry Association of the canton of Bern

**eHealth Interest Group**

**SGGP**, Swiss Society for Health Policy

**SMVO**, Swiss Medicine Verification Organisation

**SVKH**, Swiss Association for Therapeutic Products in Complementary Medicine

**Swishholdings**, Association of Industrial and Service Groups in Switzerland

**VNL Schweiz**, Verein Netzwerk Logistik e.V., Logistics Network Association

## Stakeholder engagement

### GRI 2-29

#### Approach to stakeholder engagement

a. The stakeholders of the Galenica Group include interest groups and organisations that directly or indirectly affect – or are affected by – the company's values, actions and performance. Galenica maintains relationships with its direct stakeholders – customers, shareholders, suppliers, scientific institutions, current and potential employees, authorities, non-governmental organisations and others – that are characterised by transparency, honesty and mutual respect. Its customers include patients, pharmacies, drugstores, physicians, hospitals, care homes, health insurance funds and pharmaceutical companies. In order to measure customer satisfaction and potential for improvement, Galenica relies on internal performance indicators as well as the results of independent target group surveys. Based on the insights gained, Galenica wants to continuously improve the customer experience and offer customers added value with new measures and offerings.

Our relations with our various suppliers are characterised by a continuous improvement process as part of quality management in all Service and Business Units. Quality, costs and prices, as well as potential innovations, are regularly discussed with suppliers and business partners. Such interactions create transparency and help to ensure that services are provided as smoothly as possible.

In 2021, Galenica held meetings with representatives of external stakeholders for the first time to review the relevance of sustainability issues and assess the impact of Galenica's business activities on the social, environmental and economic environment. More information on the materiality process can be found under [Sustainability at Galenica](#).

## GRI 2-30

### Collective bargaining agreements

a. None of the Galenica Group's employees are subject to a collective bargaining agreement. Galenica offers all employees fair and attractive employment conditions. More detailed information on employment conditions can be found in the employees section and on the Galenica website.

## Material topics

### GRI 3-1

#### Process to determine material topics

a.-b. The Sustainability Committee has identified the environmental, social and economic sustainability topics related to the business model of the Galenica Group. In 2021, Galenica reviewed the relevance of the topics as part of a materiality process and defined the social, environmental and economic impact of Galenica's business activities. Based on an online survey, internal and external stakeholders evaluated the topics according to their relevance and impact. Interviews were also held with representatives of all external stakeholders to discuss the evaluations. This resulted in the updated [relevance matrix](#). The Executive Committee and the Board of Directors have taken note of the updated relevance matrix and have classified all topics as material. These also form the core of sustainability reporting.

In determining the content of sustainability reporting, Galenica has taken all four reporting principles into account: stakeholder engagement, sustainability context, materiality and completeness. More information can be found under [Sustainability at Galenica](#).

### GRI 3-2

#### List of material topics

a. The [relevance matrix](#) shows all material topics.

b. Changes in reporting: in the 2022 Sustainability Report, there were no significant changes to the list of material topics or the delimitation of topics compared to the previous year.

# Economic performance and compliance

---

## GRI Report

Economic performance forms the basis for the long-term and sustainable business development of the Galenica Group. Galenica attaches great importance to conducting its business activities in an ethical and legal manner.



## GRI 201

### Economic performance

#### GRI 3-3

#### Management of material topics

As Switzerland's leading fully integrated healthcare provider, Galenica makes an important contribution to the Swiss economy, as an employer and taxpayer. Galenica firmly believes that the Group can achieve long-term economic success only if it bears social responsibility and uses natural resources efficiently and respectfully. Economic performance thus forms the basis for long-term and sustainable business development.

### **Galenica strategy**

Galenica is the leading fully integrated healthcare provider in Switzerland and plays a key role in the Swiss healthcare market. Galenica intends to expand its market position and services sustainably and successfully and further develop its core areas of expertise. Vision, values and customer promises describe what drives Galenica, how it works and what it offers. The strategic programmes define what the Galenica Group aims to achieve and how. You can find the entire Galenica strategy [here](#).

### **Sustainability principles**

The [Sustainability principles](#) reflect Galenica's belief that it can only achieve long-term economic success if it bears responsibility both for society and for the environment.

### **Corporate governance**

Good, transparent corporate governance is crucial to managing the Galenica Group effectively and efficiently. Further information on the corporate governance of the Galenica Group can be found in the [Corporate Governance Report](#).

### **Evaluation of the management approach and measures**

- Board of Directors: the Board of Directors is responsible for the topic of sustainability. The Board of Directors approves the sustainability targets proposed by the Executive Committee and monitors their implementation.
- Audit and Risk Committee: the Audit and Risk Committee supports the Board of Directors in fulfilling its duties with regard to accounting, financial reporting, risk management, compliance and internal and external auditing.
- Audits: Internal Audit carries out audits of operational and strategic risk management and the internal control system (ICS) in accordance with the audit plan determined by the Audit and Risk Committee. In addition, the external auditor audits the consolidated financial statements of Galenica Ltd. and its subsidiaries on an annual basis.
- Strategy Committee: the Strategy Committee of the Board of Directors monitors the implementation of the Galenica strategy.
- Ratings: the Galenica Group is regularly assessed by external rating agencies for its environmental, social and economic (ESG) performance. Galenica has received a credit rating of BBB (investment grade) from ZKB and CS.

## **GRI 201-1**

### **Direct economic value generated and distributed**

Galenica discloses information on direct economic value generated and distributed in the [Financial Report](#). The economic value is generated in Switzerland and is mainly distributed in Switzerland. Exceptions are employees who are cross-border commuters and certain investors, partners and suppliers abroad.

**Objectives**

Galenica has defined the following objective:

- We train all employees in compliance at least once a year.

You can find an overview of all sustainability goals and the progress made [here](#).

## **GRI 419: Socioeconomic compliance, GRI 205: Anti-corruption, GRI 206: Anti-competitive behaviour Compliance**

**GRI 3-3****Management of material topics**

Galenica attaches great importance to conducting its business activities in an ethical and legal manner. All business activities are carried out in accordance with the applicable legislation. Compliance refers to compliance with legislation, standards (such as ISO 14001 or good distribution practice – GDP) as well as in-house and industry codes. For Galenica, this means, for example, compliance with its own Code of Conduct, therapeutic products, health insurance, employment, antitrust, tax and criminal law as well as respect for human rights in all business activities. As Switzerland's leading fully integrated healthcare provider, combating corruption and anti-competitive behaviour are key topics for Galenica. Furthermore, Galenica ensures that its business partners and suppliers also comply with international and national laws and standards as well as human rights. Respect for human rights and other legislation is central to sustainable development, peace, security and prosperity.

**Responsibilities**

The Legal Department of the Galenica Group supports the Service Units and companies in interpreting and applying the legislation correctly. It also ensures that new statutory provisions are implemented in the company. Current challenges for Galenica relate to the implementation of the new provisions of the revised Therapeutic Products Act (TPA) and the forthcoming amendment to the Swiss Data Protection Act (nFADP).

**Code of Conduct of the Galenica Group**

In addition to the statutory provisions, the [Code of Conduct](#) of the Galenica Group sets out the ethical rules and standards that all employees must adhere to. Among other things, the Code includes provisions on conflicts of interest, insider dealing or corruption, as well as on environmental protection. The Code also contains clear commitments to human rights, such as fair working conditions, the exclusion of child or forced labour, discrimination, and the health and safety of employees. Managers are responsible for addressing and dealing with specific conflict situations in day-to-day business.

The Service Unit Pharmacies also has its own specific Code of Conduct. As a binding internal operating procedure, it serves to ensure that pharmacists have pharmaceutical independence at all times and therefore always give priority to the health and wishes of patients. The Code also sets out how employees must behave towards third parties and which advertising measures are permissible.

**Supplier Code of Conduct**

Galenica ensures that not only the Group and its companies, but also its business partners comply with international and national laws and norms, as well as industry-specific standards, good practices and human rights. The [Code of Conduct](#) applies to suppliers, service providers and consultants of the Galenica Group. It covers issues relating to ethics, employment law, health, safety, quality and the

environment. Purchasing department employees receive training covering the content of the Code of Conduct. In addition, the Legal Department is always involved in important Group-wide contracts. It also regularly reviews the contract templates of the Galenica Group to check for compliance risks.

### **Comprehensive quality management**

All Galenica Group companies have an extensive quality management system (QMS) in place. Alloga, Medifilm, Mediservice, UFD and HCI Solutions are certified to ISO 9001 (quality management system). Verfora, Bichsel and HCI Solutions are certified to ISO 13485 (quality management systems of medical device manufacturers). The Bichsel Group's QMS is also structured in accordance with the ICH-Q10 standard (pharmaceutical quality assurance system) of the European Medicines Agency. The manufacture of sterile, biological medicinal products filled in an aseptic environment places the highest demands on the implementation and maintenance of a QMS. Due to the critical relevance of the manufactured products, Bichsel generally carries out a major review of compliance with ISO 13485 and the statutory good manufacturing practice (GMP) and GDP requirements every two years.

The process management systems of Galexis and the companies in the Service Unit Pharmacies also meet the requirements of the ISO 9001 standard. However, they are not currently certified. Alloga, Galexis, G-Pharma, Mediservice and Verfora are periodically inspected by the regional therapeutic products inspectorates as part of GDP reviews.

The Amavita, Sun Store and Coop Vitality pharmacies maintain a QMS that covers all the key processes of a public pharmacy as well as environmental factors. Compliance with internal and external standards is monitored by means of regular quality audits, inspections by cantonal pharmacists and test purchases. The QMS at the specialty pharmacy Mediservice fulfils a broad scope of requirements because of the pharmacy's wide range of tasks.

### **Anti-Corruption Policy and Whistleblower Reporting Office**

The [Anti-Corruption Policy](#) sets out the principles and guidelines for combating corruption and regulates their implementation by the employees and business partners of the Galenica Group. Any form of corrupt conduct towards or bribery of public officials and private individuals, whether directly or via third parties, is prohibited. Galenica has a zero-tolerance approach to corruption and bribery on the part of employees, partners, suppliers and representatives of third parties. The policy supplements the Group Code of Conduct and the Supplier Code of Conduct and applies to all employees.

Galenica also has an external [Whistleblower Reporting Office](#). This offers all employees and business partners the opportunity to anonymously report suspected breaches of the rules.

### **Compliance programme**

The Galenica Group compliance programme includes a clear commitment to comply with legislation and guidelines and to behave with integrity. The programme describes the Galenica Group's approach to compliance within the three areas of prevention, discovery and reaction and acts as a framework for all central compliance measures and processes.

### Regular training

Galenica employees receive regular training on key compliance topics such as anti-corruption measures, the Code of Conduct and antitrust law. A web-based tool is one of the methods used for this.

### Evaluation of the management approach and measures

- Reporting: suspected breaches of the rules by employees indicate potential for improvement and possible misconduct. All reports are investigated.
- Audit and Risk Committee: the Audit and Risk Committee of the Board of Directors reviews the company's compliance and risk management process.
- ISO audits: the ISO-certified companies of the Group are regularly audited.

### GRI 419-1

#### Non-compliance with laws and regulations in the social and economic area

All Galenica Group companies continued to operate in compliance with the law in 2022. There were no fines or monetary sanctions resulting from non-compliance with legislation and/or regulations.

### GRI 205-3

#### Confirmed incidents of corruption and actions taken

The Galenica Group was not aware of any incidents of corruption in the reporting year and there were therefore no confirmed incidents of corruption.

### GRI 206-1

#### Legal actions for anti-competitive behaviour, anti-trust and monopoly practices

##### COMCO fine referred with appeals

On 20 March 2017, the Swiss Competition Commission (COMCO) issued a ruling against HCI Solutions imposing a fine of CHF 4.5 million. This relates to an investigation carried out in 2012 in which the main allegations could not be substantiated. Of the six allegations investigated, only two subordinate issues remained open. Galenica and HCI Solutions regard the ruling issued by COMCO in relation to these remaining issues as legally and factually incorrect. HCI Solutions therefore referred the decision to the Federal Administrative Court on 4 May 2017. In a decision issued in February 2022, the Federal Administrative Court reduced the fine to just under CHF 3.8 million and granted HCI Solutions reduced party costs. HCI Solutions filed a complaint with the Federal Supreme Court in March 2022.

In 2006, the Competition Commission opened an investigation against three manufacturers of impotence treatments as well as against e-mediat AG, (currently: HCI Solutions Ltd.), Galaxis AG and Unione Farmaceutica Distribuzione SA among others. In the first instance, the manufacturers were sanctioned with fines for vertical price agreements based on the price recommendations they issued. Although no

sanctions were imposed on the legal entities of the Galenica Group, HCI Solutions Ltd., Galexis Ltd. and Unione Farmaceutica Distribuzione SA referred the decision to the Federal Administrative Court because they were found to have aided and abetted the unlawful competition agreements without providing any further justification. In its decision of 8 December 2021, the Federal Supreme Court ruled in favour of the Galenica Group companies. The decision of the COMCO was overturned in the final instance insofar as it affected HCI Solutions Ltd., Galexis Ltd. and Unione Farmaceutica Distribuzione Ltd.

# Emissions and climate change, waste and recycling

---

## GRI Report

The business activities of the Galenica Group have various impacts on the environment and climate. Galenica makes every effort to use natural resources efficiently and respectfully, to reduce negative environmental impacts and to dispose of waste safely.



## **GRI 302: Energy, GRI 305: Emissions and climate change**

### **GRI 3-3 Management of material topics**

In order to provide their services, Galenica Group companies consume renewable as well as non-renewable resources. These processes generate gaseous, liquid and solid waste products as well as greenhouse gases. Electricity and fuels are the main energy sources used by Galenica. Electricity accounts for 40% of total energy consumption. Transport is the main cause of direct and indirect greenhouse gas emissions at Galenica and is responsible for other pollutant emissions. Greenhouse gases in the atmosphere are primarily responsible for global warming and climate change, with serious consequences for humans, animals and the environment. Galenica

therefore attempts to use resources as efficiently as possible, on the basis of economically viable measures, and to reduce the resulting environmental impact as much as possible.

### Objectives

Galenica has defined the following objectives:

- From 2025, we will be sourcing 100% of our electricity from renewable sources at all our locations (base year: 2021).
- We will reduce the greenhouse gas emissions produced by all our operations, processes and supply chains by 25% by 2025 and by 50% by 2030 (base year: 2021).
- We will replace 40% of the fossil fuels in our vehicle fleet with renewable alternatives by 2028 (base year: 2021).

Galenica also intends to establish supply chain partnerships to promote circularity with regard to the climate, water and waste.

You can find an overview of all sustainability goals and the progress made [here](#).

### Binding targets agreed with the FOEN

In order to reduce CO<sub>2</sub> intensity and increase energy efficiency, the Alloga sites in Burgdorf, Galexis sites in Lausanne-Ecublens and Niederbipp, and the Bichsel Group agreed on binding targets with the Federal Office for the Environment (FOEN). In return for their commitment, the companies can apply for a refund of the CO<sub>2</sub> incentive tax on fossil fuels or a subsidy to implement sustainability measures, provided they comply with the agreements. The targets are agreed individually based on each site's potential. Galenica is working with the Energy Agency for Industry (EnAW) to define an efficiency path with various commercially viable measures. As part of the targets agreed with the FOEN, for example, Alloga put a new groundwater heat pump into operation at the beginning of 2022.

### Reduce fuel consumption

In order to reduce fuel consumption, pre-wholesale and wholesale companies regularly review and implement energy efficiency measures – both internally and with external logistics partners. This includes the use of commercial vehicles that meet the highest emissions standard (currently Euro VI) for all Group companies and the initiation of joint pilot projects for the use of delivery vehicles with alternative drive systems. At the same time, since 2020 Galexis has been converting its own delivery fleet and introducing more efficient vehicles with a higher load capacity to avoid multiple journeys when large loads are being delivered. External contract drivers are contractually obliged to use only vehicles that meet the Euro V standard or higher. All drivers from Galexis, UFD, Pharmapool, Bichsel and Alloga regularly attend mandatory driver safety training, which aims to teach them an environmentally friendly, fuel-efficient driving style, among other things. Galenica also pursues and supports sustainability initiatives for logistics companies through associations (such as GS1) and in cooperation with public authorities.

### Environmental Code of Conduct and mobility concept

The Environmental Code of Conduct applies to all employees of the Galenica Group. This provides guidance on saving energy and making efficient use of natural resources in the workplace and in transport.

Galenica encourages its employees to use public transport and electric vehicles and has implemented specific mobility concepts at some locations, such as the headquarters in Bern. Employees who commute to work by public transport receive a financial contribution towards their travel costs. In January 2022, a further mobility concept was introduced in Lausanne-Ecublens as part of the renovation work at the site. Only limited parking spaces are available for employees. Galexis encourages employees to organise carpools or use public transport to get to work and provides employees with financial support for the use of public transport. In 2022, Galenica amended its Group-wide company vehicle policy in favour of e-mobility. Today, around 12% of company vehicles have electric or hybrid drive systems.

### **Starting to implement renewable energies in distribution**

Galenica wants to promote the use of renewable energies in distribution logistics and has adopted a memorandum of understanding to this effect as part of its distribution strategy. The first vehicle powered by biogas has been in successful use at Galaxis since 2021 and a second vehicle was also put into operation at the beginning of 2022. In addition, Galaxis carried out initial test drives with an electric vehicle for the local distribution of goods and products. From 2023, Galaxis will be putting its first own electric delivery vehicle into operation as a test. In addition, two additional electric delivery vehicles will be in operation via third parties. Charging times remain a major challenge, which means that vehicles are only used up to 50% of their capacity and are therefore inefficient from an economic point of view. Galenica sees great potential in hydrogen technology for lorries and is therefore in the process of identifying the specific steps that need to be taken to implement hydrogen technology in logistics. Discussions have been held with a logistics service provider that already operates several hydrogen-powered lorries in Switzerland about a pilot test with a view to putting them into operation as internal goods transport. A major challenge here is the requirement for temperature-controlled transport in accordance with GDP guidelines, as the air-conditioning system consumes a lot of energy.

### **Focus on increasing energy efficiency during renovations**

When carrying out renovations, Galenica always takes into account measures to improve energy efficiency and looks into the feasibility of installing photovoltaic systems. During the renovation of the Galaxis distribution centre in Lausanne-Ecublens, for example, all buildings and roofs were refurbished to improve energy efficiency and a photovoltaic system was installed. A photovoltaic system has also been in operation on the roof of the Alloga building in Burgdorf since 2018, and Galaxis plans to install a photovoltaic system at the Niederbipp site in 2023.

In the Service Unit Pharmacies, there is only a very limited choice of energy sources for heating and electricity as almost all the premises are rented. However, electricity consumption can be controlled, which is why Galenica is consistently focusing on energy-saving lighting and the installation of motion detectors when renovating pharmacies.

### **Preparing for possible electricity and gas shortages**

Due to the current tense energy supply situation in Switzerland, Galenica initiated a Group-wide task force in 2022 and defined various energy-saving measures. For example, exterior lighting was switched off at all operating sites, temperatures were reduced in all rooms and motion detectors were installed. The task force has also worked out possible scenarios in the event of an electricity and gas shortage and defined appropriate measures in order to be able to react in an emergency.

### **Evaluation of the management approach and measures**

– Key figures: key environmental figures relating to greenhouse gas emissions and energy consumption by the Group are collected at least once a year in order to check whether the environmental targets are being achieved.

- Galenica’s sustainability objectives form part of its collaboration with partners (suppliers, logistics service providers, service providers) throughout the supply chain.
- Targets agreed with the FOEN: EnAW provides Galenica with annual feedback and recommendations on how to improve energy efficiency and reduce CO<sub>2</sub> intensity.
- ESG topics are part of the contractual agreements in investment planning and the awarding of contracts.
- CDP: Galenica completes the CDP questionnaire once a year. CDP is an international, non-profit organisation that provides the largest and only worldwide environmental database for companies and cities. Its aim is to encourage as many companies as possible to disclose their impact on the environment and natural resources. This information is collected on behalf of more than 680 institutional investors, who together represent more than USD 130 trillion in assets. In 2022, as in the previous year, Galenica ranked C in its level of engagement score. This certifies that the Galenica Group understands how environmental issues affect the business model. The results are published at [www.cdp.net](http://www.cdp.net).

### **GRI 302-1**

#### **Energy consumption within the organisation**

Galenica discloses the total energy consumption within the organisation as well as energy consumption from non-renewable and renewable sources in the [key environmental figures](#).

### **GRI 302-2**

#### **Energy consumption outside of the organisation**

The declared energy consumption outside of the organisation is limited to downstream transport and distribution and is shown in the [key environmental figures](#).

### **GRI 302-3**

#### **Energy intensity**

Galenica uses the number of full-time equivalents (FTEs) as the organisation-specific parameter to calculate the energy intensity ratio. The quotient takes into account the energy consumption within the organisation and includes the following types of energy: fuels, electricity and heat consumption. Energy intensity is shown in the [key environmental figures](#).

### **GRI 305-1**

#### **Direct (Scope 1) GHG emissions**

Galenica discloses direct (Scope 1) greenhouse gas (GHG) emissions as well as further information on the standards, methods and assumptions used in the [key environmental figures](#).

### **GRI 305-2**

#### **Energy indirect (Scope 2) GHG emissions**

Energy indirect (Scope 2) GHG emissions as well as information on the standards, methods and assumptions used are disclosed in the [key environmental figures](#).

## GRI 305-3

### Other indirect (Scope 3) GHG emissions

Other reported indirect (Scope 3) GHG emissions include third-party fuel consumption and are shown in the [key environmental figures](#). There you will also find further information about standards, methods and assumptions.

#### Objectives

Galenica has defined the following objectives:

- We will reduce our municipal waste by 50% by 2025 (base year: 2021).

You can find an overview of all sustainability goals and the progress made [here](#).

## GRI 306:

### Waste and recycling

#### GRI 3-3, GRI 306-1, GRI 306-2

#### Management of material topics

Alongside conventional municipal waste (mainly packaging materials), the Galenica Group also produces medical and chemical waste. In Switzerland, expired or surplus medication is classified as hazardous waste and may not be disposed of with conventional industrial waste. Hazardous waste entails both disposal costs and environmental and health risks. Proper disposal is therefore key to protecting the environment, animals and people. Waste can be disposed of in different ways, depending on the type of waste. Waste incineration generates harmful greenhouse gas emissions, but in Switzerland some of the heat generated is also used for district heating or for electricity production. The recycling of waste products and raw materials has positive effects on the environment, such as the avoidance of greenhouse gas emissions and the conservation of scarce natural resources. Almost half of waste is recycled at Galenica. Galenica also strives to reduce and, where possible, prevent waste.

#### Proper disposal of returned medications

The pharmacies and logistics companies in the Galenica Group take back and properly dispose of expired or unused medications. In pharmacies, this is done in accordance with internal quality management processes. The pharmacists perform an initial triage of the returned medications and sort the products according to specific criteria. They focus particularly on critical ingredients (such as heavy metals, solvents or highly active substances), but also on the special characteristics of the dosage form (such as gas pressure vessels). After this pre-selection process, the drugs are disposed of properly at a conventional incineration plant or in a specially designed high-temperature furnace. The disposal of controlled substances such as narcotics must be documented by pharmacists and reported to Swissmedic. The GDP guidelines, which Alloga, Unione, Pharmapool and Galexis have signed up to, also provide instructions on how to handle returns. The actual disposal of expired and unused medications is carried out by third parties, with the exception of Medifilm, which is the only company in the Galenica Group with an approval for hazardous waste disposal.

For safety reasons, all returned drugs are disposed of without exception, even if they have not yet expired and/or the packaging is still intact. Controlled disposal prevents people or animals from coming into contact with potentially hazardous pharmaceutical waste, such as in torn rubbish bags at the roadside or in the form of contamination. Pharmacies therefore make a valuable contribution to the

environmentally friendly and controlled disposal of hazardous waste. In addition, all Galenica Group pharmacies provide only biodegradable plastic bags to their customers.

The Service Unit Wholesale & Logistics is continuously investigating additional ways of reducing waste. The use of recycled packaging is an effective measure; 94% of deliveries are already made in reusable, recycled storage containers. The remaining 6% is delivered in recyclable cardboard packaging.

#### **Environmental Code of Conduct**

The Environmental Code of Conduct contains guidelines on waste separation for all employees who work in the office. In addition, new employees receive a leaflet on waste management and recycling when they join the Group.

#### **Evaluation of the management approach and measures**

- Key figures: key environmental figures relating to Group waste are collected at least once a year in order to check whether the environmental targets are being achieved.
- Quality management: compliance with quality management processes is monitored on an ongoing basis.

#### **GRI 306-3**

##### **Waste generated**

Galenica discloses the total weight of waste generated and a breakdown by composition of waste in its [key environmental figures](#).

#### **GRI 306-5**

##### **Waste directed to disposal**

In its [key environmental figures](#), Galenica reports waste disposed of using the following disposal methods: incineration, hazardous waste incineration and recycling.

# Employees

---

GRI Report

Employees play a key role in the success of the Galenica Group. Galenica therefore makes every effort to promote employee motivation and development as well as diversity and equal opportunities, to ensure occupational health and safety and to retain qualified employees.



## GRI 401: Employment Employee motivation

### GRI 3-3

#### Management of material topics

A total of 7,608 employees work at Galenica providing professional services to the satisfaction of a wide range of customers. As a key employer in the Swiss healthcare market, Galenica makes an important contribution to the Swiss economy and supports sustainable labour and economic growth. For Galenica, the topic of employment (GRI 401) includes employment conditions and employee motivation. These influence the satisfaction and well-being of employees and, in turn, their efficiency, productivity and turnover. Furthermore, the emphasis on the corporate values (five key Galenica values), a contemporary and appreciative management culture and modern working models (life-domain balance) play an important role. Employee motivation is also closely linked to employee training and continuous education, which

enables them to develop both professionally and personally. Galenica therefore summarises all issues relating to the employment of competent and motivated employees in terms of employee motivation and development.

For more information on the specific employee topics, please refer to Training and education (GRI 404), Diversity and equal opportunity (GRI 405), Occupational health and safety (GRI 403), Retention of qualified employees (own topic).

### Objectives

Galenica has defined the following objectives:

- We are increasing the motivation rate of our employee survey to 75 out of 100 points and the participation rate to 75% by 2024 (base year: 2021).

You can find an overview of all sustainability goals and the progress made [here](#).

### The five key values

The **five key values** provide support for employees in all their work and form the basis for the joint understanding of the way in which they cooperate and interact with one another.

- We participate with passion.
- We act as entrepreneurs.
- We build trust.
- We show respect.
- Together we are stronger.

### Responsibilities and strategy

The Service Unit Human Resources (HR) is responsible for personnel management and supports the respective companies with their HR Business Partners in managing their employees. Galenica revised its HR strategy in 2022. The strategic focus areas include advice and coaching, the promotion of young talent and personnel development, as well as occupational health and diversity.

### Personnel Policy, Personnel Regulations and Working Time Regulations

The Personnel Policy of the Galenica Group is based on the above-mentioned corporate values and sets out the binding guidelines for human resources management (HRM). These guidelines apply to all companies within the Group. Galenica's Personnel Policy discusses how it, as an employer, wishes to treat its employees and what Galenica expects from its employees. The Galenica Group's Personnel Regulations and Working Time Regulations, in turn, are aimed at all employees and contain information and rules regarding working hours, salaries and employee insurance.

### Balancing private life and work

Galenica offers flexible working time models to provide a better work-life balance for its employees. According to the guidelines on homeworking, employees also have the option of working from home up to 100% of the time, depending on their activity. Part-time work is also common, particularly in the Service Unit Pharmacies, and co-management teams are also possible in the pharmacies. Furthermore, female employees can extend their maternity leave with unpaid leave and men receive paternity leave of ten days, which is fully paid, in contrast to the statutory obligation.

### **Opinio employee survey**

The Opinio employee survey has a long tradition at Galenica. Since 2020, it has been held annually rather than every three years, thus enabling Galenica to react more quickly and in a more targeted manner to changes in employee satisfaction and motivation. In 2022, 71% of all employees participated in the survey. The response rate is therefore higher than the 2021 survey. With a Group-wide score of 74 out of 100 possible points, it is pleasing to see that employee motivation increased compared to the previous year.

### **Promote interaction and commitment among employees**

The staff committees are important points of contact for the concerns of all employees that are of general interest and are to be discussed with the Executive Committee. Conversely, the Executive Committee consults the staff committee or works committee on relevant personnel matters that concern all or most employees, such as conditions of employment. The works committee is made up of the chairs of all the local staff committees. Twice a year, a meeting takes place between the works committee, the Group-wide employee representatives, a representative of the Executive Committee and HR management. It addresses topics that go beyond the local concerns of the staff committees in the individual business areas. The staff committees generally meet several times per year and are also informed about the topics and resolutions of the works committee meetings.

In 2021, a team of "Change Ninjas" was created. They are actively shaping the transformation of the Galenica Group and supporting the Service Units in their transformation plans.

### **Various communication platforms**

Direct, personal interaction between employees from all language regions of Switzerland and a total of 89 countries lies at the heart of Galenica's communication efforts, with the aim of actively promoting knowledge exchange and cooperation. The various physical and digital information events and management meetings within the business sectors and companies are a good way of ensuring that this happens. Information on current topics from all areas of the company is provided at events and via the intranet, G-Net.

Twice a year, all employees and retired employees also receive the printed employee magazine Spot, which is delivered to their homes. This enables their partners and family members to gain an insight into developments in the Galenica world too.

### **Employee profit-sharing programme**

Galenica shares the success of the company with all employees. 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 2022, 19.2% of employees participated in the programme (previous year: 19.7%). These shares are blocked for three years after the date of purchase.

For members of Senior Management (SMT) and Management (MT), the profit share is included proportionately in the annual bonus. This is dependent on attaining quantitative and qualitative targets. The share-based remuneration programme LTI (see Remuneration report) for

members of the Executive Committee and certain members of the SMT is geared towards long-term performance, whereby remuneration is withheld for a period of three years. In 2022, Galenica introduced joint bonus-related targets for the Executive Committee, members of the Senior Management and Management, which will apply from 2023. These relate to customer and employee satisfaction. These new objectives are intended to strengthen the network philosophy and the focus on social objectives.

### Employee benefit plans

The Galenica Pension Fund covers the risks and economic consequences of old age, disability and death according to the specifications of the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPA). Like the previous foundations, it is legally, organisationally and financially independent of Galenica. The pension fund is managed according to the defined contribution principle. This is usually financed by contributions from the employee and the employer. The contributions made by employer and employee are accrued into individual savings capital for each employee. The savings capital is usually paid out as a lump sum or converted into an annuity on reaching statutory retirement age. In cases of termination of employment, the savings are transferred as vested benefits. 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 Old Age, Survivors' and Invalidity Pension Provision (OPO 2) 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.

Due to increasing life expectancy and a drop in interest received, the conversion and contribution rates were adjusted as of 1 January 2022.

### Evaluation of the management approach and measures

- Key figures: key personnel figures, such as employee turnover, are collected from across the Group and analysed every six months.
- Employee satisfaction and motivation: the satisfaction and motivation of employees is evaluated as part of the annual employee survey. The Executive Committee examines the results, particularly the critical points, and defines effective measures based on their findings.

## GRI 401-1

### New employee hires and employee turnover

Aspect	GRI Indicator	Unit	2022	2021	2020	2019	2018
<b>Employees</b>	102-8	number	7,608	7,239	7,205	7,071	6,580
by gender	102-8						
- women	102-8	number	5,601	5,351	5,308	5,268	5,078
- men	102-8	number	2,007	1,888	1,897	1,803	1,502
part-time (<90%)	102-8	number	4,367	3,058	3,039	2,897	2,603
<b>Employee Turnover</b>	401-1	%	14.4	14.5	10.6	11.4	12.4

Galenica does not provide a breakdown of newly hired employees by region. Furthermore, due to the different personnel systems, there is no breakdown of employee turnover by age group, gender or region.

### Objectives

Galenica has defined the following objectives:

- We will reduce the absence rate for occupational and non-occupational accidents by 10% by 2024 (base year: 2021).
- We will reduce the number of cases due to mental illness (base year: 2021).

You can find an overview of all sustainability goals and the progress made [here](#).

## GRI 403: Safety and health in the workplace

### GRI 3-3, GRI 403-1 to 403-7

#### Management of material topics

It goes without saying that Galenica attaches great importance to the physical and mental health of its employees. The topic covers the effects of business activities on the physical and mental well-being of all employees. There is an increased risk of accidents, particularly in the Service Units Wholesale & Logistics and Pharmacies, which is why occupational health and safety play such a key role in these areas. Galenica has a duty to prevent any violation of the physical or psychological integrity of its employees in the workplace. This keeps both personal suffering and costs to a minimum. Galenica also strives to identify potential health risks at an early stage and ensure a swift return to work after an illness or accident. Galenica thus makes a significant contribution to the health and well-being of its employees.

#### Health and safety precautions for employees

Galenica puts in place measures to protect employee health and maintain safety in the workplace in accordance with the directives of the Federal Coordination Commission for Occupational Safety (FCOS). In addition, all companies have an occupational health management (OHM) system. Galenica also uses a preventive case management system in order to identify potential health risks for employees at an early stage and take appropriate measures. This tool is deployed within the first 30 days of absence. The top priority is to ensure that the employee can return to work quickly following an illness or accident. Galenica is working with the organisations Movis and Carelink to improve health protection. Carelink offers emergency psychological support in crisis situations, for example following a robbery of a pharmacy. Movis provides support for employees concerning the protection of their personal integrity as well as stress management and burnout prevention. The Galenica Group also offers all employees an annual flu vaccination.

Due to the increased risk of accidents, the companies Alloga and Galexis also have a systematic absence management system, which is part of the OHM system. Discussions are held with employees in the event of prolonged or frequent absences, and contact is maintained in the case of a return to work after a long absence. Alloga and Galexis also organise training sessions together with Suva to avoid operational accidents. In 2022, Galexis introduced an accident barometer at its Niederbipp and Lausanne-Ecublens locations in order to raise

awareness among employees and prevent occupational accidents. An accident barometer is also to be introduced at Alloga in 2023.

The Service Units Pharmacies, Healthcare and Wholesale & Logistics have appointed occupational safety officers. Each Galenica Group site also has fire protection officers who are responsible for fire safety and evacuations, as well as a first aid team that organises first aid.

The [Code of Conduct](#) for Suppliers of the Galenica Group states that suppliers must ensure a safe and healthy working environment and guarantee the protection of their employees in accordance with all applicable health and safety regulations.

#### **Evaluation of the management approach and measures**

- Key figures: employee absences are regularly analysed by the Service Unit HR and appropriate measures are taken.
- Safety audit: external safety consultants regularly carry out safety audits at the Service Unit Wholesale & Logistics.
- At Galexis, internal safety audits (inspections) are also carried out on a monthly basis with the corresponding department heads, and measures to improve occupational safety are identified and documented.

### **GRI 403-9**

#### **Work-related injuries**

Galenica discloses the number of occupational and non-occupational accidents and the absence rate of work-related injuries in the [key social figures](#). There were no work-related fatalities in the reporting year.

## **GRI 403-10**

### **Work-related ill health**

Galenica discloses the number of cases of illness, hours of absence due to illness and the absence rate in the [key social figures](#). The number of deaths caused by work-related illnesses is not recorded.

## **GRI 404: Training and education**

### **Employee development**

#### **GRI 3-3**

#### **Management of material topics**

When it comes to logistics and the sale of pharmaceuticals, employees and their specialist knowledge play a crucial role. As a successful company, Galenica wants to develop with the market and set trends. The adaptability of the Galenica Group is based on the commitment and team spirit of its entire workforce. In order to maintain this, Galenica provides continuous support for the personal and professional development of its employees. The topic of training and education encompasses the retention and development of existing employees by means of training and education as well as the training of apprentices.

#### **Promote knowledge and interaction among employees**

Continuous personnel development and the management work of the future are at the heart of the Group-wide personnel development programme Move. Move represents agility and flexibility and therefore reflects the range of employee development options available. This comprises modules in the field of professional training as well as leadership and personal development on various levels. In 2022, Galenica conducted 37 modules with 481 employees. New employees are invited to an induction day (Move 1) where the history, culture and strategy of the Galenica Group and its companies are explained. The aim of the two-year Talent Mentoring Programme is to develop high-performing employees in their current role or to introduce them to a higher-level position in order to strengthen internal succession planning in the medium to long term. Participants (mentees) are given a platform where they can exchange views and experience across the business sectors. At the same time, the knowledge and skills of experienced managers are used to further develop the next generation of talented employees. Each mentee is assigned a personal mentor. In 2022, 14 employees took part in the Talent Mentoring Programme.

As part of the Junior Talent Management Programme of the Service Unit Pharmacies, pharmacy assistants can develop their own project for a year. They are supported by mentors and trained in project management.

#### **Education in pharmacies**

Galenica also supports employees with external training by giving them financial aid and/or allowing them the time, provided that the training is related to their current role and offers added value for the company and the employees. The Service Unit Pharmacies, for example, offers the CAS course "Management for Pharmacists" in cooperation with the University of Basel. 13 employees successfully completed the CAS course in 2022.

The Service Unit Pharmacies also covers the costs of further training to become a “Specialist Pharmacist in Retail Pharmacy” (FPH certification in Retail Pharmacy). Based on the revision of the Medical Profession Act (MedPA), qualified pharmacists are required to obtain this federal qualification if they want to work as a responsible person in a pharmacy. Galenica is committed to ensuring that as many pharmacists as possible are able to complete this training. In 2022, 41 employees completed the course.

In light of the revision of MedPA, Galenica 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 increases the skills of pharmacists in basic healthcare, enabling them to diagnose minor illnesses and dispense an appropriate prescription drug. In 2022, 242 pharmacists already had the qualification and 43 were undergoing training.

Additional training opportunities in the pharmacies include the FPH certificate of proficiency in vaccination, specific training courses on rapid antigen tests and an e-learning module on the use of algorithms and software in the field of primary care.

#### **Training apprentices**

Galenica is making a strong commitment to the next generation of qualified employees: in 2022, the Group trained 838 apprentices – 749 young women and 89 young men – at its companies. Of these, 278 completed their apprenticeships, many with bravura. Having qualified, 143 apprentices have since become Group employees.

#### **Evaluation of the management approach and measures**

– Performance reviews: the performance of employees is evaluated and discussed at annual performance reviews. Education also plays a key role in this.

### **GRI 404-3**

#### **Percentage of employees receiving regular performance and career development reviews**

All employees with a permanent contract receive a regular review of their performance and professional development as part of the annual performance reviews. The number of employees, broken down by type of employment contract, is shown in [GRI 2-7](#).

**Objectives**

Galenica has defined the following objectives:

- We will improve diversity in all Service Units and keep the proportion of female executives at 50%.

You can find an overview of all sustainability goals and the progress made [here](#).

## **GRI 405: Diversity and equal opportunity**

### **Diversity and equal opportunity**

**GRI 3-3****Management of material topics**

The theme of diversity and equal opportunity involves issues of equality and equal treatment with regard to age, origin, gender and other diversity indicators. In addition to equal pay for men and women, diversity also includes the integration of people with disabilities into the work process. The Galenica Group is committed to diversity and brings together people from 89 countries and all age groups. Three-quarters of employees are women. Galenica does not tolerate discrimination or harassment and promotes equal opportunities for all. As a result, employees feel appreciated and acknowledged. The diversity of employees also benefits the innovative capacity, success and attractiveness of the company as an employer. Diversity and equality also have a positive impact on society at large by promoting social stability and cohesion and thus supporting sustainable development.

**Code of Conduct**

All employees of the Galenica Group have the right to be treated fairly, politely and respectfully by line managers, employees, colleagues, customer representatives and business partners. No one may be harassed, discriminated against or disadvantaged on the grounds of race, skin colour, religion, ideology, political opinion, nationality, descent, disability, gender, age or any other relevant criterion. These principles are set out in the Code of Conduct of the Galenica Group.

**Equal pay**

In accordance with the requirements of the Federal Act on Gender Equality (GEA), Galenica carried out an equal pay analysis for companies with more than 100 employees in 2021. The salaries of the Galenica Group were analysed using the Logib method (the federal government's standard analysis tool) on the basis of April 2021. The analysis showed that an overwhelming majority of employees enjoyed equal pay. Equal pay is a major concern for Galenica. Accordingly, targeted measures were implemented as of 1 January 2023.

The statutory formal review of the equal pay analysis was carried out by the statutory auditor Ernst & Young Ltd. According to their reports, the analyses comply with legal requirements in all respects.

To ensure equal pay for men and women, the Galenica Group uses benchmarks when reviewing salaries.

### Protection of personal integrity in the workplace

Bullying, discrimination and sexual harassment are three examples of problematic behaviour that can lead to violations of personal integrity. A violation of personal integrity in the workplace affects the well-being of the person concerned and puts their health and ability to work well with others within the company at risk. As an employer, Galenica is legally obliged to protect the privacy of its employees (Art. 328 CO, Art. 6(1) EmpA). The Galenica Group does not tolerate any violations of personal integrity; it prohibits all forms of bullying, sexual harassment, discrimination, violence and threats, and is committed to non-violent and harassment-free treatment at all levels of the hierarchy. Every year, however, employees report isolated cases that are subsequently investigated. In order to improve the protection of the personal integrity of employees, they also have the option of contacting an external advisory centre if necessary.

### Evaluation of the management approach and measures

- Review of equal pay: Galenica regularly checks the status of equal pay for men and women and takes measures if necessary.

## GRI 405-1 Diversity of governance bodies and employees

Aspect	GRI Indicator	Unit	2022	2021	2020	2019	2018
<b>Diversity and equal opportunities</b>							
<b>Management</b>	405-1	number	719	666	652	641	615
by gender	405-1						
- women	405-1	%	52.6	52.1	51.7	52.3	50.9
- men	405-1	%	47.4	47.9	48.3	47.7	49.1
<b>Retention of Qualified Employees</b>							
Time to hire: Pharmacies		days	60.5	52.5	73.3		
Time to hire: IT		days	65.1	81.8			

Management includes the function levels of Senior Management and Management/Pharmacy Management.

**Objectives**

Galenica has defined the following objective:

- We will reduce the time-to-hire for IT and pharmacy positions by 10% by 2024 (base year: 2021).

You can find an overview of all sustainability goals and the progress made [here](#).

## Own material topic

### Retention of qualified employees

**GRI 3-3****Management of material topics**

In Switzerland, the retention of qualified employees represents a major challenge, particularly in the healthcare professions and IT. In addition to the scarcity of employees, the requirements in terms of training and skills are constantly increasing. For Galenica, retaining specialist staff plays a key role, particularly in the Service Unit Pharmacies, as pharmacies need to be managed by good, qualified staff. As the Swiss healthcare system becomes increasingly digitalised, Galenica will be more dependent on IT and e-commerce professionals in the future. Galenica is committed to retaining qualified employees, including recruiting them and keeping them within the company and supporting them outside the company. In doing this, Galenica supports sustainable labour and economic growth in Switzerland.

**Recruitment strategy to retain qualified employees**

Galenica reviews its recruitment activities on an ongoing basis and adapts to the constantly changing conditions in the labour market. Galenica's recruitment strategy includes measures relating to the company's image as an employer, its positioning and university marketing for students. Galenica aims to make contact with students while they are still at university and encourage them to pursue a career within the Galenica Group.

In 2022, Galenica initiated a skills shortage task force and implemented a large number of measures relating to the Pharmacies segment in particular. Among other things, Galenica has expanded the areas of responsibility of pharmacy assistants, raised their minimum wage and further optimised the recruitment process.

**Evaluation of the management approach and measures**

- Key figures: key personnel figures (such as time-to-hire) relating to recruitment are collected on a regular basis in order to monitor the implementation of the recruitment strategy and the achievement of targets.

**Own indicator****Time-to-hire**

The time-to-hire for vacant IT and pharmacy positions was on average around 65 days for IT positions and 61 days for pharmacy positions in the reporting year.

# Patient safety and health

GRI Report

Patient safety and health is a top priority for Galenica. Galenica is committed to ensuring the quality of medicines along the entire value chain.



## Own material topic Patient safety and health

### GRI 3-3

#### Management of material topics

Medication errors or reductions in the quality of medications can have serious consequences for a patient's health. They also pose a reputational risk for the companies involved. Digitalisation opens up new opportunities for innovative solutions to improve patient safety. Galenica is committed to ensuring the quality of medicines along its entire value chain and takes the appropriate measures along the supply chain in terms of infrastructure, processes, and employee training and education. With personal and competent advice and a unique range of products and services, Galenica supports its patients in all life situations and helps people of all ages lead a healthy life. Galenica thus makes an important contribution to the well-being and health of the Swiss population.

### Objectives

Galenica has defined the following objectives:

- We will increase the use of Clinical Decision Support Checks (CDS.CE) to 500 million by 2025 and 1 billion by 2030 (base year: 2021).
- We will make patient information on all Algifor® preparations and important cold products from Verfora available online in two additional languages that are relevant for Switzerland by 2022.

Galenica has also defined internal objectives in the area of patient safety and health.

You can find an overview of all sustainability goals and the progress made [here](#).

### GDP guidelines for a good distribution practice

Alloga, Galexis, UFD, Pharmapool, Verfora and the Bichsel Group adhere to the GDP guidelines for human medicinal products in an exemplary manner. On the one hand, these legal requirements are intended to prevent counterfeit drugs from entering legal supply chains. On the other hand, control measures within the distribution chain ensure the quality and integrity of drugs. Drug temperature is recorded and analysed in real time throughout the entire life cycle, from production through to delivery to the customer. If there are deviations in temperature, the causes are investigated and suitable measures are taken in accordance with GDP guidelines. In addition to these guidelines, the aforementioned companies apply their own standards and processes in their day-to-day work to ensure patient safety at all times.

Galexis, UFD, Pharmapool and the Bichsel Group each operate their own fleet comprising 164 delivery vans (up to 3.5 tonnes) and 5 lorries (14 to 22 tonnes). All vehicles are GDP-compliant and are fitted with an air conditioning system in the loading space, which is mandatory for the transport of pharmaceutical products.

### Quality systems

HCI Solutions provides master data for the Swiss healthcare market. The company is also active in the field of e-health with the aim of increasing patient and medication safety in the Swiss healthcare system. With innovative digital solutions such as Documedis®, HCI Solutions makes a significant contribution to safe and efficient healthcare in Switzerland. To guarantee the quality of medication data, HCI Solutions carries out process-integrated checks. The company checks the acquisition of drug data according to the four-eyes principle, while the six-eyes principle applies to sensitive active substances (such as blood thinners). HCI Solutions carries out random quality checks on a daily basis and a more comprehensive inspection every two weeks. Any error discovered is documented and its cause investigated. HCI Solutions is certified to ISO 9001:2015 and ISO 13485:2016.

The QMS of the Service Unit Pharmacies has standard operating procedures (SOPs) for all relevant pharmacy processes. These include the manufacture and dispensing of drugs, data protection, confidentiality, hygiene and the disposal of medications. Galenicare regularly carries out audits to ensure compliance with the SOPs in the individual pharmacies. In addition to these announced audits, anonymous test purchases and phone calls and inspections by cantonal pharmacists take place in all pharmacies. Several times a year, Galenica conducts QMS and legal requirements courses for pharmacy employees. For specific services such as heart checks, allergy checks, diabetes checks and vaccinations, employees complete certified courses and obtain certificates of competence.

As a company specialising in pharmaceutical manufacturing and home care with its own certified general pharmacist, the Bichsel Group places great importance on the quality of its products and services. The company carries out numerous chemical and microbiological analyses on a daily basis to check end products, raw materials and packaging materials and holds manufacturing licenses, EU GMP certificates for medicinal products and EC certificates for medical devices in accordance with Directive 93/42/EEC of the European Council.

The specialty pharmacy Mediservice supports patients with chronic and rare illnesses by providing additional services such as home care and patient events. Mediservice also has a licence to operate as a public pharmacy and a wholesale licence. Accordingly, Mediservice's QMS meets a wide range of requirements.

For more information on certifications and quality systems, please refer to Compliance ([GRI 419](#)).

### **Continuous monitoring of all products**

Product safety is checked and safeguarded at Verfora using a variety of approaches. Verfora checks that contract manufacturers qualify for the necessary processes by carrying out initial and regularly recurring audits. These evaluate compliance with the GMP guidelines and ensure that they are adhered to so that safe products can be manufactured for patients at all times. The audits also take into account environmental, health and safety factors within the partner companies. The products are then carefully examined before being placed on the market to ensure that they have been manufactured and tested in accordance with the GMP guidelines and that they meet all applicable specifications. As with all medications, Verfora products undergo a preclinical and a clinical trial to ensure their safety and efficacy. Once the products are on the market, pharmacovigilance is at the heart of Verfora's safety efforts, i.e. the continuous monitoring of all products. All new Verfora employees are trained in pharmacovigilance and receive a checklist of steps to be taken in the event of side effects. In addition, pharmacovigilance training is held for all employees every year. The company also systematically checks advertisements and advertising posters for products to ensure they are correct. In parallel to pharmacovigilance, the products are regularly analysed in the laboratory until the end of their life so that any deviations in quality can be identified and remedied at an early stage.

### **Promote the technical competence of employees**

In 2022, around 115 pharmacists attended quality management courses. Quality management and patient safety are also key issues in the basic training of pharmacy assistants working towards their Federal Proficiency Certificate.

Where required, Verfora offers training sessions for pharmacies when new medications are launched in order to promote employees' skills and ensure patient safety and health. In 2022, Verfora conducted 150 training sessions for a total of 7,670 pharmacy assistants and pharmacists.

### **Increased patient safety using e-medication solution**

Digitalisation is leading to new, innovative ways to improve patient safety. Documedis® is the process-integrated solution for increased medication and patient safety in the healthcare system. Documedis® offers specific e-health applications and services relating to the medication process based on INDEX data. HCI Solutions works with various reference communities to make Documedis® available in the electronic patient record. This will allow more functions to be made available to the various service providers in the future, such as merging several e-Mediplans, which will result in an increase in patient safety.

Documedis® is already being implemented in pharmacy, medical and hospital software.

The Documedis® module Primary Care Algorithms (PCA.CE) provides the option of offering precise identification of health disorders and illnesses using algorithms. There are 33 algorithms in total. Documedis® also includes Clinical Decision Support Checks (CDS.CE Check). These checks enable pharmacists to check the patient's used or planned medication for known risks, duplication or allergies to active substances. There are currently 13 such CDS.CE checks. The CDS.CE Check thus supports service providers when prescribing new medications or when supplementing existing medication. HCI Solutions is continuously expanding the functionality of Documedis®. Documedis® Vaccination will also be available in the course of 2023. Documedis® Vaccination is the new digital all-in-one solution for [vaccination](#): from vaccination documentation and analysis to the creation of a clear vaccination plan.

#### **Uninterrupted cold chain for medications**

All Wholesale & Logistics companies, as well as Medifilm, Mediservice and Bichsel, provide an uninterrupted cold chain for the storage and transport of temperature-sensitive drugs. At Alloga, this also applies to so-called ultra-deep-freeze logistics, in other words, storage and dispatch at  $-80^{\circ}\text{C}$ , the required temperature for a new generation of cancer drugs. In preparation for the delivery of COVID-19 vaccines, Alloga further expanded its ultra-deep-freeze logistics in the reporting year. Temperature control is ensured by using dry ice in special containers. Alloga and Galexis also use paraffin-filled cooling elements, which, in contrast to water-based cooling elements, ensure the medicines remain at a more stable temperature. The proportion of transported refrigerated products in the reporting year was 6% for Galexis' own vehicle fleet and around 31% for third-party transport.

**Important contribution to combating the coronavirus**

Galenica pharmacies are making an important contribution to combating the coronavirus. From mid-November 2020, the first of them offered both rapid antigen tests and PCR tests for coronavirus, and pharmacies have also been offering COVID-19 vaccinations since 2021. In 2022, Galenica pharmacies carried out around 88,000 antigen, PCR and antibody tests and administered over 47,000 COVID-19 vaccinations.

**Evaluation of the management approach and measures**

- Quality management: the QMSs of the companies of the Galenica Group are regularly and systematically audited.
- GDP guidelines: the regional therapeutic products institutes periodically check compliance with the GDP guidelines.
- Pharmacovigilance: at Verfora, all employees are obliged to forward reports of side effects from specialists and patients to the responsible internal office promptly and in full. Information on the duration, progression and impact of the side effect and on the dosage and duration of product use plays a key role in this. Verfora documents and investigates each report, taking appropriate measures where necessary.

**Own indicator****Pharmacovigilance: forwarding reports**

In 2022, Verfora employees met the deadline for forwarding reports of side effects in 98% of cases (target: >90%). At Bichsel, the responsible parties met the deadline for forwarding reports of side effects to the authorities in 100% of cases.

**Own indicator****QMS training in pharmacies**

In the reporting year, 115 pharmacists completed QMS training.

# Data protection, IT security and cybercrime

---

GRI Report

As a healthcare provider, protecting patient data is a top priority for Galenica. Galenica ensures that this information is protected against unauthorised access and unauthorised changes or loss.



## **GRI 418: Customer privacy** **Data protection**

### **GRI 3-3** **Management of material topics**

As the Swiss healthcare system becomes increasingly digitalised, the importance of data protection grows and the legal requirements for data processing become more comprehensive. Data protection involves the handling of patient and customer data with the aim of protecting the privacy of patients when their data is processed. Health data is sensitive information that must be protected by law against misuse. Data protection plays a key role in the Service Unit Pharmacies and HCI Solutions in particular. Galenica ensures that patient data is protected against unauthorised access and unauthorised changes or loss. Data protection is also an important basis for a peaceful and inclusive society and strong institutions.

### Objectives

Galenica has defined the following objectives:

- We carry out measures to raise employee awareness in the area of data protection twice a year.

You can find an overview of all sustainability goals and the progress made [here](#).

### Data Protection Policy and employee training

Galenica is being assisted in this important area by an independent external data protection officer. The Data Protection Policy forms the overarching framework and is supplemented by specific rules and directives for the Group companies. All employment contracts of employees who have access to personal data also contain a data protection clause. All employees are regularly trained and made aware of data protection issues. In the reporting year, the Legal Department developed a new e-learning course on the topic of data protection, which will be launched in 2023.

### Focus on data protection revision

At the end of September 2020, the Swiss parliament passed a complete revision of the Federal Act on Data Protection (nFADP). The nFADP and the new Ordinance to the Federal Act on Data Protection (nOFADP) will enter into force on 1 September 2023. The revision will bring the Data Protection Act into line with technological and social conditions, which have changed since the act was last revised. In particular, the transparency of data processing will be improved and the autonomy of data subjects will be strengthened. The revised Data Protection Act has been aligned in many areas with the EU General Data Protection Regulation (GDPR) and entails new obligations for companies. Galenica is working on implementing these new requirements, one of which is the duty to provide information. Against this backdrop, Galenica published a Privacy Policy for employees in 2022 and developed a new process for exercising the right of access, which enables data subjects to have control over their own personal data. In addition, the Group's Legal Department continues to follow the EU GDPR practices.

### Data Protection Circle

The Data Protection Circle is a committee that offers employees of the Legal Department, IT and operational business sectors a platform for managing and coordinating data protection issues and questions across the Group and implementing preventive measures at an early stage. The committee therefore makes a major contribution to compliance with data protection legislation. The Data Protection Circle is headed by the General Secretary. The committee is part of the Legal Department.

### Evaluation of the management approach and measures

Reviews: Galenica keeps up to date with the ongoing amendments to data protection legislation and conducts regular audits, thus ensuring that legal regulations are observed and a high standard is maintained in relation to the handling of personal data.

**GRI 418-1****Substantiated complaints concerning breaches of customer privacy and losses of customer data**

In the reporting year, there were no substantiated complaints relating to a breach of customer data protection, and there was no statutory investigation of data theft or loss.

**Own material topic****IT security and cybercrime****GRI 3-3****Management of material topics**

With the increasing digitalisation of the healthcare system, the risk of cyber attacks is growing. This is why IT security is highly important at Galenica. As a healthcare provider, Galenica processes sensitive information and data. Galenica ensures that these are protected against unauthorised access and unauthorised changes or loss. Protecting IT systems is crucial for logistics companies and pharmacies in order to ultimately ensure the security of supply to the population. People are one of the greatest risk factors in connection with cyber attacks, as many cyber attacks target employees, for example by means of fraudulent e-mails (phishing).

**Objectives**

Galenica has also defined the following objective:

- We will make our employees aware of IT security and cybercrime.

Galenica has also defined internal objectives in the area of IT security and cybercrime.

You can find an overview of all sustainability goals and the progress made [here](#).

**Responsibilities**

At Group level, the topic of IT security is coordinated by the Head of Information Security & Quality Assurance. In 2022, Galenica restructured the responsibilities and organisation of IT security. The newly formed IT Security Board is responsible for balancing the interests of IT and the individual Business Units and coordinates IT security-relevant topics and measures. These are implemented by the members in their respective areas. The Board is responsible for the IT security strategy and ensures its implementation. The aim of the strategy is to achieve reliable and efficient IT security across the Group. The Board meets quarterly or as required and will begin its work in 2023.

**Clear guidelines to govern operations**

The IT Security Policy defines the objectives relating to information and IT security, the competencies and responsibilities as well as the IT security principles of the Galenica Group. The Policy applies to all companies of the Galenica Group and forms the basis for all written IT security instructions. In addition, the IT Usage Regulations set out the security-related rules of conduct for using IT work equipment, such as the use of private devices, working on the move and working from home. Finally, the IT Security Manual is aimed at employees in the IT departments and lays down the regulations for secure IT operations.

**Raising employee awareness**

The cooperation of all employees is required to ensure information and IT security. In addition to technical measures, Galenica also promotes awareness of security among employees by means of specific e-learning modules and intranet news. New employees are made aware of the key elements of the IT user regulations on their induction day. Galenica regularly runs e-learning courses on data security and dealing

with phishing and cyber attacks. In addition, information on cybercrime is regularly published on the intranet for employees.

#### **Evaluation of the management approach and measures**

- Security audit: the IT Security Policy and its implementation are regularly reviewed by internal departments or external specialists to ensure they are up to date and effective.
- Monitoring: the security monitoring system monitors all IT systems and triggers an alarm in the event of anomalies. This is performed by an external Security Operation Center (SOC).
- e-learning: the participation rate for the e-learning modules on data security and cybersecurity is regularly recorded and evaluated.

#### **Own indicator**

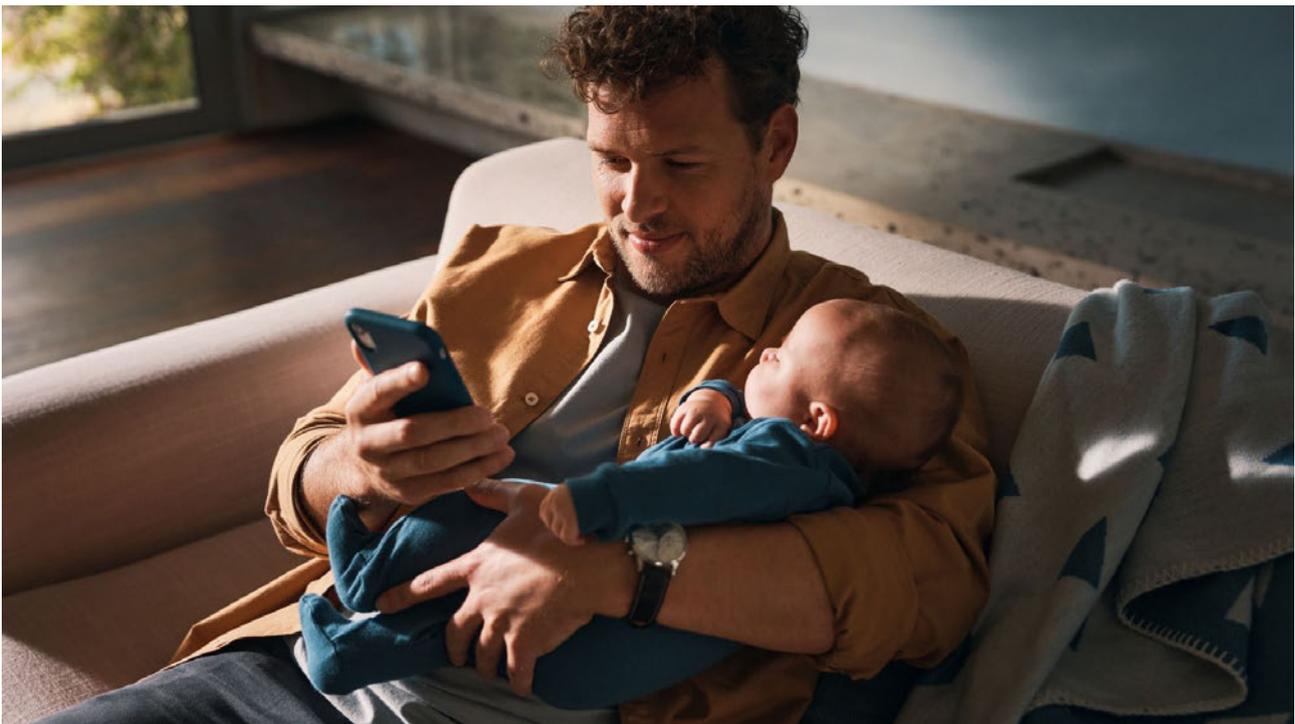
##### **Participation in e-learning**

In the reporting year, two e-learning courses were offered in the area of IT security and cybercrime. The average participation rate was 88%.

# Reliable procurement and supply chain

GRI Report

Supply bottlenecks in the pharmaceutical supply chain are becoming more and more frequent worldwide, including in Switzerland. Galenica makes every effort to ensure the greatest possible availability of medicines in order to guarantee the reliability of supplies to the population.



## Own material topic

### Reliable procurement and supply chain

#### GRI 3-3

#### Management of material topics

Causes of the increasing supply bottlenecks include centralised manufacturing at just a few locations in the world as well as outages and quality problems in the value chain. As a leading fully integrated healthcare provider, Galenica depends on the ability of manufacturers to deliver. As a result, the reliable procurement and supply of medicines to the population are becoming increasingly important for Galenica. The challenges posed by the COVID-19 pandemic have further reinforced the relevance of reliable procurement and a reliable supply chain. A reliable supply of medicines is crucial to the health and well-being of the Swiss population.

### Objectives

Galenica has defined the following objective:

- We will review the compliance of our top ten suppliers with the Supplier Code of Conduct every three years from 2025.

Galenica has also defined internal objectives in the area of reliable procurement and supply chain.

You can find an overview of all sustainability goals and the progress made [here](#).

### Scheduling system and cooperation

Galenica works closely with suppliers to ensure the greatest possible availability of medicines. As a result of coordinated processes, the suppliers provide information about possible supply bottlenecks at an early stage. An IT-based scheduling system helps Galenica optimise its procurement and logistics processes.

### Responding to critical bottlenecks in good time

The logistics companies of the Galenica Group review the inventory range in the pharmaceutical sector on a daily basis, enabling them to respond in good time to bottlenecks and increased demand. If critical bottlenecks occur or there is an increased demand for specific products, as has been the case time and again due to COVID-19, logistics companies quickly change the way they work. The delivery of non-essential products, such as cosmetics or perfumes, is temporarily discontinued in order to guarantee the supply of essential products. In addition, the amount that each customer can order is reduced to prevent panic buying.

### Evaluation of the management approach and measures

Key figures: key figures relating to the availability of medicines are collected on a daily basis to allow the Galenica companies to respond in good time to bottlenecks and increased demand.

### Own indicator

#### Availability of medicines

The availability of medicines is a major global challenge and naturally also affects the Swiss market. Over the past two years, COVID-19 has clearly demonstrated how disruptions in global supply chains have a negative impact on local availability. This makes it all the more important that medications that are available in principle or will be available again can be delivered to service providers as quickly as possible. Here, Galenica's logistics operations manage to make and keep over 99% of these medications available throughout Switzerland within 24 hours.

# GRI-Index

**Statement of use:** Galenica Ltd. has reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022.

**GRI 1 used:** GRI 1: Foundation 2021

**Applicable GRI Sector Standards:** None

GRI Indicator	Description	Reference
<b>GRI 2 General Disclosures 2021</b>		
<b>The organization and its reporting practices</b>		
2-1	Organizational details	General Disclosures
2-2	Entities included in the organization's sustainability reporting	General Disclosures Financial Reporting
2-3	Reporting period, frequency and contact point	General Disclosures
2-4	Restatements of information	General Disclosures Management Report
2-5	External assurance	General Disclosures
<b>Activities and workers</b>		
2-6	Activities, value chain and other business relationships	General Disclosures Management Report Galenica Website Value Chain Financial Reporting Corporate Governance
2-7	Employees	General Disclosures Social figures
2-8	Workers who are not employees	General Disclosures
<b>Governance</b>		
2-9	Governance structure and composition	General Disclosures Corporate Governance Sustainability at Galenica Organisational Regulations
2-10	Nomination and selection of the highest governance body	General Disclosures Corporate Governance Articles of Association Organisational Regulations
2-11	Chair of the highest governance body	General Disclosures
2-12	Role of the highest governance body in overseeing the management of impacts	General Disclosures Corporate Governance
2-13	Delegation of responsibility for managing impacts	General Disclosures Corporate Governance Articles of Association Organisational Regulations
2-14	Role of the highest governance body in sustainability reporting	General Disclosures
2-15	Conflict of interest	General Disclosures Corporate Governance Articles of Association Organisational Regulations Code of Conduct
2-16	Communication of critical concerns	General Disclosures

2-17	Collective knowledge of the highest governance body	General Disclosures
2-18	Evaluation of the performance of the highest governance body	General Disclosures Corporate Governance
2-19	Remuneration policies	General Disclosures Remuneration Report Articles of Association Organisational Regulations
2-20	Process to determine remuneration	General Disclosures Remuneration Report Articles of Association Organisational Regulations
2-21	Annual total compensation ratio	General Disclosures
<b>Strategy, policies and practices</b>		
2-22	Statement on sustainable development strategy	General Disclosures Foreword
2-23	Policy commitments	General Disclosures Sustainability at Galenica Code of Conduct
2-24	Embedding policy commitments	General Disclosures Sustainability at Galenica
2-25	Processes to remediate negative impacts	General Disclosures Whistleblower Reporting Office
2-26	Mechanisms for seeking advice and raising concerns	General Disclosures Code of Conduct
2-27	Compliance with laws and regulations	General Disclosures Corporate Governance
2-28	Membership associations	General Disclosures
<b>Stakeholder engagement</b>		
2-29	Approach to stakeholder engagement	General Disclosures Sustainability at Galenica
2-30	List of material topics	General Disclosures
<b>GRI 3 Material Topics 2021</b>		
3-1	Process to determine material topics	Disclosures on material topics Sustainability at Galenica
3-2	Collective bargaining agreements	Disclosures on material topics Sustainability at Galenica
<b>Reliable Procurement and Supply Chain (own material topic)</b>		
3-3	Management of material topics	Reliable Procurement and Supply Chain
Own indicator	Availabilities of medicines	Reliable Procurement and Supply Chain
<b>IT Security and Cybercrime (own material topic)</b>		
3-3	Management of material topics	Data Protection, IT Security and Cybercrime
Own indicator	Training	Data Protection, IT Security and Cybercrime
<b>Patient Safety and Health (own material topic)</b>		
3-3	Management of material topics	Patient Safety and Health
Own indicator	Pharmacovigilance: forwarding of reports	Patient Safety and Health
Own indicator	Training in pharmacies	Patient Safety and Health
<b>GRI 418 Customer Privacy 2016</b>		
3-3	Management of material topics	Data Protection, IT Security and Cybercrime

418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data Protection, IT Security and Cybercrime
<b>Retention of Qualified Employees (own material topic)</b>		
3-3	Management of material topics	Employees
Own indicator	Time to hire	Employees Social figures
<b>GRI 302 Energy 2016</b>		
3-3	Management of material topics	Emissions and Climate Change, Waste and Recycling
302-1	Energy consumption within organization	Emissions and Climate Change, Waste and Recycling Environmental figures
302-2	Energy consumption outside of the organization	Emissions and Climate Change, Waste and Recycling Environmental figures
302-3	Energy intensity	Emissions and Climate Change, Waste and Recycling Environmental figures
<b>GRI 305 Emissions 2016</b>		
3-3	Management of material topics	Emissions and Climate Change, Waste and Recycling
305-1	Direct (Scope 1) GHG emissions	Emissions and Climate Change, Waste and Recycling Environmental figures
305-2	Energy indirect (Scope 2) GHG emissions	Emissions and Climate Change, Waste and Recycling Environmental figures
305-3	Other indirect (Scope 3) GHG emissions	Emissions and Climate Change, Waste and Recycling Environmental figures
<b>GRI 205 Anti-Corruption 2016</b>		
3-3	Management of material topics	Economic Performance and Compliance
205-3	Confirmed incidents of corruption and actions taken	Economic Performance and Compliance
<b>GRI 206 Anti-Competitive Behavior 2016</b>		
3-3	Management of material topics	Economic Performance and Compliance
206-1	Legal actions for anti-competitive behavior; anti-trust, and monopoly practices	Economic Performance and Compliance
<b>GRI 419 Sozioökonomische Compliance 2016</b>		
3-3	Management von wesentlichen Themen	Economic Performance and Compliance
419-1	Nichteinhaltung von Gesetzen und Vorschriften im sozialen und wirtschaftlichen Bereich	Economic Performance and Compliance
<b>GRI 401 Employment 2016</b>		
3-3	Management of material topics	Employees
401-1	New employee hires and employee turnover	Employees Social figures
<b>GRI 404 Training and Education 2016</b>		
3-3	Management of material topics	Employees
404-3	Percentage of employees receiving regular performance and career development reviews	Employees General Disclosures (GRI 2-7)
<b>GRI 306 Waste 2020</b>		
3-3	Management of material topics	Emissions and Climate Change, Waste and Recycling

306-1	Waste generation and significant waste-related impacts	Emissions and Climate Change, Waste and Recycling
306-2	Management of significant waste-related impacts	Emissions and Climate Change, Waste and Recycling
306-3	Waste generated	Emissions and Climate Change, Waste and Recycling Environmental figures
306-5	Waste directed to disposal	Emissions and Climate Change, Waste and Recycling Environmental figures
<b>GRI 201 Economic Performance 2016</b>		
3-3	Management of material topics	Economic Performance and Compliance
201-1	Direct economic value generated and distributed	Economic Performance and Compliance Financial Reporting
<b>GRI 403 Occupational Health and Safety 2018</b>		
3-3	Management of material topics	Employees
403-1	Occupational health and safety management system	Employees
403-2	Hazard identification, risk assessment, and incident investigation	Employees
403-3	Occupational health services	Employees
403-4	Worker participation, consultation, and communication on occupational health and safety	Employees
403-5	Worker training on occupational health and safety	Employees
403-6	Promotion of worker health	Employees
403-7	Prevention and mitigation of occupational health and safety impact directly linked by business relationships	Employees
403-9	Work-related injuries	Employees Social figures
403-10	Work-related ill health	Employees Social figures
<b>GRI 405 Diversity and Equal Opportunity 2016</b>		
3-3	Management of material topics	Employees
405-1	Diversity of governance bodies and employees	Employees Social figures

# Financial Reporting

# Alternative performance measures 2022 of the Galenica Group

184 Definitions of alternative performance measures

---

185 Organic growth of net sales

---

188 Adjusted consolidated statement of income

---

190 Free cash flow

---

191 Capital management

---

193 Value based management

---

## 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.

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.

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 longservice awards for the period of service.

### IFRS 16 – Leases

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, 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.

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 operating segments Products & Care and Logistics & IT excluding the effects of acquisitions, new license agreements, openings and closures of pharmacies (effect of net expansion). It provides a "like-for-like" comparison with previous periods. In the business area Retail (B2C), organic growth of net sales is calculated only including points of sales with a full year period comparison. In the business area Professionals (B2B), organic growth of net sales is calculated only including existing business activities 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 mandatory price reductions.

### Organic growth of net sales 2022

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care <sup>1)</sup>	Wholesale	Logistics & IT Services	Logistics & IT <sup>1)</sup>
Net sales	1,806,625	228,780	<b>2,029,620</b>	2,820,359	130,712	<b>2,933,318</b>
Change to previous period <sup>2)</sup>	5.0%	17.9%	<b>6.4%</b>	3.4%	16.8%	<b>3.6%</b>
Effect of net expansion	7,498 <sup>3)</sup>	17,972 <sup>4)</sup>	<b>25,469</b>	–	682	<b>682</b>
In % of net sales of previous period	0.4%	9.3%	<b>1.3%</b>	0.0%	0.6%	<b>0.0%</b>
<b>Net sales excluding effect of net expansion</b>	<b>1,799,127</b>	<b>210,809</b>	<b>2,004,151</b>	<b>2,820,359</b>	<b>130,030</b>	<b>2,932,636</b>
<b>Organic growth of net sales<sup>2)</sup></b>	<b>4.6%</b>	<b>8.6%</b>	<b>5.1%</b>	<b>3.4%</b>	<b>16.2%</b>	<b>3.6%</b>
Mandatory price reductions <sup>5)</sup>	33,780			57,520		
In % of net sales of previous period	2.0%			2.1%		
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,832,907</b>			<b>2,877,879</b>		
<b>Organic growth of net sales excluding price reductions<sup>2)</sup></b>	<b>6.6%</b>			<b>5.5%</b>		

<sup>1)</sup> Including eliminations of intercompany net sales

<sup>2)</sup> Growth rate includes minor change in segment reporting structure: adjusted growth rate on a comparable basis would be 1.2% lower for Retail (B2C), 1.2% lower for Products & Care and 0.8% higher for Wholesale and Logistics & IT

<sup>3)</sup> The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

<sup>4)</sup> The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

<sup>5)</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 2022 Products &amp; Care

in thousand CHF	Local Pharmacies	Pharmacies at Home	Retail (B2C) <sup>1)</sup>	Products & Brands	Services for Professionals	Professionals (B2B) <sup>1)</sup>
Net sales	1,286,856	519,939	<b>1,806,625</b>	157,687	71,093	<b>228,780</b>
Change to previous period <sup>2)</sup>	2.0%	13.3%	<b>5.0%</b>	19.8%	13.9%	<b>17.9%</b>
Effect of net expansion	7,835 <sup>3)</sup>	-337 <sup>3)</sup>	<b>7,498<sup>3)</sup></b>	8,771 <sup>4)</sup>	9,200 <sup>4)</sup>	<b>17,972<sup>4)</sup></b>
In % of net sales of previous period	0.6%	-0.1%	<b>0.4%</b>	6.7%	14.7%	<b>9.3%</b>
<b>Net sales excluding effect of net expansion</b>	<b>1,279,021</b>	<b>520,276</b>	<b>1,799,127</b>	<b>148,916</b>	<b>61,893</b>	<b>210,809</b>
<b>Organic growth of net sales<sup>2)</sup></b>	<b>1.4%</b>	<b>13.4%</b>	<b>4.6%</b>	<b>13.1%</b>	<b>-0.8%</b>	<b>8.6%</b>
Mandatory price reductions <sup>5)</sup>	16,672	17,108	<b>33,780</b>			
In % of net sales of previous period	1.3%	3.7%	<b>2.0%</b>			
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,295,693</b>	<b>537,384</b>	<b>1,832,907</b>			
<b>Organic growth of net sales excluding price reductions<sup>2)</sup></b>	<b>2.7%</b>	<b>17.1%</b>	<b>6.6%</b>			

<sup>1)</sup> Including eliminations of intercompany net sales

<sup>2)</sup> Growth rate includes minor change in segment reporting structure: adjusted growth rate on a comparable basis would be 3.4% lower for Pharmacies at Home and 1.2% lower for Retail (B2C)

<sup>3)</sup> The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

<sup>4)</sup> The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

<sup>5)</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 2021

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care <sup>1)</sup>	Wholesale	Logistics & IT Services	Logistics & IT <sup>1)</sup>
Net sales	1,719,987	193,972	<b>1,908,130</b>	2,728,437	111,865	<b>2,831,358</b>
Change to previous period	13.3%	11.9%	<b>13.4%</b>	7.8%	13.7%	<b>7.9%</b>
Effect of net expansion	26,013 <sup>2)</sup>	29,287 <sup>3)</sup>	<b>55,300</b>	–	–	–
In % of net sales of previous period	1.7%	16.9%	<b>3.3%</b>	0.0%	0.0%	<b>0.0%</b>
<b>Net sales excluding effect of net expansion</b>	<b>1,693,974</b>	<b>164,685</b>	<b>1,852,830</b>	<b>2,728,437</b>	<b>111,865</b>	<b>2,831,358</b>
<b>Organic growth of net sales</b>	<b>11.6%</b>	<b>–5.0%</b>	<b>10.1%</b>	<b>7.8%</b>	<b>13.7%</b>	<b>7.9%</b>
Mandatory price reductions <sup>4)</sup>	20,275			33,137		
In % of net sales of previous period	1.3%			1.3%		
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,714,249</b>			<b>2,761,574</b>		
<b>Organic growth of net sales excluding price reductions</b>	<b>12.9%</b>			<b>9.1%</b>		

<sup>1)</sup> Including eliminations of intercompany net sales

<sup>2)</sup> The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

<sup>3)</sup> The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

<sup>4)</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 2021 Products &amp; Care

in thousand CHF	Local Pharmacies	Pharmacies at Home	Retail (B2C) <sup>1)</sup>	Products & Brands	Services for Professionals	Professionals (B2B) <sup>1)</sup>
Net sales	1,261,521	458,844	<b>1,719,987</b>	131,581	62,392	<b>193,972</b>
Change to previous period	8.5%	29.2%	<b>13.3%</b>	17.8%	1.4%	<b>11.9%</b>
Effect of net expansion	25,078 <sup>2)</sup>	935 <sup>2)</sup>	<b>26,013<sup>2)</sup></b>	24,579 <sup>3)</sup>	4,708 <sup>3)</sup>	<b>29,287<sup>3)</sup></b>
In % of net sales of previous period	2.2%	0.3%	<b>1.7%</b>	22.0%	7.6%	<b>16.9%</b>
<b>Net sales excluding effect of net expansion</b>	<b>1,236,443</b>	<b>457,908</b>	<b>1,693,974</b>	<b>107,002</b>	<b>57,683</b>	<b>164,685</b>
<b>Organic growth of net sales</b>	<b>6.3%</b>	<b>28.9%</b>	<b>11.6%</b>	<b>–4.2%</b>	<b>–6.2%</b>	<b>–5.0%</b>
Mandatory price reductions <sup>4)</sup>	11,338	8,937	<b>20,275</b>			
In % of net sales of previous period	1.0%	2.5%	<b>1.3%</b>			
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,247,781</b>	<b>466,846</b>	<b>1,714,249</b>			
<b>Organic growth of net sales excluding price reductions</b>	<b>7.3%</b>	<b>31.4%</b>	<b>12.9%</b>			

<sup>1)</sup> Including eliminations of intercompany net sales

<sup>2)</sup> The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

<sup>3)</sup> The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

<sup>4)</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 2022

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
<b>Net sales</b>	<b>4,014,348</b>	–	–	<b>4,014,348</b>
Products & Care <sup>1)</sup>	2,029,620	–	–	2,029,620
Logistics & IT <sup>1)</sup>	2,933,318	–	–	2,933,318
Other income	13,040	–	–	13,040
<b>Operating income</b>	<b>4,027,388</b>	–	–	<b>4,027,388</b>
Cost of goods	–3,008,302	–	–	–3,008,302
Personnel costs	–538,353	617	–	–537,736
Other operating costs	–181,151	–	–54,494	–235,645
Share of profit from associates and joint ventures	4,202	22	–50	4,173
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>303,784</b>	<b>639</b>	<b>–54,545</b>	<b>249,879</b>
Products & Care <sup>1)</sup>	223,288	–	–50,871	172,417
Logistics & IT <sup>1)</sup>	80,518	–	–2,469	78,049
Depreciation, amortisation and impairment	–100,474	–	51,407	–49,067
<b>Earnings before interest and taxes (EBIT)</b>	<b>203,310</b>	<b>639</b>	<b>–3,138</b>	<b>200,812</b>
Return on sales (ROS) <sup>2)</sup>	5.1%	0.0%	–0.1%	5.0%
Products & Care <sup>1)</sup>	156,273	–	–2,752	153,521
Return on sales (ROS) <sup>2)</sup>	7.7%	0.0%	–0.1%	7.6%
Logistics & IT <sup>1)</sup>	49,306	–	–60	49,246
Return on sales (ROS) <sup>2)</sup>	1.7%	0.0%	0.0%	1.7%
Net financial expenses	–3,685	–224	2,455	–1,453
<b>Earnings before taxes (EBT)</b>	<b>199,626</b>	<b>415</b>	<b>–683</b>	<b>199,358</b>
Income taxes	–33,767	–33	126	–33,674
<b>Net profit</b>	<b>165,859</b>	<b>383</b>	<b>–557</b>	<b>165,684</b>
Attributable to:				
– Shareholders of Galenica Ltd.	165,132	383	–558	164,956
– Non-controlling interests	727	–	1	728

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

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

in CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Earnings per share	3.32	0.01	–0.01	3.32
Diluted earnings per share	3.32	0.01	–0.01	3.32

## Adjusted consolidated statement of income 2021

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
<b>Net sales</b>	<b>3,834,679</b>	–	–	<b>3,834,679</b>
Products & Care <sup>1)</sup>	1,908,130	–	–	1,908,130
Logistics & IT <sup>1)</sup>	2,831,358	–	–	2,831,358
Other income	21,082	–	593	21,675
<b>Operating income</b>	<b>3,855,761</b>	–	<b>593</b>	<b>3,856,354</b>
Cost of goods	–2,873,589	–	–	–2,873,589
Personnel costs	–518,859	7,331	–	–511,528
Other operating costs	–164,240	–	–51,775	–216,014
Share of profit from associates and joint ventures	6,765	288	61	7,114
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>305,838</b>	<b>7,620</b>	<b>–51,121</b>	<b>262,337</b>
Products & Care <sup>1)</sup>	225,106	–	–49,212	175,895
Logistics & IT <sup>1)</sup>	90,959	–	–1,909	89,050
Depreciation, amortisation and impairment	–98,430	–	49,224	–49,205
<b>Earnings before interest and taxes (EBIT)</b>	<b>207,408</b>	<b>7,620</b>	<b>–1,896</b>	<b>213,131</b>
Return on sales (ROS) <sup>2)</sup>	5.4%	0.2%	0.0%	5.6%
Products & Care <sup>1)</sup>	156,943	–	–2,469	154,474
Return on sales (ROS) <sup>2)</sup>	8.2%	0.0%	–0.1%	8.1%
Logistics & IT <sup>1)</sup>	60,489	–	538	61,028
Return on sales (ROS) <sup>2)</sup>	2.1%	0.0%	0.0%	2.2%
Net financial expenses	–4,375	18	2,298	–2,059
<b>Earnings before taxes (EBT)</b>	<b>203,033</b>	<b>7,638</b>	<b>402</b>	<b>211,073</b>
Income taxes	–34,850	–1,302	–106	–36,258
<b>Net profit</b>	<b>168,183</b>	<b>6,336</b>	<b>296</b>	<b>174,814</b>
Attributable to:				
– Shareholders of Galenica Ltd.	167,680	6,277	284	174,241
– Non-controlling interests	503	59	12	574

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

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

in CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Earnings per share	3.38	0.13	0.01	3.52
Diluted earnings per share	3.38	0.13	0.01	3.51

## 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	2022	2021
Cash flow from operating activities before working capital changes	281,750	281,397
Payment of lease liabilities	-52,459	-49,939
<b>Cash flow from operating activities before working capital changes adjusted</b>	<b>229,291</b>	<b>231,458</b>
Working capital changes	-44,877	51,698
<b>Cash flow from operating activities adjusted</b>	<b>184,414</b>	<b>283,156</b>
Cash flow from investing activities without M&A <sup>1)</sup>	-90,003	-18,742
<b>Free cash flow before M&amp;A</b>	<b>94,411</b>	<b>264,414</b>
Cash flow from M&A <sup>2)</sup>	-36,549	-69,494
<b>Free cash flow</b>	<b>57,862</b>	<b>194,920</b>

<sup>1)</sup> Cash flow from investing activities without net cash flow from business combinations

<sup>2)</sup> Net cash flow from business combinations

### CAPEX

in thousand CHF	2022	2021
Investments in property, plant and equipment	41,044	42,189
Investments in intangible assets	29,676	18,250
<b>CAPEX</b>	<b>70,720</b>	<b>60,439</b>

### Cash conversion

	2022	2021
Cash conversion <sup>1)</sup>	71.7%	77.0%

<sup>1)</sup> Calculated as EBITDA adjusted less CAPEX divided by EBITDA adjusted

## Capital management

Galenica's capital 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	2022	2021 (Restated)
<b>Total assets</b>	<b>2,612,825</b>	<b>2,565,802<sup>1)</sup></b>
Cumulative effects of IAS 19 adjustments	-2,466	-70,769
Cumulative effects of IFRS 16 adjustments	-226,168	-214,928
<b>Total assets adjusted</b>	<b>2,384,191</b>	<b>2,280,106<sup>1)</sup></b>

<sup>1)</sup> Figures restated (refer to note 2 of the Consolidated financial statements 2022 of the Galenica Group)

### Net debt

in thousand CHF	2022	2021
Current financial liabilities <sup>1)</sup>	218,464	43,019
Current lease liabilities	50,173	49,717
Non-current financial liabilities <sup>1)</sup>	181,389	381,697
Non-current lease liabilities	183,005	173,334
Cash and cash equivalents	-93,927	-164,982
Interest-bearing receivables	-11,347	-1,527
<b>Net debt</b>	<b>527,758</b>	<b>481,257</b>
Lease liabilities (current and non-current)	-233,178	-223,051
<b>Net debt adjusted</b>	<b>294,580</b>	<b>258,206</b>

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

### Shareholders' equity

in thousand CHF	2022	2021
<b>Shareholders' equity</b>	<b>1,249,461</b>	<b>1,233,677</b>
Cumulative effects of IAS 19 adjustments	14,340	-33,014
Cumulative effects of IFRS 16 adjustments	4,982	5,547
<b>Shareholders' equity adjusted</b>	<b>1,268,783</b>	<b>1,206,210</b>

**Equity ratio**

	2022	2021
Equity ratio <sup>1)</sup>	47.8%	48.1%
Equity ratio adjusted <sup>2)</sup>	53.2%	52.9%

<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**

	2022	2021
Gearing <sup>1)</sup>	42.2%	39.0%
Gearing adjusted <sup>2)</sup>	23.2%	21.4%

<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**

	2022	2021
Debt coverage <sup>1)</sup>	1.7 x	1.6 x
Debt coverage adjusted <sup>2)</sup>	1.2 x	1.0 x

<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.

#### Invested capital

in thousand CHF	2022	2021 (Restated)
Shareholders' equity adjusted	1,268,783	1,206,210
Net debt adjusted	294,580	258,206
Deferred tax assets <sup>2)</sup>	-231	-73
Deferred tax liabilities <sup>2)</sup>	49,325	49,347 <sup>1)</sup>
<b>Invested capital</b>	<b>1,612,456</b>	<b>1,513,690<sup>1)</sup></b>
<b>Average invested capital</b>	<b>1,563,073</b>	<b>1,513,316<sup>1)</sup></b>

<sup>1)</sup> Figures restated (refer to note 2 of the Consolidated financial statements 2022 of the Galenica Group)

<sup>2)</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.

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

in thousand CHF	2022	2021
EBIT adjusted	200,812	213,131
Net financial income from financial assets	489	633
<b>Net operating profit before taxes</b>	<b>201,301</b>	<b>213,764</b>
Calculatory tax rate (18%)	-36,234	-38,478
<b>Net operating profit after taxes (NOPAT)</b>	<b>165,067</b>	<b>175,286</b>
<b>Return on invested capital (ROIC)<sup>1)</sup></b>	<b>10.6%</b>	<b>11.6%</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.

### Galenica economic profit (GEP)

in thousand CHF	2022	2021 (Restated)
Net operating profit after taxes (NOPAT)	165,067	175,286
Cost of capital <sup>2)</sup>	-97,692	-94,582 <sup>1)</sup>
<b>Galenica economic profit (GEP)</b>	<b>67,375</b>	<b>80,704<sup>1)</sup></b>

<sup>1)</sup> Figures restated (refer to note 2 of the Consolidated financial statements 2022 of the Galenica Group)

<sup>2)</sup> Calculated as average invested capital multiplied with WACC (weighted average cost of capital) of 6.25 %

# Consolidated financial statements 2022 of the Galenica Group

<b>196</b>	<b>Consolidated statement of income</b>
<b>197</b>	<b>Consolidated statement of comprehensive income</b>
<b>198</b>	<b>Consolidated statement of financial position</b>
<b>199</b>	<b>Consolidated statement of cash flows</b>
<b>200</b>	<b>Consolidated statement of changes in equity</b>
<b>201</b>	<b>Notes to the consolidated financial statements of the Galenica Group</b>
201	1. Group organisation
201	2. Accounting principles
204	3. Operating segment information
208	4. Business combinations and disposals
212	5. Net sales
213	6. Other income
214	7. Personnel costs
214	8. Other operating costs
215	9. Financial result
215	10. Earnings per share
216	11. Income taxes
219	12. Inventories
220	13. Trade and other receivables
221	14. Property, plant and equipment
223	15. Leases
226	16. Intangible assets
229	17. Investments in associates and joint ventures
230	18. Financial assets
230	19. Financial liabilities
231	20. Trade and other payables
232	21. Provisions
233	22. Contingent liabilities and commitments
234	23. Employee benefit plans
239	24. Shareholders' equity
240	25. Financial instruments
245	26. Financial risk management
247	27. Capital management
248	28. Share-based payments
249	29. Related party transactions
250	30. Subsequent events
251	31. Group companies
<b>253</b>	<b>Report of the statutory auditor</b>

## Consolidated statement of income

in thousand CHF	Note	2022	2021
Net sales	5	4,014,348	3,834,679
Other income	6	13,040	21,082
<b>Operating income</b>		<b>4,027,388</b>	<b>3,855,761</b>
Cost of goods		-3,008,302	-2,873,589
Personnel costs	7, 23	-538,353	-518,859
Other operating costs	8	-181,151	-164,240
Share of profit from associates and joint ventures	17	4,202	6,765
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>303,784</b>	<b>305,838</b>
Depreciation, amortisation and impairment	14,15,16	-100,474	-98,430
<b>Earnings before interest and taxes (EBIT)</b>		<b>203,310</b>	<b>207,408</b>
Financial income	9	2,065	1,301
Financial expenses	9	-5,749	-5,677
<b>Earnings before taxes (EBT)</b>		<b>199,626</b>	<b>203,033</b>
Income taxes	11	-33,767	-34,850
<b>Net profit</b>		<b>165,859</b>	<b>168,183</b>
Attributable to:			
– Shareholders of Galenica Ltd.		165,132	167,680
– Non-controlling interests		727	503
in CHF	Note	2022	2021
Earnings per share	10	3.32	3.38
Diluted earnings per share	10	3.32	3.38

## Consolidated statement of comprehensive income

in thousand CHF	Note	2022	2021
<b>Net profit</b>		<b>165,859</b>	<b>168,183</b>
Translation differences		-64	-123
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>-64</b>	<b>-123</b>
Remeasurement of net defined benefit plans	23	-55,768	107,003
Income taxes from remeasurement of net defined benefit plans	11	10,025	-19,261
Share of other comprehensive income from associates and joint ventures	17	-921	3,529
<b>Items that will not be reclassified to profit or loss</b>		<b>-46,663</b>	<b>91,272</b>
<b>Other comprehensive (loss)/income</b>		<b>-46,727</b>	<b>91,148</b>
<b>Comprehensive income</b>		<b>119,132</b>	<b>259,331</b>
Attributable to:			
- Shareholders of Galenica Ltd.		118,405	258,737
- Non-controlling interests		727	594

## Consolidated statement of financial position

in thousand CHF	Note	2022	2021 (Restated)
Cash and cash equivalents		93,927	164,982
Trade and other receivables	13	529,479	461,108
Inventories	12	315,160	295,070
Prepaid expenses and accrued income		38,152	42,336
<b>Current assets</b>		<b>37.4%</b> <b>976,718</b>	<b>37.6%</b> <b>963,496</b>
Property, plant and equipment	14	249,495	244,549 <sup>1)</sup>
Right-of-use assets	15	226,685	215,496
Intangible assets	16	1,100,112	1,020,666 <sup>1)</sup>
Investments in associates and joint ventures	17	32,682	30,696
Financial assets	18	23,692	19,152
Deferred tax assets	11	3,258	4,747
Employee benefit assets	23	183	67,000
<b>Non-current assets</b>		<b>62.6%</b> <b>1,636,107</b>	<b>62.4%</b> <b>1,602,306<sup>1)</sup></b>
<b>Assets</b>		<b>100.0%</b> <b>2,612,825</b>	<b>100.0%</b> <b>2,565,802<sup>1)</sup></b>
Financial liabilities	19	218,464	43,052
Lease liabilities	15	50,173	49,717
Trade and other payables	20	355,220	364,043
Income tax payables		40,358	29,442
Accrued expenses and deferred income		211,417	176,147
Provisions	21	4,487	2,498
<b>Current liabilities</b>		<b>33.7%</b> <b>880,119</b>	<b>25.9%</b> <b>664,899</b>
Financial liabilities	19	234,848	406,544
Lease liabilities	15	183,005	173,334
Deferred tax liabilities	11	48,384	60,071 <sup>1)</sup>
Employee benefit liabilities	23	16,813	25,967
Provisions	21	197	1,310
<b>Non-current liabilities</b>		<b>18.5%</b> <b>483,245</b>	<b>26.0%</b> <b>667,226<sup>1)</sup></b>
<b>Liabilities</b>		<b>52.2%</b> <b>1,363,364</b>	<b>51.9%</b> <b>1,332,125<sup>1)</sup></b>
Share capital	24	5,000	5,000
Reserves		1,240,580	1,222,538
<b>Equity attributable to shareholders of Galenica Ltd.</b>		<b>1,245,580</b>	<b>1,227,538</b>
Non-controlling interests		3,881	6,140
<b>Shareholders' equity</b>	24	<b>47.8%</b> <b>1,249,461</b>	<b>48.1%</b> <b>1,233,677</b>
<b>Liabilities and shareholders' equity</b>		<b>100.0%</b> <b>2,612,825</b>	<b>100.0%</b> <b>2,565,802<sup>1)</sup></b>

<sup>1)</sup> Figures restated (refer to note 2)

## Consolidated statement of cash flows

in thousand CHF	Note	2022	2021
Net profit		165,859	168,183
Income taxes	11	33,767	34,850
Depreciation, amortisation and impairment	14,15,16	100,474	98,430
(Gain)/loss on disposal of non-current assets	6,8	-205	-9,387
(Gain)/loss on disposal of subsidiaries	4	-853	-
Increase/(decrease) in provisions and employee benefit assets and liabilities		2,598	5,272
Net financial result	9	3,685	4,375
Share of profit from associates and joint ventures	17	-4,202	-6,765
Share-based payments	28	7,109	6,719
Interest received		542	542
Interest paid		-5,612	-4,695
Other financial receipts/(payments)		-153	29
Dividends received	17	6,860	2,548
Income taxes paid		-28,118	-18,704
<b>Cash flow from operating activities before working capital changes</b>		<b>281,750</b>	<b>281,397</b>
Change in trade and other receivables		-53,724	-57,900
Change in inventories		-19,531	18,482
Change in trade and other payables		-10,988	47,409
Change in other net current assets		39,366	43,707
<b>Working capital changes</b>		<b>-44,877</b>	<b>51,698</b>
<b>Cash flow from operating activities</b>		<b>236,873</b>	<b>333,095</b>
Investments in property, plant and equipment		-41,061	-41,937
Investments in intangible assets		-29,305	-18,136
Investments in associates and joint ventures	17	-3,833	-
Investments in financial assets		-18,592	-9,999
Proceeds from sale of property, plant and equipment and intangible assets		524	40,258
Proceeds from sale of financial assets		2,264	11,071
Net cash flow from business combinations	4	-38,462	-69,494
Net cash flow from sale of subsidiaries	4	1,913	-
<b>Cash flow from investing activities</b>		<b>-126,552</b>	<b>-88,236</b>
Dividends paid		-104,810	-89,509
Purchase of treasury shares		-539	-373
Proceeds from sale of treasury shares		4,886	4,232
Proceeds from financial liabilities	19	1,607	112,698
Repayment of financial liabilities	19	-25,893	-116,634
Payment of lease liabilities		-52,459	-49,939
Purchase of non-controlling interests		-4,069	-109
<b>Cash flow from financing activities</b>		<b>-181,276</b>	<b>-139,634</b>
Effects of exchange rate changes on cash and cash equivalents		-101	-24
<b>Increase in cash and cash equivalents</b>		<b>-71,055</b>	<b>105,201</b>
Cash and cash equivalents as at 1 January <sup>1)</sup>		164,982	59,781
<b>Cash and cash equivalents as at 31 December <sup>1)</sup></b>		<b>93,927</b>	<b>164,982</b>

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

## Consolidated statement of changes in equity

in thousand CHF	Share capital	Treasury shares	Retained earnings	Equity attributable to shareholders of Galenica Ltd.	Non-controlling interests	Equity
<b>Balance as at 31 December 2020</b>	<b>5,000</b>	<b>-19,817</b>	<b>1,062,099</b>	<b>1,047,282</b>	<b>6,073</b>	<b>1,053,355</b>
Net profit			167,680	167,680	503	168,183
Other comprehensive income			91,057	91,057	91	91,148
<b>Comprehensive income</b>			<b>258,737</b>	<b>258,737</b>	<b>594</b>	<b>259,331</b>
Dividends			-89,204	-89,204	-305	-89,509
Transactions on treasury shares		5,306	-1,604	3,702	-	3,702
Share-based payments			6,907	6,907	-	6,907
Change in non-controlling interests			113	113	-223	-109
<b>Balance as at 31 December 2021</b>	<b>5,000</b>	<b>-14,511</b>	<b>1,237,049</b>	<b>1,227,538</b>	<b>6,140</b>	<b>1,233,677</b>
Net profit			165,132	165,132	727	165,859
Other comprehensive loss			-46,727	-46,727	-	-46,727
<b>Comprehensive income</b>			<b>118,405</b>	<b>118,405</b>	<b>727</b>	<b>119,132</b>
Dividends			-104,443	-104,443	-367	-104,810
Transactions on treasury shares		6,694	-5,860	834	-	834
Share-based payments			7,255	7,255	-	7,255
Change in non-controlling interests			-4,008	-4,008	-2,618	-6,626
<b>Balance as at 31 December 2022</b>	<b>5,000</b>	<b>-7,817</b>	<b>1,248,397</b>	<b>1,245,580</b>	<b>3,881</b>	<b>1,249,461</b>

# Notes to the consolidated financial statements of the Galenica Group

## 1. Group organisation

### General information

Galenica is a fully-integrated healthcare service 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 headquarters 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 2022 for publication on 2 March 2023. The 2022 consolidated financial statements will be submitted for approval to the Annual General Meeting on 3 May 2023.

## 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 accounting principles.

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 material for the consolidated financial statements.

### Restatement 2021 due to adjustments to provisional purchase price allocation

The purchase price allocation for the acquisition of Spagyros Ltd. was determined provisionally at the end of 2021 and has now been finalised. The fair value measurement leads to a decrease of property, plant and equipment based on the final external valuation in the amount of CHF 0.7 million and deferred tax liabilities in the amount of CHF 0.1 million. This adjustment leads to an increase in goodwill in the amount of CHF 0.6 million. The figures for the previous year were adjusted for the purpose of comparison.

## 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.

## 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.

### Fair value of contingent consideration liabilities from business combinations (note 25)

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount rate.

## 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](#).

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 2022 Galenica adopted the following amended International Financial Reporting Standards:

- Amendments to IFRS 3 – Reference to the conceptual framework
- Amendments to IAS 16 – Property, plant and equipment: Proceeds before intended use
- Amendments to IAS 37 – Onerous Contracts – Cost of fulfilling a contract
- Annual Improvements 2018–2020 Cycle

These changes have no or no material impact on the financial position, financial performance and cash flows of Galenica nor on disclosures in these consolidated financial statements. 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 2023 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 IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies (1 January 2023)
- Amendments to IAS 8 – Definition of accounting estimates (1 January 2023)
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction (1 January 2023)
- Amendments to IAS 1 – Classification of liabilities as current or non-current (1 January 2024)

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 CEO. Galenica operates in Switzerland within two operating segments Products & Care and Logistics & IT.

The CEO of Galenica acting as CODM allocates resources and monitors performance of the Group's operating segments Products & Care and Logistics & IT 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 operating segment Products & Care 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 below.

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.

#### Products & Care

The Products & Care segment comprises the «Retail» business area with offerings for patients and end customers (B2C) and the «Professionals» business area with offerings for business customers and partners in the healthcare sector (B2B).

The «Retail» business area comprises the two sectors «Local Pharmacies» (point-of-sale) and «Pharmacies at Home» (mail-order and home care). Retail operates at 531 locations Galenica's pharmacy network, the largest in Switzerland. With 368 pharmacies of its own and 163 partner pharmacies, Retail has outlets throughout the country. Galenica's own pharmacies comprise the Amavita brand with 179 branches and the Sun Store brand with 92 branches. Galenica also operates a chain of 89 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, 7 majority interests in pharmacies and 163 Winconcept partner pharmacies.

The «Professionals» business area comprises the «Products & Brands» and «Services for Professionals» sectors. These activities focus on the development and marketing of healthcare services and products via the various sales channels: in-store at pharmacies (point-of-sale), shipments via mail-order pharmacies and e-shops or at home (home care), as well as business customers. Professionals launches and distributes a complete portfolio of consumer health products which is sold to Swiss pharmacies and drugstores. The companies of Professionals launches and distributes pharmaceutical and parapharmaceutical products and offer marketing and sales services to all partners in the healthcare market.

#### Logistics & IT

The Logistics & IT segment comprises the two sectors «Wholesale» and «Logistics & IT Services». These provide services for all those involved in the healthcare sector – pharmacies, drugstores, doctors, hospitals and care homes, partners and suppliers. Their activities focus on optimising and further developing the logistics services and service offering as well as providing innovative solutions that promote digitalisation in the healthcare market.

Wholesale plays an important role in the pharmaceutical supply chain. As a pharmaceutical wholesaler, Wholesale ensures on-schedule delivery within short deadlines to pharmacies, drugstores, doctors, hospitals and care homes throughout Switzerland.

Logistics & IT 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. The companies of the Logistics & IT Services also 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. Logistics & IT 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. Furthermore Logistics & IT Services provides Group internal IT services.

### **Group Services**

The activities included within Group Services mainly comprise Galenica's central operations, which include Group Management and centralised Corporate functions such as Accounting, Controlling, Tax, Treasury, Corporate Finance, Investor Relations, Insurance, Indirect procurement, Human Resources, Legal & Board Services, Communications and Transformation.

Corporate charges management fees to the group companies for the organisational and financial management services that it provides.

### **Eliminations**

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

Sale 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.

## Operating segment information 2022

### Operating segment information 2022

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	2,029,620	2,933,318	49,138	-997,728	4,014,348
Intersegmental net sales	-96,579	-853,674	-47,475	997,728	-
<b>Net sales to third parties</b>	<b>1,933,041</b>	<b>2,079,645</b>	<b>1,663</b>	<b>-</b>	<b>4,014,348</b>
Other income	7,156	6,265	3,123	-3,503	13,040
Share of profit from associates and joint ventures	4,255	17	-	-70	4,202
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>223,288</b>	<b>80,518</b>	<b>1,759</b>	<b>-1,782<sup>1)</sup></b>	<b>303,784</b>
Depreciation, amortisation and impairment	-67,015	-31,212	-2,541	294	-100,474
<b>Earnings before interest and taxes (EBIT)</b>	<b>156,273</b>	<b>49,306</b>	<b>-782</b>	<b>-1,487<sup>1)</sup></b>	<b>203,310</b>
Interest income					727
Interest expense					-5,273
Other net financial result					861
<b>Earnings before taxes (EBT)</b>					<b>199,626</b>
Income taxes					-33,767
<b>Net profit</b>					<b>165,859</b>
<b>Assets</b>	<b>1,784,254</b>	<b>921,458</b>	<b>320,811</b>	<b>-413,699<sup>2)</sup></b>	<b>2,612,825</b>
Investments in associates and joint ventures	33,975	82	-	-1,375	32,682
<b>Liabilities</b>	<b>604,571</b>	<b>524,903</b>	<b>619,655</b>	<b>-385,765<sup>3)</sup></b>	<b>1,363,364</b>
Investments in property, plant and equipment	14,183	24,354	2,507	-	41,044 <sup>4)</sup>
Investments in intangible assets	1,276	28,469	-	-69	29,676 <sup>5)</sup>
Employees as at 31 December (FTE)	4,104	1,399	225	-	5,728

<sup>1)</sup> Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF -0.6 million

<sup>2)</sup> Of which elimination of intercompany positions of CHF -395.6 million and other unallocated amounts of CHF -18.1 million

<sup>3)</sup> Of which elimination of intercompany positions of CHF -395.6 million and other unallocated amounts of CHF 9.8 million

<sup>4)</sup> Of which non-cash investments of CHF 0.9 million

<sup>5)</sup> Of which non-cash investments of CHF 1.7 million

### Geographic information 2022

in thousand CHF	Switzerland	Other countries	Galenica Group
Net sales to third parties	3,979,458	34,890	4,014,348
Non-current assets <sup>1)</sup>	1,608,886	88	1,608,974

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

## Operating segment information 2021

### Operating segment information 2021

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	1,908,130	2,831,358	31,844	-936,652	3,834,679
Intersegmental net sales	-76,323	-829,775	-30,554	936,652	-
<b>Net sales to third parties</b>	<b>1,831,807</b>	<b>2,001,582</b>	<b>1,290</b>	<b>-</b>	<b>3,834,679</b>
Other income	6,158	16,939	673	-2,689	21,082
Share of profit from associates and joint ventures	7,092	17	-	-343	6,765
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>225,106</b>	<b>90,959</b>	<b>-1,504</b>	<b>-8,724<sup>2)</sup></b>	<b>305,838</b>
Depreciation, amortisation and impairment	-68,164	-30,470	-95	299	-98,430
<b>Earnings before interest and taxes (EBIT)</b>	<b>156,943</b>	<b>60,489</b>	<b>-1,600</b>	<b>-8,425<sup>2)</sup></b>	<b>207,408</b>
Interest income					738
Interest expense					-5,018
Other net financial result					-95
<b>Earnings before taxes (EBT)</b>					<b>203,033</b>
Income taxes					-34,850
<b>Net profit</b>					<b>168,183</b>
<b>Assets (restated)</b>	<b>1,687,729<sup>1)</sup></b>	<b>864,050</b>	<b>404,017</b>	<b>-389,994<sup>3)</sup></b>	<b>2,565,802<sup>1)</sup></b>
Investments in associates and joint ventures	31,015	66	-	-385	30,696
<b>Liabilities (restated)</b>	<b>585,459<sup>1)</sup></b>	<b>515,479</b>	<b>641,402</b>	<b>-410,215<sup>4)</sup></b>	<b>1,332,125<sup>1)</sup></b>
Investments in property, plant and equipment	19,205	23,022	116	-155	42,189 <sup>5)</sup>
Investments in intangible assets	4,267	13,989	-	-7	18,250 <sup>6)</sup>
Employees as at 31 December (FTE)	3,927	1,395	211	-	5,533

<sup>1)</sup> Figures restated (refer to note 2)

<sup>2)</sup> Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF -7.6 million

<sup>3)</sup> Of which elimination of intercompany positions of CHF -441.1 million and other unallocated amounts of CHF 51.1 million

<sup>4)</sup> Of which elimination of intercompany positions of CHF -441.1 million and other unallocated amounts of CHF 30.9 million

<sup>5)</sup> Of which non-cash investments of CHF 0.9 million

<sup>6)</sup> Of which non-cash investments of CHF 0.8 million

### Geographic information 2021

in thousand CHF	Switzerland	Other countries	Galenica Group
Net sales to third parties	3,804,076	30,603	3,834,679
Non-current assets <sup>1)</sup>	1,511,458	85	1,511,543

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

## 4. Business combinations and disposals

### Business combinations and disposals 2022

**Acquisition of Medinform AG.** On 5 July 2022, Galenica acquired 50% of the shares in the Swiss company Medinform AG and has a casting vote in the event of a disagreement, hence, Galenica has control over Medinform. Medinform is specialised in offering education and training programmes for pharmacies. The remaining 50% of the shares were retained by the previous owner. Non-controlling interests have been measured at the proportionate share of net identifiable assets. The remaining shareholders have a put option to sell their shares to Galenica which gives rise to a financial liability in the amount of CHF 3.9 million.

The purchase consideration amounted to CHF 4.4 million and was fully settled in cash. The fair value of the net identifiable assets amounted to CHF 2.8 million at the acquisition date of which CHF 1.4 million were recognised as non-controlling interests. The goodwill of CHF 3.0 million was allocated to the operating segment Products & Care and corresponds to the added value based on the synergies expected to arise from the acquisition due to offering various training and education programmes for employees internally in the future and the know-how of the employees gained. Transaction costs were not material.

**Acquisition of Aquantic AG.** On 11 July 2022, Galenica acquired 100% of the shares in the Swiss company Aquantic AG. The main activity of Aquantic is offering services for pharmaceutical companies and health insurance providers to simplify the reimbursement of the costs for specific medicines.

The total purchase consideration amounted to CHF 8.6 million, of which CHF 5.2 million was settled in cash. The contingent consideration in the amount of CHF 3.3 million was recognised which is due in 2027 if certain financial and operational targets are achieved. The fair value of the net identifiable assets amounted to CHF 1.0 million at the acquisition date. The goodwill of CHF 7.6 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its position for business customers and the know-how of the employees gained. Transaction costs were not material.

**Acquisition of Bahnhof Apotheke Langnau AG.** On 15 November 2022, Galenica acquired 100% of the shares in the Swiss company Bahnhof Apotheke Langnau AG. Apart from operating a pharmacy located in Langnau the company is a leading provider of formulations for medicinal cannabis products.

The total purchase consideration amounted to CHF 48.0 million, of which CHF 25.1 million was settled in cash. The contingent consideration in the amount of CHF 22.9 million was recognised which is due in 2025 respectively in 2028 if certain financial and operational targets are achieved. The fair value of the net identifiable assets amounted to CHF 7.9 million at the acquisition date. The goodwill of CHF 40.1 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its position as a leading fully integrated healthcare provider and the know-how of the employees gained. Transaction costs were not material.

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

The total purchase consideration amounted to CHF 10.4 million and was fully settled in cash. The fair value of the net identifiable assets amounts to CHF 2.5 million at the acquisition date. The goodwill of CHF 7.9 million was allocated to the operating segment Products & Care and corresponds to the added value of the pharmacies based on their locations. Transaction costs were not material.

**Disposal of Careproduct AG.** On 20 September 2022, Galenica disposed 100% of the shares in the Swiss company Careproduct AG to SAB Management Holding AG. The consideration amounted to CHF 2.2 million and was settled in cash. The carrying amount of the disposed net assets amounted to CHF 1.2 million including cash and cash equivalents of CHF 0.1 million. The net profit from this transaction of CHF 0.9 million has been recognised in other income including transaction costs of CHF 0.1 million.

**Business combinations**

in thousand CHF	Bahnhof Apotheke Langnau	Other Pharmacies	Other <sup>1)</sup>	2022 Total	2021 Total (Restated)
Cash and cash equivalents	1,980	1,967	2,710	6,657	2,146
Trade receivables	3,568	855	434	4,857	2,584
Inventories	641	475	–	1,116	6,893
Property, plant and equipment	31	–	207	238	3,879 <sup>2)</sup>
Right-of-use assets	991	2,158	853	4,002	6,021
Intangible assets	3,719	–	1,191	4,910	31,138
Other current and non-current assets	307	258	788	1,353	622
Trade payables	–509	–715	–94	–1,318	–1,638
Financial liabilities	–	–	–	–	–7,005
Lease liabilities	–991	–2,158	–853	–4,002	–6,021
Net deferred tax assets/(liabilities)	–788	–24	–230	–1,043	425 <sup>2)</sup>
Employee benefit liabilities	–396	–	–	–396	–2,279
Other current and non-current liabilities	–644	–326	–1,247	–2,218	–1,346
<b>Fair value of net assets</b>	<b>7,910</b>	<b>2,491</b>	<b>3,757</b>	<b>14,158</b>	<b>35,419<sup>2)</sup></b>
Goodwill	40,091	7,943	10,565	58,600	65,073 <sup>2)</sup>
Non-controlling interests	–	–	–1,382	–1,382	–
<b>Purchase consideration</b>	<b>48,001</b>	<b>10,434</b>	<b>12,940</b>	<b>71,375</b>	<b>100,493</b>
Cash acquired	–1,980	–1,967	–2,710	–6,657	–2,146
Fair value of pre-existing relationships	–	–	–	–	–170
Offset against loans / trade receivables	–	–	–	–	–4,752
Contingent consideration	–22,909	–	–3,348	–26,256	–24,000
<b>Net cash flow from current business combinations</b>	<b>23,112</b>	<b>8,467</b>	<b>6,882</b>	<b>38,462</b>	<b>69,424</b>
Payment of consideration due to previous business combinations				–	70
<b>Net cash flow from business combinations</b>				<b>38,462</b>	<b>69,494</b>

<sup>1)</sup> Including Medinform AG and Aquantic AG

<sup>2)</sup> Figures restated (refer to note 2)

**Pro forma figures for acquisitions made in 2022 for the full 2022 financial year**

Since their inclusion in Galenica's scope of consolidation, the businesses acquired contributed net sales of CHF 15.0 million and an operating result (EBIT) of CHF 1.9 million to the Group's results. If these acquisitions had occurred on 1 January 2022, they would have contributed additional net sales of CHF 14.6 million and increased EBIT by CHF 4.7 million.

## Business combinations 2021

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

The total purchase consideration amounted to CHF 10.2 million and was fully settled in cash. The fair value of the net identifiable assets amounts to CHF 0.6 million at the acquisition date. The goodwill of CHF 9.6 million was allocated to the operating segment Products & Care and corresponds to the added value of the pharmacies based on their locations. Transaction costs were not material.

**Acquisition of the pharma business of Dr. Wild & Co. AG.** On 27 May 2021, Galenica acquired the range of pharmaceutical products of the Swiss company Dr. Wild & Co. AG, including the well-known brands Vitamin D3 Wild Oil® and VI-DE 3®. In addition, the experienced physician field service of Dr. Wild & Co. AG was transferred to Verfora.

The total purchase consideration amounted to CHF 34.6 million and was fully settled in cash. The fair value of the net identifiable assets amounted to CHF 26.7 million at the acquisition date. The goodwill of CHF 7.9 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its leading position in the Swiss consumer healthcare (CHC) market and the know-how of the employees gained. Acquired intangible assets include trademarks with an indefinite useful life of CHF 22.8 million. Transaction costs were not material.

**Acquisition of Lifestage Solutions Ltd.** On 26 July 2021, Galenica acquired 100% of the shares in the Swiss company Lifestage Solutions Ltd. Lifestage Solutions is a specialised wholesaler for home care organisations and nursing homes, who simplifies daily workflows for its customers using digitalisation and state-of-the-art technology.

The total purchase consideration amounted to CHF 49.3 million, of which CHF 24.8 million was settled in cash and CHF 0.5 million was offset against loans. The contingent consideration in the amount of CHF 24.0 million is due in 2025 if certain sales targets are achieved. The fair value of the net identifiable assets amounted to CHF 3.9 million at the acquisition date. The goodwill of CHF 45.4 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its position as a leading integrated healthcare service provider in the growth markets of home care and nursing homes in Switzerland and the know-how of the employees gained. Transaction costs were not material.

**Acquisition of Spagyros Ltd.** On 31 August 2021, Galenica acquired the remaining 92.1% shares of the Swiss company Spagyros Ltd. The remeasuring gain to fair value of the existing 7.9% amounted to CHF 0.2 million and was recorded in the financial income. The main activity of Spagyros is the production and marketing of homoeopathy, spagyric, gemmo- and phytotherapeutic medicines.

The total purchase consideration amounted to CHF 6.4 million, of which CHF 2.0 million was settled in cash and CHF 4.3 million was offset against loans. The fair value of the pre-existing investment of 7.9% amounted to CHF 0.2 million. The purchase price allocation has now been finalised (refer to [note 2](#)). The adjusted fair value of the net identifiable assets amounted to CHF 4.3 million at the acquisition date. The adjusted goodwill of CHF 2.1 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening Verfora's leading position in the Swiss consumer healthcare (CHC) market and the know-how of the employees gained. Galenica was also able to strengthen pharmacies and drugstores with the addition of a range of products in the growing area of complementary medicine. Acquired intangible assets include trademarks with an indefinite useful life of CHF 2.9 million. Transaction costs were not material.

### **Accounting principles business combinations**

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 and the amount of any non-controlling interest in the acquiree. 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 financial income or other financial expenses.

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. Put options granted to non-controlling interests to sell their shares to Galenica as part of a business combination represent a contractual obligation to purchase non-controlling interests and give rise to a financial liability if the option does not provide Galenica with a present ownership interest in the shares concerned. This liability is measured at the redemption amount as if the put option had been exercised at the balance sheet date. Galenica accounts for changes in the carrying amount of this financial liability as an equity transaction.

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.

## 5. Net sales

### Net sales 2022

#### Net sales 2022

in thousand CHF	Sale of goods	Sale of services	Total net sales	Intersegmental net sales	Total net sales to third parties	of which sale of goods to third parties	of which sale of services to third parties
Local Pharmacies	1,210,214	76,641	1,286,856	-9	1,286,846	1,210,208	76,638
Pharmacies at Home	511,317	8,622	519,939	-370	519,569	510,948	8,622
<b>Retail (B2C)<sup>1)</sup></b>	<b>1,721,362</b>	<b>85,263</b>	<b>1,806,625</b>	<b>-209</b>	<b>1,806,416</b>	<b>1,721,156</b>	<b>85,260</b>
Products & Brands	155,906	1,782	157,687	-80,460	77,227	75,446	1,781
Services for Professionals	55,857	15,236	71,093	-21,695	49,398	44,775	4,623
<b>Professionals (B2B)<sup>1)</sup></b>	<b>211,802</b>	<b>16,979</b>	<b>228,780</b>	<b>-102,156</b>	<b>126,625</b>	<b>120,221</b>	<b>6,404</b>
<b>Products &amp; Care<sup>1)</sup></b>	<b>1,929,983</b>	<b>99,637</b>	<b>2,029,620</b>	<b>-96,579</b>	<b>1,933,041</b>	<b>1,841,376</b>	<b>91,664</b>
Wholesale	2,810,514	9,845	2,820,359	-807,935	2,012,424	2,005,836	6,588
Logistics & IT Services	359	130,353	130,712	-63,492	67,220	348	66,872
<b>Logistics &amp; IT<sup>1)</sup></b>	<b>2,810,862</b>	<b>122,457</b>	<b>2,933,318</b>	<b>-853,674</b>	<b>2,079,645</b>	<b>2,006,184</b>	<b>73,461</b>
Group Services	-	49,138	49,138	-47,475	1,663	-	1,663
Eliminations <sup>2)</sup>	-893,284	-104,444	-997,728	997,728	-	-	-
<b>Galenica Group</b>	<b>3,847,560</b>	<b>166,788</b>	<b>4,014,348</b>	<b>-</b>	<b>4,014,348</b>	<b>3,847,560</b>	<b>166,788</b>

<sup>1)</sup> Including eliminations of intercompany net sales

<sup>2)</sup> Eliminations of intersegmental net sales

### Net sales 2021

#### Net sales 2021

in thousand CHF	Sale of goods	Sale of services	Total net sales	Intersegmental net sales	Total net sales to third parties	of which sale of goods to third parties	of which sale of services to third parties
Local Pharmacies	1,185,084	76,437	1,261,521	-45	1,261,476	1,185,039	76,437
Pharmacies at Home	450,444	8,400	458,844	-503	458,341	449,941	8,400
<b>Retail (B2C)<sup>1)</sup></b>	<b>1,635,149</b>	<b>84,837</b>	<b>1,719,987</b>	<b>-170</b>	<b>1,719,816</b>	<b>1,634,979</b>	<b>84,837</b>
Products & Brands	129,401	2,179	131,581	-61,880	69,701	67,522	2,179
Services for Professionals	49,083	13,308	62,392	-20,102	42,290	38,739	3,551
<b>Professionals (B2B)<sup>1)</sup></b>	<b>178,513</b>	<b>15,459</b>	<b>193,972</b>	<b>-81,982</b>	<b>111,990</b>	<b>106,261</b>	<b>5,729</b>
<b>Products &amp; Care<sup>1)</sup></b>	<b>1,810,182</b>	<b>97,948</b>	<b>1,908,130</b>	<b>-76,323</b>	<b>1,831,807</b>	<b>1,741,240</b>	<b>90,567</b>
Wholesale	2,703,030	25,407	2,728,437	-793,742	1,934,695	1,927,201	7,494
Logistics & IT Services	1,485	110,380	111,865	-44,978	66,887	525	66,362
<b>Logistics &amp; IT<sup>1)</sup></b>	<b>2,704,490</b>	<b>126,867</b>	<b>2,831,358</b>	<b>-829,775</b>	<b>2,001,582</b>	<b>1,927,726</b>	<b>73,857</b>
Group Services	-	31,844	31,844	-30,554	1,290	-	1,290
Eliminations <sup>2)</sup>	-845,707	-90,946	-936,652	936,652	-	-	-
<b>Galenica Group</b>	<b>3,668,966</b>	<b>165,713</b>	<b>3,834,679</b>	<b>-</b>	<b>3,834,679</b>	<b>3,668,966</b>	<b>165,713</b>

<sup>1)</sup> Including eliminations of intercompany net sales

<sup>2)</sup> Eliminations of intersegmental net sales

## Accounting principles net sales

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 the consolidated statement of financial position.

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.

## 6. Other income

### Other income

in thousand CHF	2022	2021
Income from own work capitalised	6,757	6,726
Rental income from operating leases	1,805	1,818
Gain on disposal of property, plant and equipment	212	9,406
Gain on disposal of subsidiaries	853	–
Other operating income	3,413	3,131
<b>Other income</b>	<b>13,040</b>	<b>21,082</b>

In 2021, Galenica sold the property at its headquarters to a real estate fund for the selling price of CHF 40.0 million. This resulted in a gain on disposal of property, plant and equipment of CHF 8.9 million.

## 7. Personnel costs

### Personnel costs

in thousand CHF	2022	2021
Salaries and wages	435,466	423,315
Social security costs and pension expenses	63,237	64,648
Other personnel costs	39,649	30,896
<b>Personnel costs</b>	<b>538,353</b>	<b>518,859</b>
Average number of employees (FTE)	5,579	5,488

Social security costs and pension expenses contain expenses for defined benefit plans of CHF 32.6 million (previous year: expenses of CHF 31.1 million) (refer to [note 23](#)). Salaries and wages includes expenses for share-based payments of CHF 7.1 million (previous year: CHF 6.7 million) (refer to [note 28](#)).

## 8. Other operating costs

### Other operating costs

in thousand CHF	2022	2021
Maintenance and repairs	23,547	21,015
Transport and shipping costs	42,809	40,738
Other operating and production costs	18,775	17,286
Rental and other lease expenses <sup>1)</sup>	11,080	9,009
Administration costs	47,863	43,350
Marketing and sales costs	35,495	31,443
Non-income taxes	1,575	1,379
Loss on disposal of property, plant and equipment	6	19
<b>Other operating costs</b>	<b>181,151</b>	<b>164,240</b>

<sup>1)</sup> Of which other lease expenses (incidental expenses) of CHF 5.9 million (previous year: CHF 4.0 million)

### Research and development

During the reporting period, expenses for research and development totalling CHF 13.5 million were recognised directly in other operating costs (previous year: CHF 15.2 million).

## 9. Financial result

### Financial result

in thousand CHF	2022	2021
Interest income	727	738
Net interest income from employee benefit plans	224	–
Other financial income	1,113	533
Net gain on foreign exchange	–	30
<b>Financial income</b>	<b>2,065</b>	<b>1,301</b>
Interest expense	2,818	2,701
Net interest expense from employee benefit plans	–	18
Interest expense on lease liabilities	2,455	2,298
Other financial costs	235	659
Net loss on foreign exchange	241	–
<b>Financial expenses</b>	<b>5,749</b>	<b>5,677</b>
<b>Net financial expenses</b>	<b>3,685</b>	<b>4,375</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.

### Number of outstanding shares

	2022	2021
Total number of shares	50,000,000	50,000,000
Average number of treasury shares	–265,164	–430,309
<b>Average number of outstanding shares</b>	<b>49,734,836</b>	<b>49,569,691</b>
Effect from share-based payments	68,730	61,834
<b>Theoretical average number of outstanding shares (diluted)</b>	<b>49,803,566</b>	<b>49,631,525</b>

### Earnings per share

	2022	2021
Net profit – attributable to shareholders of Galenica Ltd. (in thousand CHF)	165,132	167,680
<b>Earnings per share (in CHF)</b>	<b>3.32</b>	<b>3.38</b>
<b>Diluted earnings per share (in CHF)</b>	<b>3.32</b>	<b>3.38</b>

## 11. Income taxes

### Income taxes

in thousand CHF	2022	2021
Current income taxes	35,201	36,138
Income taxes of prior periods	-391	-547
Deferred income taxes	-1,042	-740
<b>Income taxes</b>	<b>33,767</b>	<b>34,850</b>

### Tax reconciliation

in thousand CHF	2022	2021
Earnings before taxes (EBT)	199,626	203,033
Weighted income tax rate in % of EBT	18.3%	17.3%
<b>Expected income taxes</b>	<b>36,579</b>	<b>35,048</b>
Effects of changes in tax rates	-101	70
Effects of unrecognised losses in the current year	271	28
Realisation of unrecognised tax losses of prior periods	-536	-361
Other items and items from prior periods	-2,446	64
<b>Effective income taxes</b>	<b>33,767</b>	<b>34,850</b>
<b>Effective income tax rate in % of EBT</b>	<b>16.9%</b>	<b>17.2%</b>

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	2022			2021 (Restated)		
	Deferred tax assets	Deferred tax liabilities	Net carrying amount	Deferred tax assets	Deferred tax liabilities	Net carrying amount
Current assets	3,123	-24,716	-21,593	2,776	-22,788	-20,012
Property, plant and equipment	44	-2,944	-2,900	189 <sup>1)</sup>	-3,344	-3,154 <sup>1)</sup>
Right-of-use assets	-	-38,450	-38,450	-	-37,037	-37,037
Intangible assets	7,248	-22,223	-14,975	7,383	-19,831	-12,448
Investments	-	-4,823	-4,823	-	-7,201	-7,201
Financial assets	-	-4,020	-4,020	19	-5,387	-5,368
Lease liabilities	39,568	-	39,568	38,354	-	38,354
Provisions	46	-1,270	-1,224	78	-1,316	-1,238
Employee benefit plans	3,026	-33	2,993	4,674	-12,060	-7,386
Other temporary differences	110	-760	-650	370	-1,017	-647
Shareholders' equity	779	-	779	814	-	814
<b>Deferred taxes due to temporary differences</b>	<b>53,944</b>	<b>-99,238</b>	<b>-45,294</b>	<b>54,658<sup>1)</sup></b>	<b>-109,981</b>	<b>-55,324<sup>1)</sup></b>
Tax loss carryforwards	168	-	168	-	-	-
<b>Gross deferred taxes</b>	<b>54,112</b>	<b>-99,238</b>	<b>-45,126</b>	<b>54,658<sup>1)</sup></b>	<b>-109,981</b>	<b>-55,324<sup>1)</sup></b>
Netting of assets and liabilities	-50,854	50,854	-	-49,910 <sup>1)</sup>	49,910 <sup>1)</sup>	-
<b>Net deferred taxes</b>	<b>3,258</b>	<b>-48,384</b>	<b>-</b>	<b>4,747</b>	<b>-60,071<sup>1)</sup></b>	<b>-</b>

<sup>1)</sup> Figures restated (refer to note 2)

## Analysis of net deferred taxes

in thousand CHF	2022	2021 (Restated)
<b>1 January</b>	<b>-55,324</b>	<b>-37,415</b>
Recognised as income taxes in profit or loss		
– Change in temporary differences	774	5,080
– Fiscal realisation of recognised tax loss carryforwards	–	-4,269
– Tax loss carryforwards taken into account for the first time	168	–
– Effects of changes in tax rates	101	-70
Recognised in other comprehensive income	10,025	-19,261
Recognised in shareholders' equity (related to share-based payments)	146	188
Addition to scope of consolidation	-1,043	425 <sup>1)</sup>
Disposal from scope of consolidation	30	–
Translation differences	-3	-1
<b>31 December</b>	<b>-45,126</b>	<b>-55,324<sup>1)</sup></b>

<sup>1)</sup> Figures restated (refer to note 2)

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

in thousand CHF	2022	2021
Investments in subsidiaries	175,950	145,257

## Tax loss carryforwards and tax credits

in thousand CHF	2022		2021	
	Tax loss carryforwards / tax credits	Tax effect	Tax loss carryforwards / tax credits	Tax effect
<b>Tax loss carryforwards and tax credits</b>	<b>9,056</b>	<b>2,035</b>	<b>9,779</b>	<b>2,175</b>
– of which capitalised as deferred tax assets	-844	-168	–	–
– of which netted with deferred tax liabilities	–	–	–	–
<b>Unrecognised tax loss carryforwards and tax credits</b>	<b>8,212</b>	<b>1,868</b>	<b>9,779</b>	<b>2,175</b>
Of which expire:				
– within 1 year	–	–	–	–
– in 2 to 5 years	2,324	458	2,012	397
– in more than 5 years	5,888	1,410	7,767	1,777

**Accounting principles income taxes**

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.

## 12. Inventories

### Inventories

in thousand CHF	2022	2021
<b>Gross carrying amount as at 1 January</b>	<b>318,315</b>	<b>324,743</b>
Addition to scope of consolidation	1,116	6,893
Disposal from scope of consolidation	-549	-
Change in inventories	16,611	-13,289
Translation differences	-51	-32
<b>Gross carrying amount as at 31 December</b>	<b>335,443</b>	<b>318,315</b>
<b>Allowance as at 1 January</b>	<b>-23,245</b>	<b>-18,061</b>
Addition	-376	-8,386
Use	3,295	3,194
Disposal from scope of consolidation	30	-
Translation differences	12	9
<b>Allowance as at 31 December</b>	<b>-20,283</b>	<b>-23,245</b>
<b>Net carrying amount as at 31 December</b>	<b>315,160</b>	<b>295,070</b>

### Accounting principles inventories

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 operating segments Products & Care and Logistics & IT. 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 cost of goods.

## 13. Trade and other receivables

### Trade and other receivables

in thousand CHF	2022	2021
Trade receivables	514,868	447,588
Bad debt allowances	-9,752	-8,609
Other receivables	24,364	22,129
<b>Trade and other receivables</b>	<b>529,479</b>	<b>461,108</b>

### Change in bad debt allowances for trade receivables

in thousand CHF	2022	2021
<b>1 January</b>	<b>-8,609</b>	<b>-7,983</b>
Addition	-2,147	-1,533
Use	521	243
Reversal	450	656
Disposal from scope of consolidation	23	-
Translation differences	10	8
<b>31 December</b>	<b>-9,752</b>	<b>-8,609</b>

### Maturity profile of trade receivables

in thousand CHF	2022			2021		
	Gross trade receivables	Bad debt allowances	Net trade receivables	Gross trade receivables	Bad debt allowances	Net trade receivables
Not past due	440,662	-4,927	435,735	398,993	-3,598	395,395
Past due:						
- 1 to 30 days	48,873	-735	48,138	28,972	-722	28,249
- 31 to 60 days	9,792	-493	9,299	7,430	-416	7,014
- 61 to 90 days	5,149	-462	4,687	3,794	-346	3,449
- more than 90 days	10,392	-3,135	7,256	8,399	-3,527	4,872
<b>Total</b>	<b>514,868</b>	<b>-9,752</b>	<b>505,116</b>	<b>447,588</b>	<b>-8,609</b>	<b>438,979</b>

### Accounting principles trade and other receivables

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.

## 14. Property, plant and equipment

### Property, plant and equipment

in thousand CHF	Real estate	Assets under construction	Warehouse equipment	Furniture, fittings	Other property, plant and equipment	Total property, plant and equipment
<b>Net carrying amount as at 31.12.2020</b>	<b>167,982</b>	<b>20,211</b>	<b>29,514</b>	<b>22,811</b>	<b>27,537</b>	<b>268,055</b>
Addition	10,424	10,781	7,486	5,792	7,706	42,189
Disposal	-29,621 <sup>1)</sup>	-	-37	-	-726	-30,385
Reclassification	7,488	-9,528	623	31	1,456	70
Depreciation	-17,468	-	-6,230	-5,248	-10,314	-39,259
Addition to scope of consolidation (restated)	3,388 <sup>2)</sup>	-	125	258	108	3,879 <sup>2)</sup>
<b>Net carrying amount as at 31.12.2021 (restated)</b>	<b>142,194<sup>2)</sup></b>	<b>21,464</b>	<b>31,481</b>	<b>23,644</b>	<b>25,767</b>	<b>244,549<sup>2)</sup></b>
Addition	14,682	1,517	12,656	3,434	8,754	41,044
Disposal	-	-	-13	-99	-167	-280
Reclassification	16,681	-21,023	3,637	-30	736	-
Depreciation	-14,108	-	-6,241	-5,124	-10,509	-35,983
Addition to scope of consolidation	96	-	-	59	84	238
Disposal from scope of consolidation	-	-	-54	-6	-14	-74
<b>Net carrying amount as at 31.12.2022</b>	<b>159,544</b>	<b>1,958</b>	<b>41,465</b>	<b>21,877</b>	<b>24,650</b>	<b>249,495</b>
<b>Overview as at 31.12.2021</b>						
Cost (restated)	298,086 <sup>2)</sup>	21,464	101,103	111,297	65,134	597,085 <sup>2)</sup>
Accumulated depreciation and impairment	-155,893	-	-69,622	-87,653	-39,367	-352,535
<b>Net carrying amount as at 31.12.2021 (restated)</b>	<b>142,194<sup>2)</sup></b>	<b>21,464</b>	<b>31,481</b>	<b>23,644</b>	<b>25,767</b>	<b>244,549<sup>2)</sup></b>
<b>Overview as at 31.12.2022</b>						
Cost	327,442	1,958	115,959	113,542	67,192	626,094
Accumulated depreciation and impairment	-167,897	-	-74,495	-91,665	-42,542	-376,599
<b>Net carrying amount as at 31.12.2022</b>	<b>159,544</b>	<b>1,958</b>	<b>41,465</b>	<b>21,877</b>	<b>24,650</b>	<b>249,495</b>

<sup>1)</sup> Including CHF 28.8 million from the sale of the headquarters building

<sup>2)</sup> Figures restated (refer to note 2)

### Accounting principles property, plant and equipment

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	5 – 15
Manufacturing equipment	5 – 15
Furniture, fittings	5 – 10
IT equipment	3 – 10
Vehicles	3 – 10

Other property, plant and equipment consists of manufacturing equipment, 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.

## 15. Leases

### Right-of-use assets

in thousand CHF	Real estate	Vehicles	Total right-of-use assets
<b>Net carrying amount as at 31.12.2020</b>	<b>210,074</b>	<b>251</b>	<b>210,325</b>
Addition	27,954	83	28,037
Reassessment of existing lease contracts	20,341	–	20,341
Depreciation	–49,012	–190	–49,202
Impairment	–22	–	–22
Addition to scope of consolidation	5,904	117	6,021
Translation differences	–	–4	–4
<b>Net carrying amount as at 31.12.2021</b>	<b>215,239</b>	<b>257</b>	<b>215,496</b>
Addition	23,456	76	23,533
Reassessment of existing lease contracts	35,497	12	35,509
Depreciation	–51,059	–197	–51,255
Impairment	–1,644	–	–1,644
Reversal of impairment	1,492	–	1,492
Addition to scope of consolidation	3,951	52	4,002
Disposal from scope of consolidation	–444	–	–444
Translation differences	–	–4	–4
<b>Net carrying amount as at 31.12.2022</b>	<b>226,489</b>	<b>196</b>	<b>226,685</b>

### Lease liabilities

in thousand CHF	2022	2021
<b>Net carrying amount as at 1 January</b>	<b>223,051</b>	<b>218,001</b>
Addition	23,533	28,630
Reassessment of existing lease contracts	35,509	20,341
Interest expense on lease liabilities	2,455	2,298
Repayment of lease liabilities (including interest)	–54,914	–52,237
Addition to scope of consolidation	4,002	6,021
Disposal from scope of consolidation	–455	–
Translation differences	–4	–4
<b>Net carrying amount as at 31 December</b>	<b>233,178</b>	<b>223,051</b>
– of which current lease liabilities	50,173	49,717
– of which non-current lease liabilities	183,005	173,334

**Leases recognised in profit or loss**

in thousand CHF	2022	2021
Rental income from operating leases (included in other income)	1,805	1,818
Short-term lease expense (included in other operating costs)	-1,154	-1,325
Low-value lease expense (included in other operating costs)	-17	-36
Variable lease expense (included in other operating costs)	-4,002	-3,685
Depreciation of right-of-use assets	-51,255	-49,202
Impairment of right-of-use assets	-1,644	-22
Reversal of impairment of right-of-use assets	1,492	-
Interest expense on lease liabilities	-2,455	-2,298

The total cash outflow for leases including short-term leases, leases of low-value-assets and variable lease expenses was CHF 60.1 million (previous year: CHF 57.3 million).

**Maturity profile of undiscounted lease liabilities**

in thousand CHF	2022	2021
Up to 3 months	13,371	13,279
In 3 to 12 months	39,339	38,441
In 2 years	45,869	45,327
In 3 years	37,945	36,024
In 4 to 5 years	54,879	49,171
In 6 to 10 years	45,534	43,103
In more than 10 years	5,303	5,782
<b>Total future cash flows from undiscounted lease liabilities</b>	<b>242,240</b>	<b>231,127</b>

Possible future cash outflows related to extension options in an amount of CHF 183.1 million (previous year: CHF 163.2 million) are not included in lease liabilities because it is not reasonably certain that these options will be exercised.

The cash outflows for variable lease expenses in 2023 is expected to be similar to the amount recognised in 2022.

Galenica has entered into various lease contracts that have not yet commenced as at 31 December 2022. The future lease payments for these non-cancellable lease contracts amount to CHF 38.9 million (previous year: CHF 39.6 million).

### Accounting principles leases

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 operating segment Products & Care.

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 of the underlying asset).

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.

## 16. Intangible assets

### Intangible assets

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 31.12.2020</b>	<b>5,739</b>	<b>57,022</b>	<b>61,872</b>	<b>791,588</b>	<b>916,222</b>
Addition	151	–	18,098	–	18,250
Reclassification	–9	–	–61	–	–70
Amortisation	–1,653	–	–8,293	–	–9,946
Addition to scope of consolidation (restated)	3,440	25,698	2,000	65,073 <sup>2)</sup>	96,211 <sup>2)</sup>
<b>Net carrying amount as at 31.12.2021 (restated)</b>	<b>7,668</b>	<b>82,720</b>	<b>73,616</b>	<b>856,662<sup>2)</sup></b>	<b>1,020,666<sup>2)</sup></b>
Addition	–	–	29,676	–	29,676
Disposal	–41	–	–	–	–41
Amortisation	–2,087	–	–10,997	–	–13,084
Addition to scope of consolidation	4,910	–	–	58,600	63,510
Disposal from scope of consolidation	–28	–	–28	–558	–614
<b>Net carrying amount as at 31.12.2022</b>	<b>10,422</b>	<b>82,720</b>	<b>92,267</b>	<b>914,703</b>	<b>1,100,112</b>
<b>Overview as at 31.12.2021</b>					
Cost (restated)	17,690	82,720	119,000	856,662 <sup>2)</sup>	1,076,073 <sup>2)</sup>
Accumulated amortisation and impairment	–10,023	–	–45,384	–	–55,407
<b>Net carrying amount as at 31.12.2021 (restated)</b>	<b>7,668</b>	<b>82,720</b>	<b>73,616</b>	<b>856,662<sup>2)</sup></b>	<b>1,020,666<sup>2)</sup></b>
<b>Overview as at 31.12.2022</b>					
Cost	21,982	82,720	147,680	914,703	1,167,085
Accumulated amortisation and impairment	–11,561	–	–55,413	–	–66,973
<b>Net carrying amount as at 31.12.2022</b>	<b>10,422</b>	<b>82,720</b>	<b>92,267</b>	<b>914,703</b>	<b>1,100,112</b>

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

<sup>2)</sup> Figures restated (refer to note 2)

### Trademarks with indefinite useful lives

This position includes trademarks 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 units Verfora and Spagyros in the operating segment Products & Care. 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:

#### Trademarks with indefinite useful lives

in thousand CHF	2022	2021
Carrying amount	82,720	82,720
Growth rate	1.0%	1.0%
Pre-tax discount rate	6.8%	6.2%

According to the results of impairment testing for 2022 and 2021 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 2022 and 2021 did not reveal that a reasonable possible change in assumption would lead to an impairment.

### Goodwill

#### Goodwill

in thousand CHF	2022			2021 (Restated)		
	Carrying amount	Growth rate	Pre-tax discount rate	Carrying amount	Growth rate	Pre-tax discount rate
Products & Care	829,156	1.0%	7.0%	768,295 <sup>1)</sup>	1.0%	6.5%
Logistics & IT	85,547	1.0%	7.0%	88,366	1.0%	6.5%
<b>Total</b>	<b>914,703</b>			<b>856,662<sup>1)</sup></b>		

<sup>1)</sup> Figures restated (refer to note 2)

According to the results of impairment testing for 2022 and 2021 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 2022 and 2021 did not reveal that a reasonable possible change in assumption would lead to an impairment.

### Accounting principles intangible assets

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 trademarks in the business area Products & Brands, 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.

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 operating segment 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.

## 17. Investments in associates and joint ventures

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 Cooperative owns 51% of the share capital and voting rights.

### Investments in associates and joint ventures

in thousand CHF	2022	2021
<b>Net carrying amount as at 1 January</b>	<b>30,696</b>	<b>22,949</b>
Share of profit from associates and joint ventures	4,202	6,765
Remeasurement of net defined benefit plans from associates and joint ventures	-921	3,529
Investments <sup>1)</sup>	5,566	-
Dividends received	-6,860	-2,548
<b>Net carrying amount as at 31 December</b>	<b>32,682</b>	<b>30,696</b>
- of which joint ventures	29,574	30,696

<sup>1)</sup> Including contribution of previously held securities with a fair value of CHF 1.7 million

In case Coop Vitality was 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	2022	2021
Current assets	45,257	40,121
Non-current assets	112,697	107,022
- of which right-of-use assets	52,891	48,358
Current liabilities	49,313	40,237
- of which current lease liabilities	10,103	10,391
Non-current liabilities	50,328	42,830
- of which non-current lease liabilities	44,381	39,480
Equity before appropriation of earnings	58,312	64,076
Operating income	266,542	260,835
EBIT	13,058	18,734
Net profit	10,114	14,720
Remeasurement of net defined benefit plans recognised in other comprehensive income	-1,879	7,202
Cash flow from operating activities	21,474	30,755

The net carrying amount of the investment in Coop Vitality is CHF 28.6 million as at 31 December 2022 (previous year: CHF 31.4 million). Unrealised profits are not considered in these amounts.

### Accounting principles investments in associates and joint ventures

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.

## 18. Financial assets

### Financial assets

in thousand CHF	2022	2021
Loans	9,120	8,176
Rental deposits	4,780	4,669
Other financial assets	732	874
<b>Loans and other financial assets</b>	<b>14,632</b>	<b>13,719</b>
Securities	9,061	5,433
<b>Financial assets</b>	<b>23,692</b>	<b>19,152</b>

### Accounting principles financial assets

Non-current financial assets comprise loans, time deposits with a term to maturity of more than twelve months, rental deposits, securities 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. 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.

## 19. Financial liabilities

### Financial liabilities

in thousand CHF	2022	2021
Loans	6,320	5,654
Mortgages	1,241	1,253
Liabilities to pension funds	12,099	37,503
Bonds	380,194	380,306
Contingent consideration liabilities	49,180	24,000
Other financial liabilities	4,279	880
<b>Financial liabilities</b>	<b>453,312</b>	<b>449,596</b>
– of which current financial liabilities	218,464	43,052
– of which non-current financial liabilities	234,848	406,544

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 99.42% and 95.55% respectively as at 31 December 2022 (previous year: 101.17% and 103.85% respectively).

## Cash flow from financial liabilities and lease liabilities 2022

in thousand CHF	1 January 2022	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Disposal from scope of consolidation	Other changes	31 December 2022
Loans	5,654	1,607	-986	-	-	45	6,320
Mortgages	1,253	-	-12	-	-	-	1,241
Liabilities to pension funds	37,503	-	-24,895	-	-	-510	12,099
Bonds	380,306	-	-	-	-	-112	380,194
Contingent consideration liabilities	24,000	-	-	-	-	25,180	49,180
Other financial liabilities	880	-	-	-	-	3,399	4,279
<b>Financial liabilities</b>	<b>449,596</b>	<b>1,607</b>	<b>-25,893</b>	<b>-</b>	<b>-</b>	<b>28,002</b>	<b>453,312</b>
Lease liabilities	223,051	-	-52,459	4,002	-455	59,038	233,178
<b>Financial liabilities and lease liabilities</b>	<b>672,647</b>	<b>1,607</b>	<b>-78,351</b>	<b>4,002</b>	<b>-455</b>	<b>87,040</b>	<b>686,490</b>

## Cash flow from financial liabilities and lease liabilities 2021

in thousand CHF	1 January 2021	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Other changes	31 December 2021
Bank loans	-	110,000	-110,000	-	-	-
Loans	4,643	1,795	-6,550	5,693	72	5,654
Mortgages	-	-	-4	1,257	-	1,253
Liabilities to pension funds	36,540	902	-	56	5	37,503
Bonds	380,417	-	-	-	-111	380,306
Contingent consideration liabilities	70	-	-	-	23,930	24,000
Other financial liabilities	960	-	-80	-	-	880
<b>Financial liabilities</b>	<b>422,631</b>	<b>112,698</b>	<b>-116,634</b>	<b>7,005</b>	<b>23,896</b>	<b>449,596</b>
Lease liabilities	218,001	-	-49,939	6,021	48,968	223,051
<b>Financial liabilities and lease liabilities</b>	<b>640,632</b>	<b>112,698</b>	<b>-166,573</b>	<b>13,027</b>	<b>72,863</b>	<b>672,647</b>

## 20. Trade and other payables

## Trade and other payables

in thousand CHF	2022	2021
Trade payables	323,345	336,201
Contract liabilities	9,137	7,975
Other payables	22,738	19,867
<b>Trade and other payables</b>	<b>355,220</b>	<b>364,043</b>

Contract liabilities are generally recognised in revenue within 12 months.

## 21. Provisions

### Provisions

in thousand CHF	2022	2021
<b>1 January</b>	<b>3,808</b>	<b>4,398</b>
Addition	3,479	1,456
Use	-1,619	-1,380
Reversal	-984	-1,066
Addition to scope of consolidation	-	400
<b>31 December</b>	<b>4,684</b>	<b>3,808</b>
- of which current provisions	4,487	2,498
- of which non-current provisions	197	1,310

Provisions are recognised for the estimated cost on damage, contractual liabilities, customer complaints, litigation risk and ongoing legal proceedings.

The cash outflow from the non-current provisions is expected within the next 2 to 3 years.

### Accounting principles provisions

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.

## 22. Contingent liabilities and commitments

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. With a decision delivered in February 2022, the Federal Administrative Court reduced the fine to around CHF 3.8 million. Galenica has taken this case to the Swiss Federal Supreme Court and does not expect the proceedings to result in a sanction against Galenica.

In September 2020, the Swiss Competition Commission (COMCO) opened an investigation against Markant Handels- und Industriewaren-Vermittlungs AG and its customers, inter alia Galexis Ltd. Galenica does not expect the proceedings to result in a sanction against Galexis Ltd., however, a fine cannot be ruled out entirely.

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 property, plant and equipment and intangible assets totalling CHF 15.9 million (previous year: CHF 16.7 million). The payments under these purchase commitments become due in 2023.

Furthermore, there are guarantees of CHF 8.6 million (previous year: CHF 3.9 million) and subordinated loans of CHF 1.4 million (previous year: none) to third parties.

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

### **Accounting principles contingent liabilities and commitments**

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.

## 23. Employee benefit plans

The vast majority of the Galenica employees work in Switzerland and participate in the Galenica Pension Fund, 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 2022. 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.

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 2022 for Galenica Pension Fund is 108.3% (unaudited) and as at 31 December 2021 125.1% (final).

### Defined benefit plans and long-service awards

in thousand CHF	2022			2021		
	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	1,044,124	–	1,044,124	1,143,224	–	1,143,224
Present value of defined benefit obligation	–975,824	–14,988	–990,812	–1,085,962	–16,229	–1,102,191
<b>Surplus / (deficit)</b>	<b>68,299</b>	<b>–14,988</b>	<b>53,311</b>	<b>57,262</b>	<b>–16,229</b>	<b>41,033</b>
Effect of asset ceiling	–69,941	–	–69,941	–	–	–
<b>Net carrying amount recognised in employee benefit liabilities</b>	<b>–1,642</b>	<b>–14,988</b>	<b>–16,630</b>	<b>57,262</b>	<b>–16,229</b>	<b>41,033</b>
of which recognised in assets	183	–	183	67,000	–	67,000
of which recognised in liabilities	–1,825	–14,988	–16,813	–9,738	–16,229	–25,967

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

### Change in present value of defined benefit obligation

in thousand CHF	2022			2021		
	Defined benefit plans	Long-service awards	Total	Defined benefit plans	Long-service awards	Total
<b>1 January</b>	<b>–1,085,962</b>	<b>–16,229</b>	<b>–1,102,191</b>	<b>–1,060,947</b>	<b>–14,924</b>	<b>–1,075,871</b>
Current service cost	–31,804	–1,725	–33,529	–30,995	–1,519	–32,514
Past service cost	–85	–	–85	968	–	968
Interest on defined benefit obligation	–3,709	–59	–3,768	–519	–8	–527
Actuarial gain/(loss)	169,856	1,512	171,368	1,107	–1,152	–45
Employee contributions	–19,662	–	–19,662	–16,938	–	–16,938
Benefits/awards paid	–310	1,587	1,277	30,627	1,374	32,001
Change in scope of consolidation	–4,148	–74	–4,222	–9,265	–	–9,265
<b>31 December</b>	<b>–975,824</b>	<b>–14,988</b>	<b>–990,812</b>	<b>–1,085,962</b>	<b>–16,229</b>	<b>–1,102,191</b>

**Change in fair value of plan assets**

in thousand CHF	2022	2021
<b>1 January</b>	<b>1,143,224</b>	<b>1,018,461</b>
Interest on plan assets	3,992	509
Remeasurement gain/(loss)	-155,683	105,896
Employee contributions	19,662	16,938
Employer contributions	29,791	26,115
Net benefits paid	310	-30,627
Administration cost	-999	-1,053
Change in scope of consolidation	3,826	6,986
<b>31 December</b>	<b>1,044,124</b>	<b>1,143,224</b>

**Net defined benefit cost**

in thousand CHF	2022	2021
Current service cost	31,804	30,995
Past service cost	85	-968
Net interest on net defined benefit liability	-283	10
Administration cost	999	1,053
<b>Net defined benefit cost</b>	<b>32,605</b>	<b>31,090</b>

**Remeasurement of net defined benefit liability**

in thousand CHF	2022	2021
Actuarial gain/(loss) due to:		
- Changes in demographic assumptions	-	-10,108
- Changes in financial assumptions	190,663	49,946
- Experience adjustments	-20,807	-38,732
Remeasurement of plan assets	-155,683	105,896
Effect in the change of asset ceiling	-69,941	-
<b>Remeasurement of net defined benefit liability recognised in other comprehensive income</b>	<b>-55,768</b>	<b>107,003</b>

**Change in assumption and in estimate**

The experience adjustments of CHF -20.8 million (previous year: CHF -38.7 million) were the result of various elements not expected in the prior year mainly a higher interest credited to the member's accounts, an overall increase of the population and other items as calculated by the external actuary.

The increase of the discount rate from 0.35% to 2.10% (previous year: from 0.05% to 0.35%) resulted in a decrease of the defined benefit obligation of CHF 190.7 million (previous year: CHF 49.9 million). The increase of the discount rate resulted in an actuarial gain (change in financial assumptions) and an asset ceiling.

**Asset ceiling**

in thousand CHF	2022	2021
<b>1 January</b>	<b>-</b>	<b>-</b>
Change in the asset ceiling (recognised in other comprehensive income)	-69,941	-
<b>31 December</b>	<b>-69,941</b>	<b>-</b>

**Investment structure of plan assets**

in thousand CHF	2022		2021	
Cash and cash equivalents	5,312	0.5%	8,503	0.7%
Debt instruments	204,473	19.6%	191,285	16.7%
Equity instruments	424,749	40.7%	517,892	45.3%
Real estate	264,509	25.3%	256,809	22.5%
Other investments	145,081	13.9%	168,735	14.8%
<b>Fair value of plan assets</b>	<b>1,044,124</b>	<b>100.0%</b>	<b>1,143,224</b>	<b>100.0%</b>
Current return on plan assets		-13.2%		10.4%

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 credit 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. These generally have quoted prices in active markets (level 1 of the fair value hierarchy).

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 11.2 million (previous year: CHF 34.2 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 5,629 active members (previous year: 5,377) and 950 pensioners (previous year: 896).

Galenica does not use any pension fund assets.

**Basis for measurement**

	2022	2021
Discount rate	2.10%	0.35%
Salary development	2.25%	1.00%
Pension development	0.00%	0.00%
Mortality (mortality tables)	BVG 2020 GT (CMI), 1.5%	BVG 2020 GT (CMI), 1.5%
Turnover	BVG 2020 (60% -100%)	BVG 2020 (60% -100%)

### 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:

#### Sensitivity analysis

in thousand CHF	2022		2021	
	Variations in assumptions	Impact on DBO	Variations in assumptions	Impact on DBO
Discount rate	+0.25%	-28,301	+0.25%	-39,043
	-0.25%	30,258	-0.25%	41,236
Salary development	+0.25%	2,914	+0.25%	3,260
	-0.25%	-2,913	-0.25%	-3,260
Mortality	+1 year	21,281	+1 year	32,388
	-1 year	-21,921	-1 year	-32,423

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 14.4 years (previous year: 16.5 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 31.2 million for 2023.

### **Accounting principles employee benefit plans**

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.

## 24. Shareholders' equity

### 24.1 Share capital and number of shares

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 2022 in the chapter Corporate Governance (unaudited).

As at 31 December 2022, Galenica Ltd. has no authorised capital.

#### Number of shares

	Total shares Galenica Ltd.	Treasury shares	Outstanding shares
<b>Balance as at 31.12.2020</b>	<b>50,000,000</b>	<b>-501,440</b>	<b>49,498,560</b>
Transactions with treasury shares	-	139,937	139,937
<b>Balance as at 31.12.2021</b>	<b>50,000,000</b>	<b>-361,503</b>	<b>49,638,497</b>
Transactions with treasury shares	-	177,763	177,763
<b>Balance as at 31.12.2022</b>	<b>50,000,000</b>	<b>-183,740</b>	<b>49,816,260</b>

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

#### Accounting principles shareholders' equity

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.

### 24.2 Changes in consolidated shareholder's equity

On 11 May 2022, the Annual General Meeting approved a dividend payment of CHF 104.4 million for the financial year 2021 (previous year: CHF 89.2 million), corresponding to CHF 2.10 per registered share (previous year: CHF 1.80). For this purpose, CHF 1.05 was taken from the reserves from capital contributions (previous year: CHF 0.90) and CHF 1.05 from retained earnings (previous year: CHF 0.90) of Galenica Ltd. The dividend was paid out to the shareholders on 17 May 2022.

In the reporting period, 7,704 treasury shares (previous year: 5,682 treasury shares) were bought at an average price of CHF 69.97 (previous year: CHF 65.59) and 185,467 treasury shares (previous year: 145,619 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 4.1 million (previous year: CHF 0.1 million). As a result of business combinations CHF 1.4 million (previous year: none) were recognised as non-controlling interests. Remaining Shareholders have a put option to sell their shares to Galenica which gives rise to a financial liability. The changes in the carrying amount of this financial liability reduced consolidated shareholder's equity by CHF 3.9 million (previous year: none).

The Board of Directors will submit a proposal to the Annual General Meeting on 3 May 2023 to pay a dividend of CHF 2.20 per share entitled to receive dividend for the financial year 2022. For this purpose, CHF 1.10 is to be taken from the reserves from capital contributions and CHF 1.10 from the retained earnings. However, no dividend will be paid on treasury shares. Based on the number of treasury shares as at 31 December 2022, the total dividend would amount to CHF 109.6 million.

## 25. Financial instruments

### 25.1 Categories of financial instruments

#### Carrying amounts of financial instruments 2022

in thousand CHF	Financial assets at amortised costs	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Cash and cash equivalents	93,927	–	–	93,927
Trade and other receivables	529,479	–	–	529,479
Financial assets	23,693	–	–	23,692
Current financial liabilities	–	–	218,464	218,464
Current lease liabilities	–	–	50,173	50,173
Trade and other payables	–	–	346,083	346,083
Non-current financial liabilities	–	49,180	185,668 <sup>1)</sup>	234,848
Non-current lease liabilities	–	–	183,005	183,005
<b>Total</b>	<b>647,098</b>	<b>49,180</b>	<b>983,393</b>	

<sup>1)</sup> Of which CHF 3.9 million are in connection to put options for non-controlling interests. Changes in the liability amount are recognised in equity

#### Carrying amounts of financial instruments 2021

in thousand CHF	Financial assets at amortised costs	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Cash and cash equivalents	164,982	–	–	164,982
Trade and other receivables	461,108	–	–	461,108
Financial assets	19,152	–	–	19,152
Current financial liabilities	–	–	43,052	43,052
Current lease liabilities	–	–	49,717	49,717
Trade and other payables	–	–	356,067	356,067
Non-current financial liabilities	–	24,000	382,544	406,544
Non-current lease liabilities	–	–	173,334	173,334
<b>Total</b>	<b>645,242</b>	<b>24,000</b>	<b>1,004,714</b>	

**Net gain/(loss) on financial instruments 2022**

in thousand CHF	Financial assets at amortised costs	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Change in fair value of contingent consideration	–	1,077	–	1,077
Net gain/(loss) on foreign exchange	–104	–	–137	–241
Other financial result	–144	–	–55	–198
Interest income	426	–	–	426
Interest expense	–	–	–2,818	–2,818
Interest expense on lease liabilities	–	–	–2,455	–2,455
Interest income on impaired trade receivables	301	–	–	301
Expected credit losses	–1,781	–	–	–1,781
<b>Net gain/(loss) recognised in profit or loss</b>	<b>–1,302</b>	<b>1,077</b>	<b>–5,466</b>	<b>–5,690</b>

**Net gain/(loss) on financial instruments 2021**

in thousand CHF	Financial assets at amortised costs	Financial liabilities at amortised costs	Total
Net gain/(loss) on foreign exchange	304	–274	30
Other financial result	–36	–89	–125
Interest income	492	–	492
Interest expense	–	–2,701	–2,701
Interest expense on lease liabilities	–	–2,298	–2,298
Interest income on impaired trade receivables	245	–	245
Expected credit losses	–1,023	–	–1,023
<b>Net gain/(loss) recognised in profit or loss</b>	<b>–17</b>	<b>–5,362</b>	<b>–5,380</b>

## **Accounting principles financial instruments (measurement and categories)**

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 and securities. 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. Expenses for expected credit losses comprise the change in bad debt allowance and receivables directly written off.

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.

## 25.2 Fair value measurement

### Fair value

in thousand CHF	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Bond (fair value level 1)	380,194	370,830	380,306	389,270

With the exception of the bond in current and non-current financial liabilities, the carrying amounts of all financial instruments approximate to their 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)

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

in thousand CHF	2022	2021
<b>1 January</b>	<b>24,000</b>	<b>70</b>
Arising from business combinations	26,256	24,000
Change in fair value (recognised in profit and loss)	-1,077	-
Payments (cash out)	-	-70
<b>31 December</b>	<b>49,180</b>	<b>24,000</b>

### Sensitivity analysis of contingent consideration liabilities from business combinations

Determining the contingent consideration liability of the business combination of Aquantic AG EBITDA of the acquired business was identified as a key assumption. Galenica has recorded the amount of CHF 3.4 million as contingent consideration liability based on the expected future performance for 2025 and 2026 of the acquired business. The possible future cash outflows range between zero and CHF 5.5 million. An increase in the forecasted EBITDA of the acquired business 2025 and 2026 by 5% would increase the contingent consideration liability by CHF 0.4 million. In return, a decrease of the forecasted EBITDA 2025 and 2026 by 5% would reduce the contingent consideration liability by CHF 0.4 million.

Determining the contingent consideration liability of the business combination of Bahnhof Apotheke Langnau AG future net sales for 2026 and 2027 of the acquired cannaplant business was identified as a key assumption. Galenica has recorded the amount of CHF 22.9 million as contingent consideration liability based on assumed probability-adjusted net sales and the expected achievement of other operational targets. The possible future cash outflows range between zero and CHF 29.0 million. An increase in the expected net sales of the acquired business 2026 and 2027 by 5% would increase the contingent consideration liability by CHF 2.0 million. In return, a decrease of the expected net sales 2026 and 2027 by 5% would reduce the contingent consideration liability by CHF 2.0 million.

Determining the contingent consideration liability of business combinations from previous years net sales of the acquired businesses was identified as key assumption. Galenica has recorded the discounted maximum amount as contingent consideration liability, an increase in the forecasted net sales of the acquired businesses would hence have no impact on the contingent consideration liability. In return, a decrease of the forecasted net sales of the forecasted net sales 2024 by 5% would reduce the contingent consideration liability by CHF 2.2 million.

## Accounting principles financial instruments (fair value measurement)

### Fair value

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.

## 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 2022

in thousand CHF	Carrying amount	Total undiscounted cash flows	up to 3 months	3 to 12 months	1 to 5 years	Maturities more than 5 years
Trade and other payables	346,083	346,083	345,855	228	–	–
Current financial liabilities	18,431	18,431	18,422	9	–	–
Current lease liabilities	50,173	52,710	13,371	39,339	–	–
Non-current financial liabilities	54,688	57,366	–	–	57,366	–
Bonds	380,194	388,200	–	202,800	185,400	–
Non-current lease liabilities	183,005	189,530	–	–	138,693	50,837
<b>Total</b>	<b>1,032,573</b>	<b>1,052,320</b>	<b>377,648</b>	<b>242,376</b>	<b>381,459</b>	<b>50,837</b>

#### Maturity profile of financial liabilities 2021

in thousand CHF	Carrying amount	Total undiscounted cash flows	up to 3 months	3 to 12 months	1 to 5 years	Maturities more than 5 years
Trade and other payables	356,067	356,282	353,850	2,432	–	–
Current financial liabilities	43,052	43,052	42,500	552	–	–
Current lease liabilities	49,717	51,720	13,279	38,441	–	–
Non-current financial liabilities	26,238	26,238	–	–	26,088	150
Bonds	380,306	391,000	–	2,800	388,200	–
Non-current lease liabilities	173,334	179,407	–	–	130,522	48,885
<b>Total</b>	<b>1,028,714</b>	<b>1,047,699</b>	<b>409,629</b>	<b>44,225</b>	<b>544,810</b>	<b>49,035</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.

#### Financial assets subject to credit risk

in thousand CHF	2022	2021
Cash and cash equivalents (without cash on hand)	92,377	163,336
Trade and other receivables	529,479	461,108
Loans and other financial assets	14,632	13,719
<b>Financial assets subject to credit risk</b>	<b>636,488</b>	<b>638,164</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.

### Net debt, shareholder's equity and gearing

in thousand CHF	2022	2021
Current financial liabilities <sup>1)</sup>	218,464	43,019
Current lease liabilities	50,173	49,717
Non-current financial liabilities <sup>1)</sup>	181,389	381,697
Non-current lease liabilities	183,005	173,334
Cash and cash equivalents	-93,927	-164,982
Interest-bearing receivables	-11,347	-1,527
<b>Net debt</b>	<b>527,758</b>	<b>481,257</b>
Equity attributable to shareholders of Galenica Ltd.	1,245,580	1,227,538
Non-controlling interests	3,881	6,140
Shareholders' equity	1,249,461	1,233,677
<b>Gearing</b>	<b>42.2%</b>	<b>39.0%</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

### 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.

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.

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 such as the Galenica Economic Profit and the relative total shareholders return (TSR) are attained. TSR is measured as a percentile ranking against a peer group of relevant companies. 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.

19,613 performance share units (previous year: 21,916 performance share units) were granted to beneficiaries at a fair value of CHF 58.20 (previous year: CHF 52.75) at the beginning of the reporting period for the 2022 LTI plan.

### 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.

In the reporting period, employees purchased 75,607 shares of Galenica Ltd. (previous year: 76,461 shares) at a price of CHF 53.50 (previous year: CHF 46.80). This includes a discount of CHF 22.90 (previous year: CHF 20.06) per share.

### Share-based payment expense

in thousand CHF	2022	2021
Remuneration for members of the Board of Directors	907	880
Share plan for members of senior management	3,087	3,126
Long-term incentive plan (LTI)	1,383	1,180
Employee share plan	1,731	1,534
<b>Total</b>	<b>7,109</b>	<b>6,719</b>

### Accounting principles share-based payments

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.

## 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 21.3 million (previous year: CHF 12.2 million). The trade receivables and loans primarily relate to Coop Vitality. The trade payables and loans from associates and joint ventures amounted to CHF 5.6 million (previous year: CHF 3.8 million) and the financial liabilities to pension funds amounted to CHF 12.1 million (previous year: CHF 37.5 million).

The transactions with associates and joint ventures shown in the table below largely concern transactions with Coop Vitality and are all realised at market-based prices. The invoice payment for the sale of goods and services are due within 30 days and is payable in CHF.

### Related party transactions

in thousand CHF	2022		2021	
	Associates and joint ventures	Other related parties	Associates and joint ventures	Other related parties
Sale of goods	162,134	–	156,535	2,363
Income from services	7,900	–	7,367	–
Other income	17	–	17	–
Purchase of goods	2,719	–	2,353	–
Other operating costs	–	–	67	–
Financial income	106	–	128	–
Financial expenses	203	–	7	–

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

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

in thousand CHF	2022	2021
Remuneration	4,224	3,890
Social security costs and pension expenses	1,054	899
Share-based payments	2,537	2,198
<b>Total</b>	<b>7,815</b>	<b>6,986</b>

## 30. Subsequent events

The following transactions occurred between 31 December 2022 and 2 March 2023, the date on which the consolidated financial statements 2022 were released for publication.

**Acquisition of pharmacies.** Galenica acquired 100 % of the interests in pharmacies at various locations in Switzerland.

The purchase consideration was CHF 9.7 million, the fair value of the provisional net assets resulting from these additions was estimated at CHF 1.0 million at the acquisition date. Since the transactions were concluded shortly before the consolidated financial statements were issued, no further information was available to disclose the additional information required by IFRS.

**Acquisition of Padma AG.** On 30 January 2023 Galenica acquired 100% of the shares in the Swiss company Padma AG. Padma specialises in the manufacture and distribution of herbal formulations based on Tibetan medicine.

The purchase consideration amounted to CHF 24.9 million, of which CHF 20.9 million was settled in cash. The contingent considerations in the amount of CHF 4.0 million is due in 2026 if certain financial and operational targets are achieved. Since the transactions was 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.

## 31. Group companies

### Group companies Products & Care

Group companies	Registered office	Method of consolidation	Currency	Share capital in thousand	2022 Equity interest	2021 Equity interest
<b>Products &amp; Care</b>						
Amavita Health Care Ltd.	CH-Niederbipp	full	CHF	100	100%	100%
Bahnhof Apotheke Langnau AG	CH-Langnau im Emmental	full	CHF	100	100%	-
Bahnhof Apotheken Thun AG	CH-Thun	full	CHF	200	50%	50%
Bichsel AG <sup>2)</sup>	CH-Bern	full	CHF	1,000	100%	100%
Bichsel Interlaken Holding AG <sup>1)</sup>	CH-Interlaken	full	CHF	100	100%	95%
Careproduct AG <sup>3)</sup>	CH-Oberwil-Lieli	-	-	-	-	100%
Coop Vitality AG	CH-Bern	at equity	CHF	5,000	49%	49%
Coop Vitality Health Care GmbH <sup>1)</sup>	CH-Niederbipp	at equity	CHF	20	49%	49%
Coop Vitality Management AG	CH-Bern	at equity	CHF	100	49%	49%
Curarex swiss AG	CH-Zuchwil	full	CHF	100	100%	100%
Dr. A.&L. Schmidgall GmbH & Co KG <sup>1)</sup>	AT-Vienna	full	EUR	145	100%	100%
Dr. U. Reinhard AG <sup>4)</sup>	CH-Winterthur	-	-	-	-	100%
Emeda Ltd.	CH-Wangen-Brüttisellen	at equity	CHF	200	50%	-
Galenicare Ltd.	CH-Bern	full	CHF	700	100%	100%
Galenicare Management Ltd.	CH-Bern	full	CHF	500	100%	100%
G-Pharma AG	CH-Niederbipp	full	CHF	100	100%	100%
Grosse Apotheke Dr. G. Bichsel AG <sup>1)</sup>	CH-Interlaken	full	CHF	200	100%	95%
Hedoga AG	CH-Villars-sur-Glâne	full	CHF	100	100%	100%
Laboratorium Dr. G. Bichsel AG <sup>1)</sup>	CH-Unterseen	full	CHF	200	100%	95%
Lifestage Solutions Ltd.	CH-Otelfingen	full	CHF	152	100%	100%
Medifilm Ltd. <sup>1)</sup>	CH-Oensingen	full	CHF	1,300	100%	100%
Medinform AG	CH-Zürich	full	CHF	100	50%	-
MediService Ltd.	CH-Zuchwil	full	CHF	363	100%	100%
Puravita AG	CH-Speicher	at equity	CHF	130	23%	-
Puresense AG <sup>5)</sup>	CH-Gaiserwald	-	-	-	-	40%
Schmidgall GmbH <sup>1)</sup>	AT-Vienna	full	EUR	36	100%	100%
Spagyros Ltd.	CH-Worb	full	CHF	860	100%	100%
Sun Store Health Care Ltd.	CH-Niederbipp	full	CHF	100	100%	100%
Swiss Pharma GmbH	DE-Rülzheim	full	EUR	51	100%	100%
Verfora Ltd.	CH-Villars-sur-Glâne	full	CHF	100	100%	100%
Winconcept Ltd.	CH-Bern	full	CHF	100	100%	100%
Zentral Apotheke Heerbrugg AG <sup>6)</sup>	CH-Au	full	CHF	100	100%	100%

<sup>1)</sup> Not directly held by Galenica Ltd.

<sup>2)</sup> The company was renamed "Bichsel AG" from "Galenica Investment AG"

<sup>3)</sup> The company was sold as at 20 September 2022

<sup>4)</sup> The company was merged into Galenicare Ltd.

<sup>5)</sup> The company was sold as at 9 November 2022

<sup>6)</sup> The company was renamed "Zentral Apotheke Heerbrugg AG" from "Pharmapool Zentralapotheke AG"

## Group companies Logistics &amp; IT and Group Services

Group companies	Registered office	Method of consolidation	Currency	Share capital in thousand	2022 Equity interest	2021 Equity interest
<b>Logistics &amp; IT</b>						
1L Logistics AG	CH-Burgdorf	full	CHF	100	100%	100%
Alloga Ltd.	CH-Burgdorf	full	CHF	8,332	100%	100%
Aquantic AG	CH-Zeiningen	full	CHF	100	100%	-
Dauf SA <sup>1)</sup>	CH-Lugano	full	CHF	100	92.88%	91.60%
Galexis Ltd.	CH-Niederbipp	full	CHF	25,000	100%	100%
HCI Solutions Ltd.	CH-Bern	full	CHF	100	100%	100%
Pharma-Info AG <sup>1)</sup>	CH-Biel	at equity	CHF	100	49%	49%
PharmaBlist Ltd. <sup>1)</sup>	CH-Widnau	full	CHF	100	100%	100%
Pharmapool Ltd. <sup>1)</sup>	CH-Widnau	full	CHF	962	100%	100%
Unione Farmaceutica Distribuzione SA	CH-Lugano	full	CHF	2,000	92.88%	91.60%
<b>Group Services</b>						
Galenica Finanz Ltd.	CH-Bern	full	CHF	100	100%	100%

<sup>1)</sup> Not directly held by Galenica Ltd.



Ernst & Young Ltd  
Schanzenstrasse 4a  
P.O. Box  
CH-3001 Berne

Phone: +41 58 286 61 11  
Fax: +41 58 286 30 04  
www.ey.com/ch

To the General Meeting of  
Galenica Ltd., Berne

Berne, 2 March 2023

## Report of the statutory auditor

### 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 income, the consolidated statement of comprehensive income, the consolidated statement of financial position as at 31 December 2022, the consolidated statement of cash flows, the 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 give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of 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 (ISA) and Swiss Standards on Auditing (SA-CH). 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, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), 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.



2

### Impairment risk of goodwill and other intangibles

<b>Risk</b>	<p>As disclosed in note 16, goodwill amounts to CHF 914.7 million as at 31 December 2022 and represents a major asset of Galenica. In addition, Galenica recorded intangible assets with indefinite useful lives with a carrying amount of CHF 82.7 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 is considered important to our audit as it depends on various estimates made by management and therefore includes judgmental elements. In particular, the assessment is sensitive to significant assumptions made about future market and economic conditions, such as economic growth, expected market share, revenue and margin development. Moreover, the terminal growth and the discount rate used have an impact on the net present value of the underlying cash generating unit.</p>
<b>Our audit response</b>	<p>We performed audit procedures that included, among others, assessing the methodology 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) including the terminal growth. 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 analyses 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>



### Other information

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

Our opinion on the consolidated financial statements does not cover the other information 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 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.



3



#### **Board of Directors' responsibilities for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements, which 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, ISA and SA-CH 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 on EXPERTSuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

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



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the 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

Daniel Zaugg  
Licensed audit expert  
(Auditor in charge)

Simone Wittwer  
Licensed audit expert

# Financial statements 2022 of Galenica Ltd.

257 Statement of income of Galenica Ltd.

---

258 Statement of financial position of Galenica Ltd.

---

259 Notes to the financial statements of Galenica Ltd.

---

265 Report of the statutory auditor

---

## Statement of income of Galenica Ltd.

in thousand CHF	2022	2021
Investment income	121,243	87,273
Financial income	52,223	142,694
Other income	132,917	71,391
<b>Income</b>	<b>306,383</b>	<b>301,358</b>
Personnel costs	-72,243	-41,004
Financial expenses	-10,881	-4,333
Depreciation and amortisation	-16,156	-6,355
Other expenses	-33,842	-14,973
<b>Expenses</b>	<b>-133,122</b>	<b>-66,665</b>
<b>Profit for the year before taxes</b>	<b>173,261</b>	<b>234,693</b>
Direct taxes	-5,162	-6,017
<b>Profit for the year</b>	<b>168,099</b>	<b>228,676</b>

## Statement of financial position of Galenica Ltd.

in thousand CHF		2022		2021
Cash and cash equivalents		32,607		49,816
Receivables				
– Third parties		585		3,546
– Group companies		82		62
Prepaid expenses and accrued income				
– Third parties		5,322		4,023
– Group companies		500		1,430
<b>Current assets</b>	<b>3.1%</b>	<b>39,096</b>	<b>5.1%</b>	<b>58,877</b>
Financial assets		85,713		81,614
Investments		1,064,752		949,967
Property, plant and equipment		14,023		12,019
Intangible assets		49,197		43,396
<b>Non-current assets</b>	<b>96.9%</b>	<b>1,213,685</b>	<b>94.9%</b>	<b>1,086,996</b>
<b>Assets</b>	<b>100.0%</b>	<b>1,252,781</b>	<b>100.0%</b>	<b>1,145,873</b>
Current interest-bearing liabilities		200,000		–
Other current liabilities				
– Third parties		16,761		16,468
– Group companies		41,074		21,834
Accrued expenses and deferred income				
– Third parties		13,787		13,817
– Group companies		–		1,430
<b>Current liabilities</b>	<b>21.7%</b>	<b>271,622</b>	<b>4.7%</b>	<b>53,549</b>
Non-current interest-bearing liabilities		180,000		380,000
Other non-current liabilities		49,179		24,000
<b>Non-current liabilities</b>	<b>18.3%</b>	<b>229,179</b>	<b>35.3%</b>	<b>404,000</b>
<b>Liabilities</b>	<b>40.0%</b>	<b>500,801</b>	<b>39.9%</b>	<b>457,549</b>
Share capital		5,000		5,000
Legal capital reserves				
– Reserves from capital contributions		254,788		307,010
Legal retained earnings				
– General legal retained earnings		1,000		1,000
– Reserves for treasury shares		8,000		3,000
Voluntary retained earnings				
– Free reserve		314,000		143,000
– Profit brought forward from the previous year		1,093		638
– Profit for the year		168,099		228,676
<b>Shareholders' equity</b>	<b>60.0%</b>	<b>751,980</b>	<b>60.1%</b>	<b>688,324</b>
<b>Liabilities and shareholders' equity</b>	<b>100.0%</b>	<b>1,252,781</b>	<b>100.0%</b>	<b>1,145,873</b>

# Notes to the financial statements of Galenica Ltd.

## Galenica Ltd.

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

With the changed organisational and management structure of Galenica valid as at 1 January 2021, Galenica centralised its Corporate functions such as Finance, Human Resources, Legal & Board Services, Communications and Transformation as well as the internal IT Services on 1 July 2021. The transfer of these business activities from other Group companies to Galenica Ltd. also resulted in a transfer of employees as well as related assets and liabilities. A «like-for-like» comparison with the previous year's period is therefore not possible.

## Principles

The financial statements of Galenica Ltd. 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 income

Financial income includes the reversal of a bad debt allowance on non-current intercompany loans of CHF 15.0 million (previous year: CHF 30.0 million) and a reversal of an impairment on investments of CHF 35.5 million (previous year: none). In 2021, financial income includes also a non-taxable gain of CHF 109.5 million due to the merger with GaleniCare Holding Ltd.

## Other income

Other income includes group-internal management fees of CHF 50.5 million (previous year: CHF 34.6 million) and IT services of CHF 66.4 million (previous year: CHF 28.4 million). Revenue is recognised when the service is provided.

## Property, plant and equipment

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.

### Property, plant and equipment

in thousand CHF	2022	2021
Furniture, fittings	66	35
IT equipment	9,379	11,305
Vehicles	4,578	679
<b>Total net carrying amount</b>	<b>14,023</b>	<b>12,019</b>

## Intangible assets

Intangible assets include purchased or internally developed software. These items are measured at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated economic useful life.

## Financial assets

Financial assets include non-current loans to Group companies of CHF 74.7 million (previous year: CHF 74.7 million) and joint ventures of CHF 4.9 million (previous year: CHF 4.9 million).

### Subordinated loans

As at 31 December 2022, subordinated loans to Group companies amounted to CHF 1.9 million (previous year: none) and to other companies amounted to CHF 1.4 million (previous year: none).

### Investments

An overview of the investments that are directly or indirectly controlled by Galenica Ltd. is provided in [note 31](#) to the Consolidated financial statements 2022 of the Galenica Group.

### Interest-bearing liabilities

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

#### Interest-bearing liabilities

in thousand CHF	2022	2021
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
<b>Interest-bearing liabilities</b>	<b>380,000</b>	<b>380,000</b>
– of which current interest-bearing liabilities	200,000	–
– of which non-current interest-bearing liabilities	180,000	380,000

### Lease obligations

The lease obligations, which do not expire or cannot be terminated within 12 months, have the following maturity structure. These amounts include the payments owed from rental and leasing agreements up to the end of the contract or the expiry of the notice period.

#### Lease obligations

in thousand CHF	2022	2021
Within 1 year	1,223	1,200
In 2 to 5 years	1,854	1,200
In more than 5 years	25,600	27,428
<b>Total</b>	<b>28,677</b>	<b>29,828</b>

### Share capital

As at 31 December 2022, 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

As at 31 December 2022, Galenica Ltd. has no authorised capital.

### Reserves from capital contributions

The reserves from capital contributions have been reduced to CHF 254.8 million (previous year: CHF 307.0 million) due to the dividend paid out to the shareholders on 17 May 2022 taken from the reserves from capital contributions in the amount of CHF 52.2 million (previous year: CHF 44.6 million).

### Release of hidden reserves

In 2022, hidden reserves of CHF 15.0 million were released (previous year: CHF 30.0 million).

### Contingent liabilities

As at 31 December 2022, total contingent liabilities amounted to CHF 347.4 million (previous year: CHF 325.8 million), including issued guarantees to Group companies of CHF 217.2 million (previous year: CHF 195.6 million) as well as CHF 130.0 million (previous year: CHF 130.0 million) for guarantees to secure intraday transactions for Group companies in connection with the zero balance cash pooling.

## Full-time equivalents

The average number of full-time equivalents for the reporting period amounted to 413 (previous year: 218).

## Treasury shares

Galenica shares owned by subsidiaries:

### Treasury shares

	Number	2022 in CHF	Number	2021 in CHF
<b>1 January</b>	<b>361,503</b>		<b>501,440</b>	
1st quarter				
– Bought	2,161	141,737	392	23,223
– Sold	–59,930	–3,874,139	–41,676	–2,436,140
2nd quarter				
– Bought	1,288	93,873	1,584	100,175
– Sold	–39,680	–2,597,453	–18,087	–1,061,888
3rd quarter				
– Bought	1,630	116,782	1,415	98,068
– Sold	–85,857	–6,559,475	–85,856	–5,740,332
4th quarter				
– Bought	2,625	186,644	2,291	151,210
– Sold	–	–	–	–
<b>31 December</b>	<b>183,740</b>		<b>361,503</b>	

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

## Major shareholders

According to the Galenica Share Register, shareholders who owned 3% or more of the Company's capital shown in the table below. No other shareholder has announced a crossing of the 3% threshold of shares.

### Major shareholders

	31.12.2022		31.12.2021	
	Number of shares	% of share capital	Number of shares	% of share capital
UBS Fund Management (Switzerland) AG, Switzerland	2,671,158	5.3	2,671,158	5.3
Credit Suisse Funds AG, Switzerland	2,495,385	5.0	1,626,752	3.3
Alecta Pensionsförsäkring, Sweden	2,000,000	4.0	2,000,000	4.0
BlackRock, Inc., USA	1,579,198	3.2	–	–
Swisscanto Fondsleitung AG, Switzerland	1,533,324	3.1	1,533,324	3.1
Vontobel Fonds Services AG, Switzerland	1,502,395	3.0	–	–

## 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

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

Number of shares	Held as at 31.12.2022	Shares allocated for 2022	Held as at 31.12.2021	Shares allocated for 2021
Daniela Bosshardt	25,695	3,167	22,131	3,564
Pascale Bruderer	2,963	1,086	1,703	1,260
Michel Burnier	9,487	1,086	8,265	1,222
Bertrand Jungo	8,248	1,357	4,964	3,284
Judith Meier	–	1,448	–	–
Markus R. Neuhaus	9,084	1,448	7,416	1,668
Philippe Nussbaumer	–	–	–	916
Andreas Walde	13,509	2,715	11,982	1,527
<b>Shares of the members of the Board of Directors</b>	<b>68,986</b>	<b>12,307</b>	<b>56,461</b>	<b>13,441</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

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

Number of shares	Held as at 31.12.2022	Held as at 31.12.2021
Marc Werner	4,625	1,390
Lukas Ackermann	1,012	–
Felix Burkhard	17,700	14,674
Andreas Koch	5,545	2,719
Daniele Madonna	13,164	8,325
Virginie Pache Jeschka	2,738	1,072
Thomas Szuran	8,083	2,315

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.

In 2022, 11,957 performance share units (previous year: 11,880 performance share units) with fair value at grant date of CHF 689,956 (previous year: CHF 621,300) have been allocated to the members of the Corporate Executive Committee. In 2022, 3,857 performance share units (previous year: 5,188 performance share units) with fair value at grant date of CHF 222,585 (previous year: CHF 271,327) have been allocated to other employees of Galenica Ltd.

## Shareholders' equity

Shareholders' equity developed as follows:

### Shareholders' equity

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 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>
Allocation to free reserve					16,000	-16,000	-
Adjustment to the reserves for treasury shares				-10,400	10,400		-
Dividends		-44,482				-44,482	-88,964
Profit for the year						76,208	76,208
<b>Balance as at 31 December 2020</b>	<b>5,000</b>	<b>351,612</b>	<b>1,000</b>	<b>11,600</b>	<b>102,400</b>	<b>77,240</b>	<b>548,852</b>
Allocation to free reserve					32,000	-32,000	-
Adjustment to the reserves for treasury shares				-8,600	8,600		-
Dividends		-44,602				-44,602	-89,204
Profit for the year						228,676	228,676
<b>Balance as at 31 December 2021</b>	<b>5,000</b>	<b>307,010</b>	<b>1,000</b>	<b>3,000</b>	<b>143,000</b>	<b>229,314</b>	<b>688,324</b>
Allocation to free reserve					176,000	-176,000	-
Adjustment to the reserves for treasury shares				5,000	-5,000		-
Dividends		-52,222				-52,222	-104,443
Profit for the year						168,099	168,099
<b>Balance as at 31 December 2022</b>	<b>5,000</b>	<b>254,789</b>	<b>1,000</b>	<b>8,000</b>	<b>314,000</b>	<b>169,192</b>	<b>751,980</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 3 May 2023, the Board of Directors will propose the following allocation of available earnings and reserves from capital contributions:

in CHF	2022	2021
<b>Appropriation of available earnings</b>		
Balance brought forward	1,092,850	638,387
Profit for the year	168,098,939	228,676,151
<b>Available earnings at the disposal of the Annual General Meeting</b>	<b>169,191,789</b>	<b>229,314,538</b>
Dividend per share CHF 1.10 (2021: CHF 1.05)	-55,000,000 <sup>1)</sup>	-52,221,688
Allocation to free reserve	-114,000,000	-176,000,000
<b>Balance to be carried forward</b>	<b>191,789</b>	<b>1,092,850</b>
<b>Appropriation of reserves from capital contributions</b>		
<b>Reserves from capital contributions</b>	<b>254,788,518</b>	<b>307,010,206</b>
Dividend per share CHF 1.10 (2021: CHF 1.05) paid out of reserves from capital contributions	-55,000,000 <sup>1)</sup>	-52,221,688
<b>Balance to be carried forward</b>	<b>199,788,518</b>	<b>254,788,518</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 2022, the total dividend would amount to CHF 109.6 million

The Board of Directors proposes to issue a dividend for fiscal year 2022 of CHF 2.20 per registered share. For this purpose, CHF 1.10 is to be taken from the reserves from capital contributions and CHF 1.10 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 9 May 2023.



Ernst & Young Ltd  
Schanzenstrasse 4a  
P.O. Box  
CH-3001 Berne

Phone: +41 58 286 61 11  
Fax: +41 58 286 30 04  
www.ey.com/ch

To the General Meeting of  
Galenica Ltd., Berne

Berne, 2 March 2023

## Report of the statutory auditor

### Report on the audit of the financial statements



#### Opinion

We have audited the financial statements of Galenica Ltd. (the Company), which comprise the statement of income for the year then ended, the statement of financial position as at 31 December 2022 and notes to the financial statements.

In our opinion, the financial statements comply with Swiss law and the Company's articles of incorporation.



#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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 financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.



#### Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.



2



### **Board of Directors' responsibilities for the financial statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.



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

Our objectives are to obtain reasonable assurance about whether the 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 and SA-CH 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

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



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

We further confirm that the proposed appropriation of available earnings and the proposed repayment of legal capital reserve comply with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg  
Licensed audit expert  
(Auditor in charge)

Simone Wittwer  
Licensed audit expert

# Spotlights

# Contents Spotlights

- 269 In the best hands at the pharmacy
- 270 Ready for the digital future
- 272 A true pioneer in the Galenica network
- 273 Digital networking in the B2B market
- 274 A new visual identity as a symbol of the Galenica network
- 276 Sustainably modernised logistics site
- 277 Shared responsibility and more time for customers
- 278 Experiment with impact
- 279 Responsible partnership with there-foryou. com

# In the best hands at the pharmacy

## Spotlights

### Vaccinations in Galenica pharmacies

After a consultation, customers can get vaccinated with us. In addition to flu and tick-borne encephalitis vaccines, the range of services offered by our pharmacies also includes vaccinations against COVID-19. To this end, we have given additional employees special training in our Amavita, Sun Store and Coop Vitality pharmacy formats and adapted the premises accordingly.

Pharmacies want to establish themselves even more strongly as the first point of contact for health issues. This also includes services and counselling offers, which we are continuously expanding.

The central role of pharmacies in primary medical care has been undisputed since the outbreak of COVID-19 or even earlier. The enormous expertise and high-quality education and training of pharmacy staff are also recognised. So it's high time to make patients and customers more aware of these skills and promote the pharmacy as the first, low-threshold point of contact for health issues. For many non-serious health problems, such as urinary tract infections, bacterial conjunctivitis or pollen allergies, help is available directly from the pharmacy. Whether with expert advice, the dispensing of medicines, a vaccination or even a simple clinical examination: at the Amavita Apotheke Kongress pharmacy in Davos (Graubünden), for example, a pilot project is under way to offer CRP and ferritin measurements. CRP is a blood laboratory value used to detect and monitor inflammation in the body, while ferritin measures iron stores.

The topic of women's health offers particularly great potential for pharmacy care and advice. Menstruation, family planning, pregnancy and the menopause are just some of the aspects of "female health", which covers a wide range of issues. That's why we want to offer health services that help women in all situations of life.



All of these offers play an active role in the fight against rising healthcare costs. Because, if a patient can be helped directly at the pharmacy, they do not need to see another healthcare professional, which means that treatment costs are lower. At the same time, pharmacy employees can fully contribute their skills and the initiatives make the pharmaceutical profession even more attractive. And this applies not only to pharmacists, but also to pharmaceutical assistants, who are able to take on tasks with greater responsibility and expand their skills thanks to regular training.

# Ready for the digital future

## Spotlights

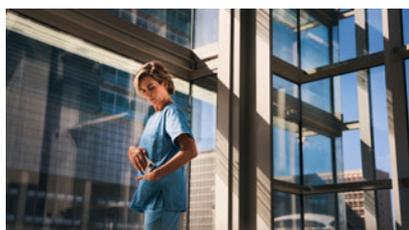
Digital health and digital processes are key aspects for the future of healthcare. Not only can costs for the healthcare system be kept under control, processes for patients and customers are also becoming simpler and safer. We are actively concentrating on this growth market. One tool with particularly great potential is the e-prescription.



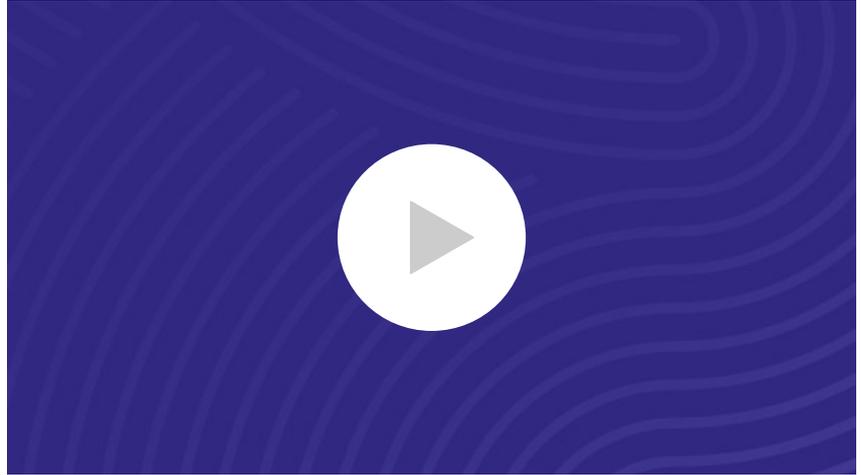
The e-prescription is an important tool in e-medication.

Promoting people's health and well-being with the help of digital technologies and the networking of digital platforms in the healthcare system – this is the aim of all the initiatives and projects that we refer to under the umbrella term “digital health”. Digital health is a complex, diverse world of research, offers, start-ups and government initiatives, as well as a market with growth potential. We focus on four areas:

- E-medication: the topic of e-medication is about hybrid care offers for the taking of medication. Important goals of e-medication include better patient safety, even easier access to therapies and patient adherence. E-prescriptions play an important role in this. Developments in this respect are particularly dynamic, and we gained valuable experience as part of pilot projects with medical partners in 2022. Since the end of 2022, all Galenica pharmacies have been trained and are capable of dispensing an e-prescription. Experts expect e-prescriptions to become established among all service providers in the coming years.
- Services along the so-called customer journey: this area includes services for all health phases of life – from preventive measures and support for acute complaints and chronic illnesses through to follow-up care. One particularly attractive service for customers is the cooperation between bricks-and-mortar pharmacies and dermatologists from OnlineDoctor. In addition to expert initial advice and treatment in the pharmacy, people with skin problems also receive professional support from OnlineDoctor, including medical findings and any medication prescriptions required.
- Health platforms: this area includes, in particular, digital offerings that bring different stakeholders together. The [Well health platform](#) is a good example of customer-oriented, interprofessional collaboration. Well users enjoy easy access to existing Galenica offerings and services, such as booking vaccination appointments or other pharmacy healthcare services. At the same time, healthcare professionals and health insurers can connect the data to their existing systems. For example, with practice software that makes it easy to book appointments.
- Predictive analytics and machine learning: the analysis of data enables new services to be provided in the medium to long term – for example, personalised healthcare services or even more efficient processes in B2B business with healthcare professionals. For example,



Galexis and Unique will conduct a proof of concept with Unique's sales intelligence platform. Customer service calls should be automatically recorded and analysed as part of CRM. The aim is to be proactive about keeping the sales force informed and increase customer satisfaction.



# A true pioneer in the Galenica network

---

## Spotlights

Cannaplant, Switzerland's leading provider of formulations for medical cannabis products, joined the Galenica network in November 2022 via the pharmacy Bahnhof Apotheke in Langnau in Emmental. This will enable us to offer many seriously ill patients and their doctors valuable therapies in future.



Bahnhof Apotheke Langnau i. E. is the leading provider of prescriptions for medical cannabis products.

In November 2022, we acquired the pharmacy Bahnhof Apotheke in Langnau in Emmental, which is not only a successfully run pharmacy in an attractive location – it is also the leading provider of formulations for medical cannabis products. Cannaplant, the company established by Manfred Fankhauser and his wife Barbara, has grown steadily in recent years and now serves between 300 and 400 long-term patients in Switzerland.

Medical cannabis therapy can be a valuable option, especially for severely ill people. With effect from 1 August 2022, the ban on cannabis for medical purposes in the Narcotics Act (NarcA) was lifted. Doctors no longer need a special licence to prescribe cannabis. In addition, a patient no longer needs to have exhausted all treatment options before cannabis can be prescribed. As a result, the active substance is likely to find its way into the standard therapy set of doctors and to be increasingly in demand by patients.

According to estimates, around 100,000 people in Switzerland use cannabis as medication. Due to the legal restrictions on access, it was usually necessary to resort to procurement on the black market – with considerable health risks. Thanks to the change in the law, medical cannabis can now be prescribed in the same way as other medications or narcotics.

We are convinced of the potential of medical cannabis as a promising therapy for a growing group of patients for whom medical cannabis therapy is a valuable alternative. We look forward to fulfilling our customer promise to support people in all situations on their journey to health and well-being even more comprehensively in the future.

Manfred Fankhauser is the Swiss pioneer in the field of medical cannabis. We are pleased that he and his team continue to support us with their many years of experience and broad expertise in cannabis therapies.

# Digital networking in the B2B market

---

## Spotlights

In July 2022, we acquired Aquantic Ltd., a highly specialised software company. This marked a further step towards the digitalisation of healthcare in the B2B sector and networking between health insurers and pharmaceutical companies. Aquantic supports the activities of the specialty pharmacy Mediservice in particular.



Software solutions from Aquantic connect health insurers and pharmaceutical companies.

Aquantic specialises in software solutions related to Article 71 a–d of the Ordinance on Health Insurance (HIO). This article allows medicinal products or their indications to be reimbursed in exceptional cases, even if they are not on the federal list of pharmaceutical specialities. This regulation is relevant, for example, in cases of rare, very severe or chronic diseases as well as for high therapeutic benefit and applies to many Mediservice patients. The SmartMIP software solution by Aquantic enables this remuneration to be processed quickly, in a standardised manner and in compliance with the law within the meaning of Article 71 a–d HIO. SmartMIP is already in use at 23 health insurers and 22 pharmaceutical companies.

We are also taking the digitalisation of healthcare one step further in the B2B sector with what Aquantic can offer and are networking between health insurers and pharmaceutical companies. In this way we are helping to shape a growing ecosystem in which the players work together.

With its expertise, Aquantic supports, in particular, the activities of the specialty pharmacy Mediservice, which is able to optimise its services for the benefit of patients.

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

# A new visual identity as a symbol of the Galenica network

---

## Spotlights

Our dynamism is reflected in a new visual identity. The logo, colours and imagery convey the importance of the strong Galenica network for patients, customers and partners in the healthcare industry.



Galenica's dynamism is reflected in the new visual identity.

We are showing real dynamism. With our consumer strategy, we consistently place the customer at the heart of our activities. We use the power of our extensive network to meet customer needs and exploit synergies – both digitally and in bricks-and-mortar pharmacies. We are embarking on a new era and are signalling this with a new logo, new colours and a new image world.

The identity symbolises the network of all the services and products that our network partners offer their patients, customers and partners in the healthcare industry. The distinctive imagery sums up the entirety of our services in visual terms. The new logo also appears whenever added value is created for the benefit of patients, customers and partners from the strong network of Business Units.

The established and popular brands and formats such as Amavita, Mediservice and Galexis will not be changed – the multi-brand strategy will be consistently pursued. The new identity will be introduced and the joint offers from the Galenica network will be implemented gradually from the first quarter of 2023.

[Our website has a new look.](#)

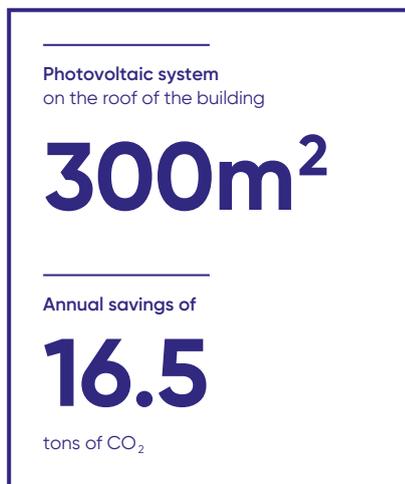
Play movie!



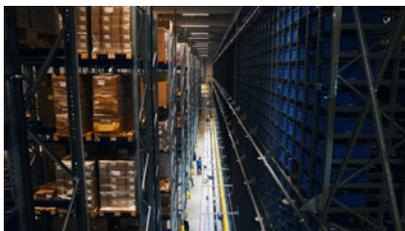
# Sustainably modernised logistics site

## Spotlights

With the modernisation of the logistics site in Lausanne-Ecublens, Galexis is not only contributing to the reliable supply of medicines to the population of French-speaking Switzerland, it is also significantly improving its environmental footprint.



Galexis opened its modernised distribution centre in Lausanne-Ecublens in autumn 2022. Since the early 1970s, Lausanne-Ecublens has served as a hub for the provision of medicines to the population of French-speaking Switzerland. With the modernisation, Galexis demonstrates its commitment to Western Switzerland as a location. The roof of the storage area was raised by 1.5m, increasing the hall's interior volume from 14,000m<sup>3</sup> to 19,000m<sup>3</sup>. A new automated order picking system was installed inside the distribution centre. This increases the level of automation from under 30% to around 70%. As a result, up to 100,000 packages can be shipped every day from the modernised distribution centre. This is done in less time and with fewer staff than before.



## Environmental Goals

Efficiency is not just to be increased in the core business of medication logistics. The energy efficiency of the site has also improved significantly: in the course of the modernisation, a completely new building envelope was created that is state-of-the-art in terms of energy efficiency. In addition, a 300m<sup>2</sup> photovoltaic system was installed on the roof of the building, which has a positive impact on the site's energy balance with an output of 50 kWp and annual savings of 16.5 tons of CO<sub>2</sub> (corresponding to around 600 planted trees). The Lausanne-Ecublens site has been modernised in line with our energy efficiency concepts, thus contributing to the achievement of our sustainability.

# Shared responsibility and more time for customers

---

## Spotlights

At the Amavita pharmacy Gallusmarkt in St. Gallen, management is in the best hands: the two young pharmaceutical assistants Chantal Keel and Elmedina Rexhepi are acting as co-managers, while pharmacist Dr Carina Gächter is responsible for technical aspects.



The management trio of the Amavita pharmacy in Gallusmarkt.

A year ago, the two pharmaceutical assistants Chantal Keel (21) and Elmedina Rexhepi (22) felt a very tangible effect of the shortage of specialist staff in the medical and pharmaceutical sector: the Amavita pharmacy Gallusmarkt in St. Gallen was left without management quite suddenly. Suitably motivated and with the support of the regional manager, the two women took over the management. Elmedina Rexhepi recalls: "At first, I questioned whether I could live up to this responsibility. But, thanks to my training as a pharmaceutical operations assistant and the internal management courses I completed, I felt well prepared." Chantal Keel adds: "We were very proud to be able to assume a responsibility of this magnitude at such a young age." The two co-managers have known each other ever since they completed their apprenticeship together at another Amavita branch and work together in the spirit of trust and harmony.

In April 2022, the duo became a trio: Dr Carina Gächter assumed technical responsibility as pharmacist. She appreciates being able to concentrate primarily on advising customers and providing pharmaceutical services such as taking people's medical history, administering vaccinations and carrying out ear examinations. "I was impressed by the professionalism of the two co-managers," she says. The three women cultivate a family-like atmosphere in the 16-person team. Reactions, including those of regular customers, were thoroughly positive. Chantal emphasises: "As pharmaceutical assistants, we are proud to send out a positive signal about the attractiveness of our profession with this innovative model of collaboration."

The development of our employees is very important to us and is part of our social responsibility. That is why we at the Galenica Group support and encourage our employees to develop their skills and realise their full potential – also with the aim of being an attractive employer and attracting and retaining valuable specialists.

# Experiment with impact

## Spotlights

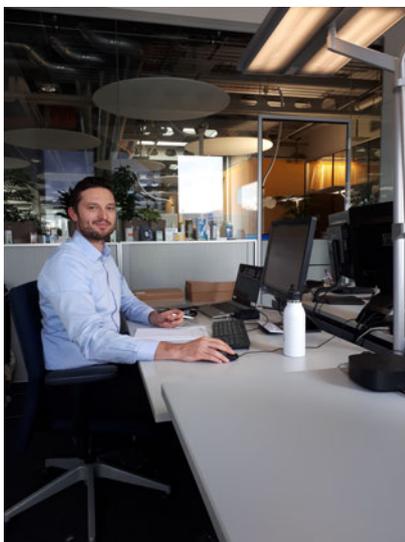


Carla Wälchli visiting one of the 22 Coop Vitality pharmacies she oversees.

Carla Wälchli and Victor Dufour have switched jobs for six months. The experiment is exciting, enriching and – challenging!

Fancy swapping jobs with a co-worker? This is certainly possible at Galenica. The experiment is called "Job Rotation". Carla Wälchli and Victor Dufour decided to take the plunge. Carla is responsible for marketing communications at Coop Vitality, while Victor works as Regional Sales Manager for French-speaking Switzerland, Bern and Valais. And so, on 1 September 2022, the two are immersed in each other's day-to-day working lives. Victor is now mostly found in the office in Bern, conducting discussions with suppliers and coordinating marketing campaigns, while Carla spends a lot of time on the road, visiting one of the 22 pharmacies in her catchment area.

What was the motivation for the job swap? That's something that they both agree on: they wanted to broaden their horizons and get to know new facets of the varied Galenica network. "I'm convinced that insights into a colleague's day-to-day work not only strengthen team spirit, but also help to exploit synergies," says Carla. "It helps me advance professionally and personally," adds Victor.



Victor Dufour is enthusiastic about the "job rotation" experiment.

And where are the stumbling blocks? For both, the first few weeks have been work-intensive. "It's not easy to turn your back on your usual tasks and your team," states Carla. Victor says: "I feel like a trainee!" Fortunately, as a "trainee", he can rely on the support of his new team, who diligently helped with the onboarding process. Both Victor and Carla were warmly welcomed into their new teams, even if there was a certain scepticism at the beginning.

What advice do you have for colleagues who are interested in a job swap? "Good preparation is essential," says Carla. "Before the actual job swap, we met regularly to get to know each other's tasks and work on some theory." "Even if a lot of things can only be learned in practice," adds Victor.

[More information on career opportunities at Galenica can be found here.](#)

# Responsible partnership with there-for-you.com

---

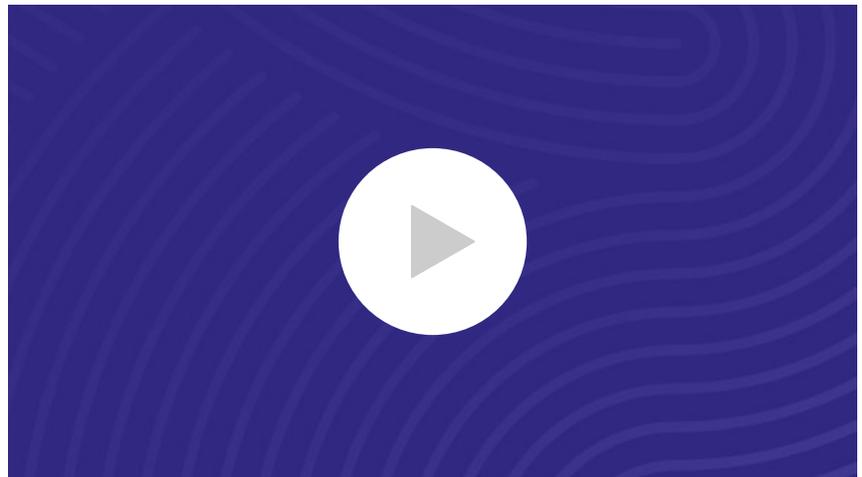
## Spotlights

As the main partner of the platform there-for-you.com, we support digital fundraising. Employees decide which social and humanitarian projects we actually get involved in. This makes it possible to identify more closely with "doing good" together.



Integration via ice hockey - one of the projects chosen by Galenica employees.

We have been the main partner of the crowdfunding platform there-for-you.com since January 2022. Commitment is one of the measures that we embrace with our social responsibility. There-for-you.com is a digital platform that showcases social and humanitarian projects and initiatives in the fields of climate protection, animal welfare and children's aid. In other words, a digital form of fundraising where supporters can rely on a careful and conscientious selection of initiatives and the greatest possible transparency, from project implementation through to completion. As the main partner of there-for-you.com, we ourselves are a regular supporter of social and humanitarian projects. Our employees decide on the scope of any actual commitment in the form of various projects on which they can vote via the intranet: in 2022, for example, in addition to two initiatives in Switzerland, we were able to support a project that promotes better job opportunities for young people in South Africa.



Furaha Kids Foundation thank you video from there-for-you.com on Vimeo.  
The partnership with there-for-you.com brings a lot of joy. For us, it is an important pillar of our social commitment and delivers much-needed help for project initiators.

Thanks to some remaining money at the end of the year that we set aside to fulfil our commitment to there-for-you.com, we were able to support two further projects just before Christmas: a project to acquire land for the construction of a school in Uganda and a project by SOS Children's Villages Switzerland, which supports youth education in Lesotho.

## Impressum

### Published by

Galenica Ltd.  
Corporate Communications  
Untermattweg 8  
P.O. Box  
CH-3001 Bern  
Phone +41 58 852 81 11  
info@galenica.com  
www.galenica.com

### Overall responsibility

Corporate Communications and Corporate Finance

### With the support of

Text: PETRANIX Ltd., Wollerau  
Translation: Apostroph Group, Switzerland  
Publishing system: ns.wow, mms solutions Ltd., Zurich

### Concept and Layout

NeidhartSchön Ltd., Zurich  
PETRANIX Ltd., Wollerau

### Pictures

Contexta, Bern  
Adobe Stock

### Forward-looking statements

This Annual Report contains forward-looking statements. In this Annual Report, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives. Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Galenica's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Galenica's past and future filings and reports, in past and future filings, press releases, reports and other information posted on Galenica Group Companies' websites. Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication. Galenica disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.