

# Financial Reporting

# Alternative performance measures 2021 of the Galenica Group

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## Definitions of alternative performance measures

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

The alternative performance measures are unaudited.

### IAS 19 – Employee benefits

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

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

### IFRS 16 – Leases

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.

The reporting of net sales has been adjusted to the changed organisational and management structure of Galenica as at 1 January 2021. For comparability, net sales for the previous period has been adjusted.

### 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 specialties 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	1,719,987	131,581	62,392	193,972
Change to previous period	8.5%	29.2%	13.3%	17.8%	1.4%	11.9%
Effect of net expansion	25,078 <sup>2)</sup>	935 <sup>2)</sup>	26,013 <sup>2)</sup>	24,579 <sup>3)</sup>	4,708 <sup>3)</sup>	29,287 <sup>3)</sup>
In % of net sales of previous period	2.2%	0.3%	1.7%	22.0%	7.6%	16.9%
<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	20,275			
In % of net sales of previous period	1.0%	2.5%	1.3%			
<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

## Organic growth of net sales 2020 (restated)

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care <sup>1)</sup>	Wholesale	Logistics & IT Services	Logistics & IT <sup>1)</sup>
Net sales	1,517,517	173,284	<b>1,683,136</b>	2,530,238	98,380	<b>2,625,117</b>
Change to previous period	2.0%	14.2%	<b>2.9%</b>	7.9%	5.1%	<b>7.8%</b>
Effect of net expansion	37,566 <sup>2)</sup>	27,985 <sup>3)</sup>	<b>65,551</b>	–	–	–
In % of net sales of previous period	2.5%	18.4%	<b>4.0%</b>	0.0%	0.0%	<b>0.0%</b>
<b>Net sales excluding effect of net expansion</b>	<b>1,479,951</b>	<b>145,299</b>	<b>1,617,585</b>	<b>2,530,238</b>	<b>98,380</b>	<b>2,625,117</b>
<b>Organic growth of net sales <sup>5)</sup></b>	<b>–0.5%</b>	<b>–4.2%</b>	<b>–1.1%</b>	<b>7.9%</b>	<b>5.1%</b>	<b>7.8%</b>
Mandatory price reductions <sup>4)</sup>	24,670			42,794		
In % of net sales of previous period	1.7%			1.8%		
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,504,621</b>			<b>2,573,032</b>		
<b>Organic growth of net sales excluding price reductions</b>	<b>1.2%</b>			<b>9.7%</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

<sup>5)</sup> Including one-time effect due to change in intra-Group transactions: reduction of net sales by 1.2 % in Retail (B2C), increase of net sales by 2.4 % in Wholesale

## Organic growth of net sales 2020 Products &amp; Care (restated)

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	1,162,511	355,217	<b>1,517,517</b>	111,735	61,549	<b>173,284</b>
Change to previous period	–0.2%	9.8%	<b>2.0%</b>	9.4%	24.8%	<b>14.2%</b>
Effect of net expansion	24,585 <sup>2)</sup>	12,981 <sup>2)</sup>	<b>37,566 <sup>2)</sup></b>	17,698 <sup>3)</sup>	10,287 <sup>3)</sup>	<b>27,985 <sup>3)</sup></b>
In % of net sales of previous period	2.1%	4.0%	<b>2.5%</b>	17.3%	20.9%	<b>18.4%</b>
<b>Net sales excluding effect of net expansion</b>	<b>1,137,926</b>	<b>342,236</b>	<b>1,479,951</b>	<b>94,036</b>	<b>51,262</b>	<b>145,299</b>
<b>Organic growth of net sales <sup>5)</sup></b>	<b>–2.3%</b>	<b>5.8%</b>	<b>–0.5%</b>	<b>–7.9%</b>	<b>3.9%</b>	<b>–4.2%</b>
Mandatory price reductions <sup>4)</sup>	15,787	8,883	<b>24,670</b>			
In % of net sales of previous period	1.4%	2.7%	<b>1.7%</b>			
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,153,713</b>	<b>351,119</b>	<b>1,504,621</b>			
<b>Organic growth of net sales excluding price reductions</b>	<b>–0.9%</b>	<b>8.5%</b>	<b>1.2%</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

<sup>5)</sup> Including one-time effect due to change in intra-Group transactions: reduction of net sales by 1.5 % in Local Pharmacies

## 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 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 and amortisation	–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

## Adjusted consolidated statement of income 2020

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
<b>Net sales</b>	<b>3,479,753</b>	–	–	<b>3,479,753</b>
Products & Care <sup>1)</sup>	1,683,136	–	–	1,683,136
Logistics & IT <sup>1)</sup>	2,625,117	–	–	2,625,117
Other income	15,053	–	–	15,053
<b>Operating income</b>	<b>3,494,806</b>	–	–	<b>3,494,806</b>
Cost of goods	–2,599,093	–	–	–2,599,093
Personnel costs	–442,910	–41,621	–	–484,531
Other operating costs	–147,804	–	–52,886	–200,690
Share of profit from associates and joint ventures	4,486	–1,363	–7	3,115
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>309,484</b>	<b>–42,985</b>	<b>–52,893</b>	<b>213,606</b>
Products & Care <sup>1)</sup>	198,216	–	–50,720	147,497
Logistics & IT <sup>1)</sup>	69,304	–	–2,174	67,131
Depreciation and amortisation	–96,157	–	51,107	–45,051
<b>Earnings before interest and taxes (EBIT)</b>	<b>213,327</b>	<b>–42,985</b>	<b>–1,787</b>	<b>168,556</b>
Return on sales (ROS) <sup>2)</sup>	6.1%	–1.2%	–0.1%	4.8%
Products & Care <sup>1)</sup>	125,927	–	–1,743	124,184
Return on sales (ROS) <sup>2)</sup>	7.5%	0.0%	–0.1%	7.4%
Logistics & IT <sup>1)</sup>	45,193	–	–43	45,150
Return on sales (ROS) <sup>2)</sup>	1.7%	0.0%	0.0%	1.7%
Net financial expenses	–4,734	49	2,321	–2,364
<b>Earnings before taxes (EBT)</b>	<b>208,593</b>	<b>–42,936</b>	<b>534</b>	<b>166,191</b>
Income taxes	–35,875	7,670	–37	–28,241
<b>Net profit</b>	<b>172,718</b>	<b>–35,266</b>	<b>497</b>	<b>137,950</b>
Attributable to:				
– Shareholders of Galenica Ltd.	172,245	–35,272	498	137,471
– Non-controlling interests	474	6	–	480

<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	3.48	–0.71	0.01	2.78
Diluted earnings per share	3.48	–0.71	0.01	2.78



## 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	2021	2020
Cash flow from operating activities before working capital changes	281,397	238,763
Payment of lease liabilities	-49,939	-49,065
<b>Cash flow from operating activities before working capital changes adjusted</b>	<b>231,458</b>	<b>189,698</b>
Working capital changes	51,698	-14,403
<b>Cash flow from operating activities adjusted</b>	<b>283,156</b>	<b>175,295</b>
Cash flow from investing activities without M&A <sup>1)</sup>	-18,742	-57,280
<b>Free cash flow before M&amp;A</b>	<b>264,414</b>	<b>118,015</b>
Cash flow from M&A <sup>2)</sup>	-69,494	-58,369
<b>Free cash flow</b>	<b>194,920</b>	<b>59,646</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	2021	2020
Investments in property, plant and equipment	42,189	36,484
Investments in intangible assets	18,250	20,495
<b>CAPEX</b>	<b>60,439</b>	<b>56,978</b>

### Cash conversion

	2021	2020
Cash conversion <sup>1)</sup>	77.0%	73.3%

<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	2021	2020
<b>Total assets</b>	<b>2,565,938</b>	<b>2,258,938</b>
Cumulative effects of IAS 19 adjustments	-70,769	-5,522
Cumulative effects of IFRS 16 adjustments	-214,928	-209,818
<b>Total assets adjusted</b>	<b>2,280,242</b>	<b>2,043,599</b>

### Net debt

in thousand CHF	2021	2020
Current financial liabilities <sup>1)</sup>	43,019	40,933
Current lease liabilities	49,717	47,209
Non-current financial liabilities <sup>1)</sup>	381,697	380,667
Non-current lease liabilities	173,334	170,792
Cash and cash equivalents	-164,982	-59,781
Interest-bearing receivables	-1,527	-8,078
<b>Net debt</b>	<b>481,257</b>	<b>571,743</b>
Lease liabilities (current and non-current)	-223,051	-218,001
<b>Net debt adjusted</b>	<b>258,206</b>	<b>353,741</b>

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

### Shareholders' equity

in thousand CHF	2021	2020
<b>Shareholders' equity</b>	<b>1,233,677</b>	<b>1,053,355</b>
Cumulative effects of IAS 19 adjustments	-33,014	51,475
Cumulative effects of IFRS 16 adjustments	5,547	5,251
<b>Shareholders' equity adjusted</b>	<b>1,206,210</b>	<b>1,110,081</b>

## Equity ratio

	2021	2020
Equity ratio <sup>1)</sup>	48.1%	46.6%
Equity ratio adjusted <sup>2)</sup>	52.9%	54.3%

<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

	2021	2020
Gearing <sup>1)</sup>	39.0%	54.3%
Gearing adjusted <sup>2)</sup>	21.4%	31.9%

<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

	2021	2020
Debt coverage <sup>1)</sup>	1.6 x	1.8 x
Debt coverage adjusted <sup>2)</sup>	1.0 x	1.7 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	2021	2020
Shareholders' equity adjusted	1,206,210	1,110,081
Net debt adjusted	258,206	353,741
Deferred tax assets <sup>1)</sup>	-73	-518
Deferred tax liabilities <sup>1)</sup>	49,483	49,638
<b>Invested capital</b>	<b>1,513,826</b>	<b>1,512,942</b>
<b>Average invested capital</b>	<b>1,513,384</b>	<b>1,465,070</b>

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

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

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

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

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

in thousand CHF	2021	2020
EBIT adjusted	213,131	168,556
Net financial income from financial assets	633	724
<b>Net operating profit before taxes</b>	<b>213,764</b>	<b>169,280</b>
Calculatory tax rate (2021: 18% / 2020: 20%)	-38,478	-33,856
<b>Net operating profit after taxes (NOPAT)</b>	<b>175,286</b>	<b>135,424</b>
<b>Return on invested capital (ROIC) <sup>1)</sup></b>	<b>11.6%</b>	<b>9.2%</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	2021	2020
Net operating profit after taxes (NOPAT)	175,286	135,424
Cost of capital <sup>1)</sup>	-94,587	-91,567
<b>Galenica economic profit (GEP)</b>	<b>80,700</b>	<b>43,857</b>

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

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## Consolidated statement of income

in thousand CHF	Note	2021	2020
Net sales	5	3,834,679	3,479,753
Other income	6	21,082	15,053
<b>Operating income</b>		<b>3,855,761</b>	<b>3,494,806</b>
Cost of goods		-2,873,589	-2,599,093
Personnel costs	7, 23	-518,859	-442,910
Other operating costs	8	-164,240	-147,804
Share of profit from associates and joint ventures	17	6,765	4,486
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>305,838</b>	<b>309,484</b>
Depreciation and amortisation	14, 15, 16	-98,430	-96,157
<b>Earnings before interest and taxes (EBIT)</b>		<b>207,408</b>	<b>213,327</b>
Financial income	9	1,301	789
Financial expenses	9	-5,677	-5,523
<b>Earnings before taxes (EBT)</b>		<b>203,033</b>	<b>208,593</b>
Income taxes	11	-34,850	-35,875
<b>Net profit</b>		<b>168,183</b>	<b>172,718</b>
Attributable to:			
– Shareholders of Galenica Ltd.		167,680	172,245
– Non-controlling interests		503	474

in CHF	Note	2021	2020
Earnings per share	10	3.38	3.48
Diluted earnings per share	10	3.38	3.48

## Consolidated statement of comprehensive income

in thousand CHF	Note	2021	2020
<b>Net profit</b>		<b>168,183</b>	<b>172,718</b>
Translation differences		-123	22
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>-123</b>	<b>22</b>
Remeasurement of net defined benefit liability	23	107,003	-45,018
Income taxes from remeasurement of net defined benefit liability	11	-19,261	7,710
Share of other comprehensive income from joint ventures	17	3,529	-1,187
<b>Items that will not be reclassified to profit or loss</b>		<b>91,272</b>	<b>-38,495</b>
<b>Other comprehensive income</b>		<b>91,148</b>	<b>-38,474</b>
<b>Comprehensive income</b>		<b>259,331</b>	<b>134,245</b>
Attributable to:			
– Shareholders of Galenica Ltd.		258,737	133,818
– Non-controlling interests		594	427



# Consolidated statement of financial position

in thousand CHF	Note	2021	2020
Cash and cash equivalents		164,982	59,781
Trade and other receivables	13	461,108	406,360
Inventories	12	295,070	306,682
Prepaid expenses and accrued income		42,336	39,241
<b>Current assets</b>		<b>37.5% 963,496</b>	<b>35.9% 812,064</b>
Property, plant and equipment	14	245,233	268,055
Right-of-use assets	15	215,496	210,325
Intangible assets	16	1,020,118	916,222
Investments in associates and joint ventures	17	30,696	22,949
Financial assets	18	19,152	18,471
Deferred tax assets	11	4,747	10,852
Employee benefit assets	23	67,000	-
<b>Non-current assets</b>		<b>62.5% 1,602,442</b>	<b>64.1% 1,446,874</b>
<b>Assets</b>		<b>100.0% 2,565,938</b>	<b>100.0% 2,258,938</b>
Financial liabilities	19	43,052	41,117
Lease liabilities	15	49,717	47,209
Trade and other payables	20	364,043	314,458
Tax payables		29,442	11,829
Accrued expenses and deferred income		176,147	128,588
Provisions	21	2,498	3,580
<b>Current liabilities</b>		<b>25.9% 664,899</b>	<b>24.2% 546,780</b>
Financial liabilities	19	406,544	381,514
Lease liabilities	15	173,334	170,792
Deferred tax liabilities	11	60,207	48,267
Employee benefit liabilities	23	25,967	57,411
Provisions	21	1,310	819
<b>Non-current liabilities</b>		<b>26.0% 667,362</b>	<b>29.2% 658,803</b>
<b>Liabilities</b>		<b>51.9% 1,332,261</b>	<b>53.4% 1,205,583</b>
Share capital	24	5,000	5,000
Reserves		1,222,538	1,042,282
<b>Equity attributable to shareholders of Galenica Ltd.</b>		<b>1,227,538</b>	<b>1,047,282</b>
Non-controlling interests		6,140	6,073
<b>Shareholders' equity</b>	24	<b>48.1% 1,233,677</b>	<b>46.6% 1,053,355</b>
<b>Liabilities and shareholders' equity</b>		<b>100.0% 2,565,938</b>	<b>100.0% 2,258,938</b>

## Consolidated statement of cash flows

in thousand CHF	Note	2021	2020
Net profit		168,183	172,718
Income taxes	11	34,850	35,875
Depreciation and amortisation	14, 15, 16	98,430	96,157
(Gain)/loss on disposal of non-current assets	6, 8	-9,387	-213
Increase/(decrease) in provisions and employee benefit assets and liabilities		5,272	-43,722
Net financial result	9	4,375	4,734
Share of profit from associates and joint ventures	17	-6,765	-4,486
Share-based payments	28	6,719	4,704
Interest received		542	358
Interest paid		-4,695	-4,934
Other financial receipts/(payments)		29	-226
Dividends received	17	2,548	3,087
Income taxes paid		-18,704	-25,288
<b>Cash flow from operating activities before working capital changes</b>		<b>281,397</b>	<b>238,763</b>
Change in trade and other receivables		-57,900	23,715
Change in inventories		18,482	-21,704
Change in trade and other payables		47,409	-16,053
Change in other net current assets		43,707	-362
<b>Working capital changes</b>		<b>51,698</b>	<b>-14,403</b>
<b>Cash flow from operating activities</b>		<b>333,095</b>	<b>224,360</b>
Investments in property, plant and equipment		-41,937	-36,492
Investments in intangible assets		-18,136	-19,195
Investments in associates and joint ventures		-	-1,256
Investments in financial assets		-9,999	-6,544
Proceeds from property, plant and equipment and intangible assets		40,258	539
Proceeds from financial assets		11,071	5,668
Net cash flow from business combinations	4	-69,494	-58,369
<b>Cash flow from investing activities</b>		<b>-88,236</b>	<b>-115,649</b>
Dividends paid		-89,509	-89,216
Purchase of treasury shares		-373	-183
Proceeds from sale of treasury shares		4,232	3,961
Proceeds from financial liabilities	19	112,698	125,973
Repayment of financial liabilities	19	-116,634	-130,771
Payment of lease liabilities		-49,939	-49,065
Purchase of non-controlling interests		-109	-189
<b>Cash flow from financing activities</b>		<b>-139,634</b>	<b>-139,490</b>
Effects of exchange rate changes on cash and cash equivalents		-24	27
<b>Increase in cash and cash equivalents</b>		<b>105,201</b>	<b>-30,752</b>
Cash and cash equivalents as at 1 January <sup>1)</sup>		59,781	90,532
<b>Cash and cash equivalents as at 31 December <sup>1)</sup></b>		<b>164,982</b>	<b>59,781</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 2019</b>	<b>5,000</b>	<b>-25,964</b>	<b>1,014,461</b>	<b>993,497</b>	<b>6,043</b>	<b>999,540</b>
Net profit			172,245	172,245	474	172,718
Other comprehensive income			-38,427	-38,427	-47	-38,474
<b>Comprehensive income</b>			<b>133,818</b>	<b>133,818</b>	<b>427</b>	<b>134,245</b>
Dividends			-88,963	-88,963	-63	-89,026
Transactions on treasury shares		6,146	-2,061	4,085	-	4,085
Share-based payments			4,700	4,700	-	4,700
Change in non-controlling interests			145	145	-334	-189
<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>

# 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 2021 for publication on 2 March 2022. The 2021 consolidated financial statements will be submitted for approval to the Annual General Meeting on 11 May 2022.

## 2. Accounting principles

### Basis of preparation

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

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

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

Galenica's consolidated financial statements are prepared in Swiss francs (CHF) and, unless otherwise indicated, figures are rounded to the nearest CHF 1,000.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. Totals are calculated using the underlying amount rather than the presented rounded number.

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

### Classification as current or non-current

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

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

## Estimation uncertainty, assumptions and judgments

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

### Leases (note 15)

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

### Goodwill and intangible assets (note 16)

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

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

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

## Scope of consolidation

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

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

Details of changes in the scope of consolidation in the reporting period are included in [note 4, Business combinations](#).

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 2021 Galenica adopted the following amended International Financial Reporting Standards:

- Amendments to IFRS 7, IFRS 9, IAS 39 and IFRS 16 – Interest Rate Benchmark Reform – phase 2 (1 January 2021)
- Amendments to IFRS 16 – Covid-19-Related rent concessions beyond 30 June 2021 (1 April 2021, early adopted in 2021)

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 2022 or later. Galenica has not early adopted any of the following amendments to standards or interpretations that are potentially relevant for Galenica. Galenica intends to apply the new or amended standards for the first time in the financial year beginning on or after the date shown below:

- Amendments to IFRS 3 – Reference to the conceptual framework (1 January 2022)
- Amendments to IAS 16 – Proceeds before intended use (1 January 2022)
- Amendments to IAS 37 – Onerous Contracts – cost of fulfilling a contract (1 January 2022)
- Annual Improvements 2018-2020 Cycle (1 January 2022)
- Amendments to IAS 1 – Classification of liabilities as current or non-current (1 January 2023, may be deferred)
- 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)

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.

Based on the changed organisational and management structure of Galenica valid as at 1 January 2021, Galenica has redefined and renamed its segments. Galenica operates now within the two operating segments Products & Care (largely corresponds to the former operating segment Health & Beauty) and Logistics & IT (largely corresponds to the former operating segment Services).

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

#### 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» (POS) and «Pharmacies at Home» (mail-order and home care). Retail operates at 520 locations Galenica's pharmacy network, the largest in Switzerland. With 368 pharmacies of its own and 152 partner pharmacies, Retail has attractive outlets throughout the country. Galenica's own pharmacies comprise the Amavita brand with 181 branches and the Sun Store brand with 92 branches. Galenica also operates a chain of 88 pharmacies in partnership with Coop under the Coop Vitality brand. Galenica's pharmacy network also covers the speciality pharmacy Mediservice, which is focused on medication for treatment of patients at home, 6 majority interests in pharmacies and 150 Winconcept partner pharmacies and 2 Amavita 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 (POS), 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 offers solutions for the healthcare market. They operates 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.

#### 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 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>1)</sup></b>	<b>305,838</b>
Depreciation and amortisation	-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>1)</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</b>	<b>1,687,865</b>	<b>864,050</b>	<b>404,017</b>	<b>-389,994 <sup>2)</sup></b>	<b>2,565,938</b>
Investments in associates and joint ventures	31,015	66	-	-385	30,696
<b>Liabilities</b>	<b>585,594</b>	<b>515,479</b>	<b>641,402</b>	<b>-410,215 <sup>3)</sup></b>	<b>1,332,261</b>
Investments in property, plant and equipment	19,205	23,022	116	-155	42,189 <sup>4)</sup>
Investments in intangible assets	4,267	13,989	-	-7	18,250 <sup>5)</sup>
Employees as at 31 December (FTE)	3,927	1,395	211	-	5,533

<sup>1)</sup> Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF -7.6 million

<sup>2)</sup> Of which elimination of intercompany positions of CHF -441.1 million and other unallocated amounts of CHF 51.1 million

<sup>3)</sup> Of which elimination of intercompany positions of CHF -441.1 million and other unallocated amounts of CHF 30.9 million

<sup>4)</sup> Of which non-cash investments of CHF 0.9 million

<sup>5)</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



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 above.

## Operating segment information 2020

The operating segment information 2020 has been restated to the changed organisational and management structure and the internal financial reporting to the CODM.

### Operating segment information 2020 (restated)

in thousand CHF	Products & Care <sup>7)</sup>	Logistics & IT <sup>7)</sup>	Group Services	Eliminations	Galenica Group
Net sales	1,683,136	2,625,117	17,581	-846,081	3,479,753
Intersegmental net sales	-67,219	-762,571	-16,291	846,081	-
<b>Net sales to third parties</b>	<b>1,615,917</b>	<b>1,862,546</b>	<b>1,290</b>	<b>-</b>	<b>3,479,753</b>
Other income	6,646	8,365	856	-815	15,053
Share of profit from associates and joint ventures	3,135	-	-	1,350	4,486
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>198,216</b>	<b>69,304</b>	<b>-221</b>	<b>42,184<sup>1)</sup></b>	<b>309,484</b>
Depreciation and amortisation	-72,289 <sup>2)</sup>	-24,111	-34	277	-96,157
<b>Earnings before interest and taxes (EBIT)</b>	<b>125,927</b>	<b>45,193</b>	<b>-255</b>	<b>42,461<sup>1)</sup></b>	<b>213,327</b>
Interest income					764
Interest expense					-5,237
Other net financial result					-261
<b>Earnings before taxes (EBT)</b>					<b>208,593</b>
Income taxes					-35,875
<b>Net profit</b>					<b>172,718</b>
<b>Assets</b>	<b>1,617,936</b>	<b>836,658</b>	<b>963,767</b>	<b>-1,159,423<sup>3)</sup></b>	<b>2,258,938</b>
Investments in associates and joint ventures	26,471	49	-	-3,571	22,949
<b>Liabilities</b>	<b>1,115,060</b>	<b>556,834</b>	<b>629,531</b>	<b>-1,095,842<sup>4)</sup></b>	<b>1,205,583</b>
Investments in property, plant and equipment	19,418	17,372	-	-306	36,484 <sup>5)</sup>
Investments in intangible assets	6,617	14,034	-	-157	20,495 <sup>6)</sup>
Employees as at 31 December (FTE)	4,069	1,433	36	-	5,538

<sup>1)</sup> Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF 43.0 million

<sup>2)</sup> Including net impairment on right-of-use assets of CHF -2.7 million (refer to note 15)

<sup>3)</sup> Of which elimination of intercompany positions of CHF -1,150.6 million and other unallocated amounts of CHF -8.8 million

<sup>4)</sup> Of which elimination of intercompany positions of CHF -1,150.6 million and other unallocated amounts of CHF 54.8 million

<sup>5)</sup> Of which non-cash investments of CHF 0.6 million

<sup>6)</sup> Of which non-cash investments of CHF 2.0 million

<sup>7)</sup> The organisational and management structure has changed as at 1 January 2021. As a result, Medifilm Ltd. moved from the operating segment Logistics & IT (formerly Services) to the operating segment Products & Care. Net sales for the year 2020 has been restated.

### Geographic information 2020

in thousand CHF	Switzerland	Other countries	Galenica Group
Net sales to third parties	3,452,571	27,182	3,479,753
Non-current assets <sup>1)</sup>	1,417,505	46	1,417,551

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

## 4. Business combinations

### 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 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 insignificant.

**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 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 insignificant.

**Acquisition of Lifestage Solutions Ltd.** On 26 July 2021, Galenica acquired 100% of the shares in the Swiss company Lifestage Solutions Ltd. Lifestage Solutions develops and operates a fully integrated digital trading platform for home care organisations and nursing homes, which simplifies daily workflows for its customers using digitalisation and state-of-the-art technology.

The 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. The disclosed amounts were determined provisionally. Transaction costs were insignificant.

**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 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 fair value of the net identifiable assets amounted to CHF 4.8 million at the acquisition date. The goodwill of CHF 1.6 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 Verfora's leading position in the Swiss consumer healthcare (CHC) market and the know-how of the employees gained. Galenica will also be 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. The disclosed amounts were determined provisionally. Transaction costs were insignificant.

### Pro forma figures for acquisitions made in 2021 for the full 2021 financial year

Since their inclusion in Galenica's scope of consolidation, the businesses acquired contributed net sales of CHF 20.8 million and an operating result (EBIT) of CHF 3.0 million to the Group's results. If these acquisitions had occurred on 1 January 2021, they would have contributed additional net sales of CHF 23.6 million and increased EBIT by CHF 1.3 million.

## Business combinations

in thousand CHF	Pharma business of Dr. Wild	Lifestage Solutions	Spagyros	Pharmacies	2021 Total	2020 Total
Cash and cash equivalents	–	559	89	1,498	2,146	12,516
Trade receivables	–	1,199	384	1,002	2,584	9,119
Inventories	2,141	1,159	2,594	999	6,893	7,157
Property, plant and equipment	–	153	2,386	2,024	4,563	1,493
Right-of-use assets	–	374	2,391	3,257	6,021	10,325
Intangible assets	24,634	3,632	2,872	–	31,138	21,255
Other current and non-current assets	–	96	87	439	622	2,923
Trade payables	–	–781	–297	–560	–1,638	–5,331
Financial liabilities	–	–56	–1,757	–5,193	–7,005	–1,041
Lease liabilities	–	–374	–2,391	–3,257	–6,021	–10,325
Net deferred tax assets/(liabilities)	12	–193	–371	841	289	–3,043
Employee benefit liabilities	–66	–1,107	–1,107	–	–2,279	–
Other current and non-current liabilities	–	–813	–60	–473	–1,346	–7,806
<b>Fair value of net assets</b>	<b>26,721</b>	<b>3,849</b>	<b>4,821</b>	<b>577</b>	<b>35,968</b>	<b>37,242</b>
Goodwill	7,929	45,404	1,585	9,607	64,525	36,143
<b>Purchase consideration</b>	<b>34,650</b>	<b>49,253</b>	<b>6,406</b>	<b>10,183</b>	<b>100,493</b>	<b>73,386</b>
Cash acquired	–	–559	–89	–1,498	–2,146	–12,516
Fair value of pre-existing relationships	–	–	–170	–	–170	–
Offset against loans / trade receivables	–	–501	–4,251	–	–4,752	–2,500
Contingent consideration	–	–24,000	–	–	–24,000	–
<b>Net cash flow from current business combinations</b>	<b>34,650</b>	<b>24,193</b>	<b>1,895</b>	<b>8,685</b>	<b>69,424</b>	<b>58,369</b>
Payment of consideration due to previous business combinations					70	–
<b>Net cash flow from business combinations</b>					<b>69,494</b>	<b>58,369</b>

## Business combinations 2020

**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 purchase consideration amounted to CHF 42.6 million, of which CHF 40.1 million was settled in cash and CHF 2.5 million was offset against trade receivables. The fair value of the net identifiable assets amounted to CHF 13.5 million at the acquisition date. The goodwill of CHF 29.1 million was allocated to the operating segments Products & Care and corresponded to the added value of the pharmacies based on their locations. Transaction costs were insignificant.

**Acquisition of Hedoga AG.** On 1 July 2020, Galenica acquired 100% of the shares in the Swiss company Hedoga AG. Hedoga AG is the parent company of the Hedoga Group with its two operating companies Iromedica AG (Swiss based) and Dr. A.&L.Schmidgall GmbH & Co KG (Austria based). The main activity of the Hedoga Group is to market over-the-counter (OTC) medicines, medical devices, food supplements and cosmetics.

The purchase consideration amounted to EUR 28.7 million (CHF 30.7 million) and was fully settled in cash. The fair value of the net identifiable assets amounted to CHF 23.7 million at the acquisition date. The goodwill of CHF 7.0 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. The acquisition also strengthens Verfora's export business in selected markets, particularly in Europe. Acquired intangible assets included trademarks with an indefinite useful life of CHF 20.5 million. Transaction costs of CHF 0.5 million were recognised in other operating costs.

## 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. Goodwill is capitalised and included in intangible assets, while negative goodwill is recognised immediately in profit or loss. After initial recognition goodwill is recognised at cost less any accumulated impairment.

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

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

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

## 5. Net sales

### Net sales 2021

Based on the changed organisational and management structure of Galenica valid as at 1 January 2021, the internal reporting and disaggregation of net sales has been adjusted accordingly. Net sales information for the previous period has been restated to conform to the new presentation

#### 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

## Net sales 2020

### Net sales 2020 (restated)

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	1,103,326	59,185	1,162,511	-49	1,162,462	1,103,277	59,185
Pharmacies at Home	347,514	7,703	355,217	-314	354,903	347,200	7,703
<b>Retail (B2C) <sup>1)</sup></b>	<b>1,450,629</b>	<b>66,888</b>	<b>1,517,517</b>	<b>-152</b>	<b>1,517,365</b>	<b>1,450,476</b>	<b>66,888</b>
Products & Brands	110,335	1,400	111,735	-54,384	57,351	55,951	1,400
Services for Professionals	46,788	14,761	61,549	-20,348	41,202	36,838	4,364
<b>Professionals (B2B) <sup>1)</sup></b>	<b>157,152</b>	<b>16,132</b>	<b>173,284</b>	<b>-74,732</b>	<b>98,552</b>	<b>92,789</b>	<b>5,763</b>
<b>Products &amp; Care <sup>1)</sup></b>	<b>1,603,079</b>	<b>80,058</b>	<b>1,683,136</b>	<b>-67,219</b>	<b>1,615,917</b>	<b>1,543,265</b>	<b>72,651</b>
Wholesale	2,500,300	29,938	2,530,238	-732,687	1,797,551	1,788,084	9,467
Logistics & IT Services	2,015	96,365	98,380	-33,385	64,995	305	64,691
<b>Logistics &amp; IT <sup>1)</sup></b>	<b>2,502,244</b>	<b>122,874</b>	<b>2,625,117</b>	<b>-762,571</b>	<b>1,862,546</b>	<b>1,788,389</b>	<b>74,158</b>
Group Services	-	17,581	17,581	-16,291	1,290	-	1,290
Eliminations <sup>2)</sup>	-773,668	-72,413	-846,081	846,081	-	-	-
<b>Galenica Group</b>	<b>3,331,654</b>	<b>148,099</b>	<b>3,479,753</b>	<b>-</b>	<b>3,479,753</b>	<b>3,331,654</b>	<b>148,099</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	2021	2020
Income from own work capitalised	6,726	5,084
Rental income from operating leases	1,818	2,289
Gain on disposal of property, plant and equipment	9,406	357
Other operating income	3,131	7,322
<b>Other income</b>	<b>21,082</b>	<b>15,053</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 results in a gain on disposal of property, plant and equipment of CHF 8.9 million.

## 7. Personnel costs

### Personnel costs

in thousand CHF	2021	2020
Salaries and wages	423,315	400,770
Social security costs and pension expenses	64,648	13,299
Other personnel costs	30,896	28,841
<b>Personnel costs</b>	<b>518,859</b>	<b>442,910</b>
Average number of employees (FTE)	5,488	5,468

Personnel costs contain expenses for defined benefit plans of CHF 31.1 million (previous year: income of CHF 17.2 million). In 2020, the adjustment of the pension fund regulations led to a past service gain of CHF 48.3 million which resulted in a significant decrease of pension expenses (refer to [note 23](#)). Salaries and wages includes expenses for share-based payments of CHF 6.7 million (previous year: CHF 4.7 million) (refer to [note 28](#)).

## 8. Other operating costs

### Other operating costs

in thousand CHF	2021	2020
Maintenance and repairs	21,015	18,615
Operating and production costs	58,024	53,786
Rental and other lease expenses <sup>1)</sup>	9,009	9,253
Administration costs	43,350	36,502
Marketing and sales costs	31,443	27,772
Non-income taxes	1,379	1,733
Loss on disposal of property, plant and equipment	19	144
<b>Other operating costs</b>	<b>164,240</b>	<b>147,804</b>

<sup>1)</sup> Of which other lease expenses (incidental expenses) of CHF 4.0 million (previous year: CHF 4.2 million)

### Research and development

During the reporting period, expenses for research and development totalling CHF 15.2 million were recognised directly in other operating costs (previous year: CHF 15.7 million).

## 9. Financial result

### Financial result

in thousand CHF	2021	2020
Interest income	738	764
Other financial income	533	25
Net gain on foreign exchange	30	-
<b>Financial income</b>	<b>1,301</b>	<b>789</b>
Interest expense	2,701	2,867
Net interest expense from employee benefit plans	18	49
Interest expense on lease liabilities	2,298	2,321
Other financial costs	659	65
Net loss on foreign exchange	-	221
<b>Financial expenses</b>	<b>5,677</b>	<b>5,523</b>
<b>Net financial expenses</b>	<b>4,375</b>	<b>4,734</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

	2021	2020
Total number of shares	50,000,000	50,000,000
Average number of treasury shares	-430,309	-572,925
<b>Average number of outstanding shares</b>	<b>49,569,691</b>	<b>49,427,075</b>
Effect from share-based payments	61,834	57,832
<b>Theoretical average number of outstanding shares (diluted)</b>	<b>49,631,525</b>	<b>49,484,907</b>

### Earnings per share

	2021	2020
Net profit – attributable to shareholders of Galenica Ltd. (in thousand CHF)	167,680	172,245
<b>Earnings per share (in CHF)</b>	<b>3.38</b>	<b>3.48</b>
<b>Diluted earnings per share (in CHF)</b>	<b>3.38</b>	<b>3.48</b>



## 11. Income taxes

### Income taxes

in thousand CHF	2021	2020
Current income taxes	36,138	20,940
Income taxes of prior periods	-547	-203
Deferred income taxes	-740	15,137
<b>Income taxes</b>	<b>34,850</b>	<b>35,875</b>

### Tax reconciliation

in thousand CHF	2021	2020
Earnings before taxes (EBT)	203,033	208,593
Weighted income tax rate in % of EBT	17.3%	17.6%
<b>Expected income taxes</b>	<b>35,048</b>	<b>36,782</b>
Effects of changes in tax rates	70	-880
Effects of unrecognised losses in the current year	28	262
Realisation of unrecognised tax losses of prior periods	-361	-
Items from prior periods and other items	64	-289
<b>Effective income taxes</b>	<b>34,850</b>	<b>35,875</b>
<b>Effective income tax rate in % of EBT</b>	<b>17.2%</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	2021			2020		
	Deferred tax assets	Deferred tax liabilities	Net carrying amount	Deferred tax assets	Deferred tax liabilities	Net carrying amount
Current assets	2,776	-22,788	-20,012	2,521	-22,343	-19,822
Property, plant and equipment	54	-3,344	-3,290	20	-5,680	-5,660
Right-of-use assets	-	-37,037	-37,037	-	-36,096	-36,096
Intangible assets	7,383	-19,831	-12,448	9,796	-17,681	-7,885
Investments	-	-7,201	-7,201	-	-10,162	-10,162
Financial assets	19	-5,387	-5,368	-	-7,411	-7,411
Lease liabilities	38,354	-	38,354	37,390	-	37,390
Provisions	78	-1,316	-1,238	235	-1,379	-1,144
Employee benefit plans	4,674	-12,060	-7,386	10,334	-	10,334
Other temporary differences	370	-1,017	-647	164	-1,149	-986
Shareholders' equity	814	-	814	531	-	531
<b>Deferred taxes due to temporary differences</b>	<b>54,522</b>	<b>-109,981</b>	<b>-55,460</b>	<b>60,992</b>	<b>-101,902</b>	<b>-40,910</b>
Tax loss carryforwards	-	-	-	3,495	-	3,495
<b>Gross deferred taxes</b>	<b>54,522</b>	<b>-109,981</b>	<b>-55,460</b>	<b>64,487</b>	<b>-101,902</b>	<b>-37,415</b>
Netting of assets and liabilities	-49,774	49,774	-	-53,635	53,635	-
<b>Net deferred taxes</b>	<b>4,747</b>	<b>-60,207</b>	<b>-</b>	<b>10,852</b>	<b>-48,267</b>	<b>-</b>

## Analysis of net deferred taxes

in thousand CHF	2021	2020
<b>1 January</b>	<b>-37,415</b>	<b>-26,943</b>
Recognised as income taxes in profit or loss	-	-
- Change in temporary differences	5,080	-7,926
- Fiscal realisation of recognised tax loss carryforwards	-4,269	-8,614
- Tax loss carryforwards taken into account for the first time	-	550
- Tax loss carryforwards no longer taken into account	-	-27
- Effects of changes in tax rates	-70	880
Recognised in other comprehensive income	-19,261	7,710
Recognised in shareholders' equity (related to share-based payments)	188	-4
Addition to scope of consolidation	289	-3,043
Translation differences	-1	1
<b>31 December</b>	<b>-55,460</b>	<b>-37,415</b>

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

in thousand CHF	2021	2020
Investments in subsidiaries	145,257	434,946

The decrease of temporary differences in 2021 is mainly due to a merger of group companies

## Tax loss carryforwards and tax credits

in thousand CHF	2021		2020	
	Tax loss carryforwards / tax credits	Tax effect	Tax loss carryforwards / tax credits	Tax effect
<b>Tax loss carryforwards and tax credits</b>	<b>9,779</b>	<b>2,175</b>	<b>23,542</b>	<b>4,013</b>
- of which capitalised as deferred tax assets	-	-	-1,372	-290
- of which netted with deferred tax liabilities	-	-	-19,012	-3,205
<b>Unrecognised tax loss carryforwards and tax credits</b>	<b>9,779</b>	<b>2,175</b>	<b>3,157</b>	<b>518</b>
Of which expire:				
- within 1 year	-	-	2	1
- in 2 to 5 years	2,012	397	18	7
- in more than 5 years	7,767	1,777	3,137	510

## 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	2021	2020
<b>Gross carrying amount as at 1 January</b>	<b>324,743</b>	<b>294,029</b>
Addition to scope of consolidation	6,893	7,157
Change in inventories	-13,289	23,538
Translation differences	-32	19
<b>Gross carrying amount as at 31 December</b>	<b>318,315</b>	<b>324,743</b>
<b>Allowance as at 1 January</b>	<b>-18,061</b>	<b>-16,225</b>
Addition	-8,386	-2,252
Use	3,194	418
Translation differences	9	-2
<b>Allowance as at 31 December</b>	<b>-23,245</b>	<b>-18,061</b>
<b>Net carrying amount as at 31 December</b>	<b>295,070</b>	<b>306,682</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	2021	2020
Trade receivables	447,588	397,252
Bad debt allowances	-8,609	-7,983
Other receivables	22,129	17,091
<b>Trade and other receivables</b>	<b>461,108</b>	<b>406,360</b>

### Change in bad debt allowances for trade receivables

in thousand CHF	2021	2020
<b>1 January</b>	<b>-7,983</b>	<b>-8,595</b>
Addition	-1,533	-1,112
Use	243	1,176
Reversal	656	553
Translation differences	8	-4
<b>31 December</b>	<b>-8,609</b>	<b>-7,983</b>

### Maturity profile of trade receivables

in thousand CHF	2021			2020		
	Gross trade receivables	Bad debt allowances	Net trade receivables	Gross trade receivables	Bad debt allowances	Net trade receivables
Not past due	398,993	-3,598	395,395	354,886	-2,718	352,168
Past due:						
– 1 to 30 days	28,972	-722	28,249	25,522	-617	24,905
– 31 to 60 days	7,430	-416	7,014	6,104	-193	5,911
– 61 to 90 days	3,794	-346	3,449	3,883	-616	3,267
– more than 90 days	8,399	-3,527	4,872	6,856	-3,838	3,018
<b>Total</b>	<b>447,588</b>	<b>-8,609</b>	<b>438,979</b>	<b>397,252</b>	<b>-7,983</b>	<b>389,269</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	Other property, plant and equipment	Total property, plant and equipment
<b>Net carrying amount as at 31.12.2019</b>	<b>172,509</b>	<b>13,574</b>	<b>81,475</b>	<b>267,558</b>
Addition	9,921	8,270	18,293	36,484
Disposal	–	–	–326	–326
Reclassification	617	–1,633	1,021	4
Depreciation	–15,511	–	–21,647	–37,158
Addition to scope of consolidation	446	–	1,046	1,493
<b>Net carrying amount as at 31.12.2020</b>	<b>167,982</b>	<b>20,211</b>	<b>79,862</b>	<b>268,055</b>
Addition	10,424	10,781	20,984	42,189
Disposal	–29,621 <sup>1)</sup>	–	–764	–30,385
Reclassification	7,488	–9,528	2,110	70
Depreciation	–17,468	–	–21,791	–39,259
Addition to scope of consolidation	4,073	–	491	4,563
<b>Net carrying amount as at 31.12.2021</b>	<b>142,878</b>	<b>21,464</b>	<b>80,891</b>	<b>245,233</b>
<b>Overview as of 31.12.2020</b>				
Cost	334,329	20,211	276,168	630,708
Accumulated depreciation and impairment	–166,347	–	–196,306	–362,653
<b>Net carrying amount as at 31.12.2020</b>	<b>167,982</b>	<b>20,211</b>	<b>79,862</b>	<b>268,055</b>
<b>Overview as of 31.12.2021</b>				
Cost	298,770	21,464	277,534	597,769
Accumulated depreciation and impairment	–155,893	–	–196,643	–352,535
<b>Net carrying amount as at 31.12.2021</b>	<b>142,878</b>	<b>21,464</b>	<b>80,891</b>	<b>245,233</b>

<sup>1)</sup> Including CHF 28.8 million from the sale of the headquarters building

### 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
Furniture, fittings	5 – 10
IT equipment	3 – 10
Vehicles	3 – 10

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

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

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

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

## 15. Leases

### Right-of-use assets

in thousand CHF	Real estate	Vehicles	Total right-of-use assets
<b>Net carrying amount as at 1.1.2020</b>	<b>224,573</b>	<b>361</b>	<b>224,934</b>
Addition	13,751	21	13,772
Reassessment of existing lease contracts	12,397	3	12,400
Depreciation	-48,186	-184	-48,370
Impairment	-2,822	-	-2,822
Reversal of impairment	86	-	86
Addition to scope of consolidation	10,276	49	10,325
<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>

### Lease liabilities

in thousand CHF	2021	2020
<b>Net carrying amount as at 1 January</b>	<b>218,001</b>	<b>230,568</b>
Addition	28,630	13,772
Reassessment of existing lease contracts	20,341	12,400
Interest expense on lease liabilities	2,298	2,321
Repayment of lease liabilities (including interest)	-52,237	-51,386
Addition to scope of consolidation	6,021	10,325
Translation differences	-4	-
<b>Net carrying amount as at 31 December</b>	<b>223,051</b>	<b>218,001</b>
- of which current lease liabilities	49,717	47,209
- of which non-current lease liabilities	173,334	170,792

## Leases recognised in profit or loss

in thousand CHF	2021	2020
Rental income from operating leases (included in other income)	1,818	2,289
Short-term lease expense (included in other operating costs)	-1,325	-1,460
Low-value lease expense (included in other operating costs)	-36	-19
Variable lease expense (included in other operating costs)	-3,685	-3,590
Depreciation of right-of-use assets	-49,202	-48,370
Impairment of right-of-use assets	-22	-2,822
Reversal of impairment of right-of-use assets	-	86
Interest expense on lease liabilities	-2,298	-2,321

For one of the leased real estate Galenica acts also as lessor. The related amount is insignificant.

The total cash outflow for leases including short-term leases, leases of low-value-assets and variable lease expenses was CHF 57.3 million (previous year: CHF 56.5 million).

## Maturity profile of undiscounted lease liabilities

in thousand CHF	2021	2020
Up to 3 months	13,279	13,009
In 3 to 12 months	38,441	36,261
In 2 years	45,327	42,951
In 3 years	36,024	35,974
In 4 to 5 years	49,171	49,108
In 6 to 10 years	43,103	41,843
In more than 10 years	5,782	7,171
<b>Total future cash flows from undiscounted lease liabilities</b>	<b>231,127</b>	<b>226,317</b>

Possible future cash outflows related to extension options in an amount of CHF 163.2 million (previous year: CHF 124.9 million) are not included in lease liabilities because it is not reasonably certain that these options would be exercised.

The cash outflows for variable lease expenses in 2022 is expected to be similar to the amount recognised in 2021.

Galenica has entered into various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts amount to CHF 39.6 million (previous year: CHF 16.5 million). This amount includes CHF 27.4 million (previous year: none) for the long-term lease contract of the headquarters beginning in 2027.

## 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 31.12.2019</b>	<b>4,656</b>	<b>36,528</b>	<b>49,597</b>	<b>755,445</b>	<b>846,226</b>
Addition	1,512	–	18,982	–	20,495
Reclassification	–	–	–4	–	–4
Amortisation	–1,189	–	–6,703	–	–7,893
Addition to scope of consolidation	761	20,495	–	36,143	57,399
<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	3,440	25,698	2,000	64,525	95,663
<b>Net carrying amount as at 31.12.2021</b>	<b>7,668</b>	<b>82,720</b>	<b>73,616</b>	<b>856,113</b>	<b>1,020,118</b>
<b>Overview as of 31.12.2020</b>					
Cost	14,463	57,022	126,352	791,588	989,426
Accumulated amortisation and impairment	–8,724	–	–64,480	–	–73,204
<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>
<b>Overview as of 31.12.2021</b>					
Cost	17,690	82,720	119,000	856,113	1,075,524
Accumulated amortisation and impairment	–10,023	–	–45,384	–	–55,407
<b>Net carrying amount as at 31.12.2021</b>	<b>7,668</b>	<b>82,720</b>	<b>73,616</b>	<b>856,113</b>	<b>1,020,118</b>

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



### 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	2021	2020
Carrying amount	82,720	57,022
Growth rate	1.0%	1.0%
Discount rate	6.2%	6.2%

According to the results of impairment testing for 2021 and 2020 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 2021 and 2020 did not reveal that a reasonable possible change in assumption would lead to an impairment.

### Goodwill

#### Goodwill

in thousand CHF	2021			2020		
	Carrying amount	Growth rate	Discount rate	Carrying amount	Growth rate	Discount rate
Products & Care <sup>1)</sup>	767,747	1.0%	6.5%	703,222	1.0%	6.6%
Logistics & IT <sup>1)</sup>	88,366	1.0%	6.5%	88,366	1.0%	6.6%
<b>Total</b>	<b>856,113</b>			<b>791,588</b>		

<sup>1)</sup> Based on the changed organisational and management structure of Galenica valid as at 1 January 2021, goodwill of CHF 6.2 million has been re-allocated from the operating segment Logistics & IT to the operating segment Products & Care on 1 January 2021. No impairment was recognised as a result of the re-allocation.

According to the results of impairment testing for 2021 and 2020 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 2021 and 2020 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	2021	2020
<b>Net carrying amount as at 1 January</b>	<b>22,949</b>	<b>21,482</b>
Share of profit from associates and joint ventures	6,765	4,486
Remeasurement of net defined benefit liability from joint ventures	3,529	-1,187
Investments	-	1,256
Dividends received	-2,548	-3,087
<b>Net carrying amount as at 31 December</b>	<b>30,696</b>	<b>22,949</b>
- of which joint ventures	30,696	22,540

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	2021	2020
Current assets	40,121	38,468
Non-current assets	107,022	110,921
- of which right-of-use assets	48,358	53,146
Current liabilities	40,237	46,469
- of which current lease liabilities	10,391	10,164
Non-current liabilities	42,830	55,566
- of which non-current lease liabilities	39,480	44,477
Equity before appropriation of earnings	64,076	47,354
Operating income	260,835	232,507
EBIT	18,734	12,142
Net profit	14,720	9,399
Remeasurement of net defined benefit liability recognised in other comprehensive income	7,202	-2,423
Cash flow from operating activities	30,755	20,219

The net carrying amount of the investment in Coop Vitality is CHF 31.4 million as at 31 December 2021 (previous year: CHF 23.2 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	2021	2020
Loans	8,176	10,803
Rental deposits	4,669	3,847
Other financial assets	874	606
<b>Loans and other financial assets</b>	<b>13,719</b>	<b>15,256</b>
Securities	5,433	3,215
<b>Financial assets</b>	<b>19,152</b>	<b>18,471</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	2021	2020
Loans	5,654	4,643
Mortgages	1,253	–
Liabilities to pension funds	37,503	36,540
Bonds	380,306	380,417
Contingent consideration liabilities	24,000	70
Other financial liabilities	880	960
<b>Financial liabilities</b>	<b>449,596</b>	<b>422,631</b>
– of which current financial liabilities	43,052	41,117
– of which non-current financial liabilities	406,544	381,514

Galenica issued two fixed-interest rate bonds for a nominal amount totalling CHF 380.0 million for the purpose of long-term financing in June 2017. One bond of CHF 200.0 million was issued with an annual coupon of 0.50% and a term of 6 years, falling due on 15 June 2023 and the other bond of CHF 180.0 million with an annual coupon of 1.00 % and a term of 9½ years, falling due on 15 December 2026. The bonds are traded on the SIX Swiss Exchange under securities no. 36720669 (ISIN CH0367206692) and 36720670 (ISIN CH0367206700) respectively. The bonds closed at 101.17% and 103.85% respectively as at 31 December 2021 (previous year: 101.60% and 105.20% respectively).

### 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>

### Cash flow from financial liabilities and lease liabilities 2020

in thousand CHF	1 January 2020	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Other changes	31 December 2020
Bank loans	–	125,000	–125,448	448	–	–
Loans	8,404	849	–5,263	594	60	4,643
Liabilities to pension funds	36,498	124	–60	–	–22	36,540
Bonds	380,528	–	–	–	–111	380,417
Contingent consideration liabilities	70	–	–	–	–	70
Other financial liabilities	–	–	–	–	960	960
<b>Financial liabilities</b>	<b>425,500</b>	<b>125,973</b>	<b>–130,771</b>	<b>1,041</b>	<b>887</b>	<b>422,631</b>
Lease liabilities	230,568	–	–49,065	10,325	26,173	218,001
<b>Financial liabilities and lease liabilities</b>	<b>656,068</b>	<b>125,973</b>	<b>–179,836</b>	<b>11,366</b>	<b>27,060</b>	<b>640,632</b>

## 20. Trade and other payables

### Trade and other payables

in thousand CHF	2021	2020
Trade payables	336,201	289,609
Contract liabilities	7,975	7,045
Other payables	19,867	17,804
<b>Trade and other payables</b>	<b>364,043</b>	<b>314,458</b>

Contract liabilities are generally recognised in revenue within 12 months.

## 21. Provisions

### Provisions

in thousand CHF	2021	2020
<b>1 January</b>	<b>4,398</b>	<b>6,667</b>
Addition	1,456	875
Use	-1,380	-2,300
Reversal	-1,066	-1,610
Addition to scope of consolidation	400	767
<b>31 December</b>	<b>3,808</b>	<b>4,398</b>
- of which current provisions	2,498	3,580
- of which non-current provisions	1,310	819

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 will take this case to the Swiss Federal Supreme Court.

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 pharmacies and other business in the next few years. The purchase prices will be fixed at the time of transfer of ownership on the basis of net asset value and discounted cash flow. The unrecognised commitments are expected to involve payments of CHF 0.8 million (previous year: CHF 7.8 million) at the most. The purchase rights have an estimated volume of CHF 3.0 million (previous year: CHF 10.4 million). These purchase rights or obligations fall due between 2022 and 2023.

Galenica signed purchase agreements to acquire property, plant and equipment totalling CHF 16.7 million (previous year: CHF 37.6 million). The payments under these purchase commitments become due in 2022.

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 2021. 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 2021 for Galenica Pension Fund is 125.1% unaudited) and as at 31 December 2020 117.2% (final).

### Defined benefit plans and long-service awards

in thousand CHF	2021			2020		
	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	1,143,224	–	1,143,224	1,018,461	–	1,018,461
Present value of defined benefit obligation	–1,085,962	–16,229	–1,102,191	–1,060,947	–14,924	–1,075,871
<b>Net carrying amount recognised in employee benefit liabilities</b>	<b>57,262</b>	<b>–16,229</b>	<b>41,033</b>	<b>–42,486</b>	<b>–14,924</b>	<b>–57,411</b>
of which recognised in assets	67,000	–	67,000	–	–	–
of which recognised in liabilities	–9,738	–16,229	–25,967	–42,486	–14,924	–57,411

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

### Change in present value of defined benefit obligation

in thousand CHF	2021			2020		
	Defined benefit plans	Long-service awards	Total	Defined benefit plans	Long-service awards	Total
<b>1 January</b>	<b>–1,060,947</b>	<b>–14,924</b>	<b>–1,075,871</b>	<b>–1,016,989</b>	<b>–13,715</b>	<b>–1,030,704</b>
Current service cost	–30,995	–1,519	–32,514	–30,050	–1,364	–31,414
Past service cost	968	–	968	48,256	–1,003	47,253
Interest on defined benefit obligation	–519	–8	–527	–1,488	–20	–1,507
Actuarial gain/(loss)	1,107	–1,152	–45	–65,354	–275	–65,629
Employee contributions	–16,938	–	–16,938	–16,387	–	–16,387
Benefits/awards paid	30,627	1,374	32,001	21,063	1,452	22,515
Change in scope of consolidation	–9,265	–	–9,265	–	–	–
<b>31 December</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>



## Change in fair value of plan assets

in thousand CHF	2021	2020
<b>1 January</b>	<b>1,018,461</b>	<b>977,673</b>
Interest on plan assets	509	1,458
Remeasurement gain/(loss)	105,896	20,336
Employee contributions	16,938	16,387
Employer contributions	26,115	24,710
Benefits paid	-30,627	-21,063
Administration cost	-1,053	-1,040
Change in scope of consolidation	6,986	-
<b>31 December</b>	<b>1,143,224</b>	<b>1,018,461</b>

## Net defined benefit cost

in thousand CHF	2021	2020
Current service cost	30,995	30,050
Past service cost	-968	-48,256
Net interest on net defined benefit liability	10	29
Administration cost	1,053	1,040
<b>Net defined benefit cost</b>	<b>31,090</b>	<b>-17,138</b>

In 2020, the trustees of the Galenica Pension Fund passed resolutions to make forward-looking modifications with a view to safeguarding the settlement of obligations towards insured members by reducing the conversion rate starting from 1 January 2022. These modifications lead to a decrease in the present value of the defined benefit obligation. The resulting negative past service cost led to a non-recurring decrease in personnel costs of CHF 48.3 million on the date the resolution was passed.

## Remeasurement of net defined benefit liability

in thousand CHF	2021	2020
Actuarial gain/(loss) due to:		
– Changes in demographic assumptions	-10,108	-16
– Changes in financial assumptions	49,946	-16,726
– Experience adjustments	-38,732	-48,612
Remeasurement of plan assets	105,896	20,336
<b>Remeasurement of net defined benefit liability recognised in other comprehensive income</b>	<b>107,003</b>	<b>-45,018</b>

## Change in assumption and in estimate

The experience adjustments of CHF -38.7 million (previous year: CHF -48.6 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 determined by the external actuary.

During 2021, Galenica conducted a review of actuarial valuation parameters, including employee turnover rates and mortality tables.

Considering actual historical patterns with turnover rates at approximate 100% of BVG 2020 tables in the retail business (previous year: 125% BVG 2015) and 60% of BVG 2020 tables in the non-retail business (previous year: 125% BVG 2015), Galenica used these increased rates for its 2021 valuation. Furthermore the mortality table was changed from BVG 2015 GT (CMI), 1.5% to BVG 2020 GT (CMI), 1.5%. This resulted in an increase of the defined benefit obligation of CHF 10.1 million, which was recognised in other comprehensive income.

The increase of the discount rate from 0.05% to 0.35% resulted in a decrease of the defined benefit obligation of CHF 49.9 million.

## Investment structure of plan assets

in thousand CHF	2021		2020	
Cash and cash equivalents	8,503	0.7%	6,860	0.7%
Debt instruments	191,285	16.7%	175,843	17.3%
Equity instruments	517,892	45.3%	448,563	44.0%
Real estate	256,809	22.5%	238,632	23.4%
Other investments	168,735	14.8%	148,563	14.6%
<b>Fair value of plan assets</b>	<b>1,143,224</b>	<b>100.0%</b>	<b>1,018,461</b>	<b>100.0%</b>
Current return on plan assets		10.4%		2.2%

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). Since the change in investment strategy in 2021, there are no more direct investments in equity instruments. Therefore all shares of Galenica Ltd. were sold in 2021 (previous year: fair value of CHF 10.7 million).

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

Other investments consist of hedge funds, insurance linked securities (ILS), infrastructures, senior loans, private equity and receivables. There are receivables from Group companies amounted to CHF 34.2 million (previous year: CHF 33.5 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 5,377 active members (previous year: 5,315) and 896 pensioners (previous year: 860).

Galenica does not use any pension fund assets.

## Basis for measurement

	2021	2020
Discount rate	0.35%	0.05%
Salary development	1.00%	1.00%
Pension development	0.00%	0.00%
Mortality (mortality tables)	BVG 2020 GT (CMI), 1.5%	BVG 2015 GT (CMI), 1.5%
Turnover	BVG 2020 (60% - 100%)	BVG 2015 (100% - 125%)

### Sensitivity analysis

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

#### Sensitivity analysis

in thousand CHF	2021		2020	
	Variations in assumptions	Impact on DBO	Variations in assumptions	Impact on DBO
Discount rate	+0.25%	-39,043	+0.25%	-37,336
	-0.25%	41,236	-0.25%	40,519
Salary development	+0.25%	3,260	+0.25%	3,251
	-0.25%	-3,260	-0.25%	-2,230
Mortality	+1 year	32,388	+1 year	31,640
	-1 year	-32,423	-1 year	-32,688

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

The pension obligations have an average duration of 16.5 years (previous year: 15.9 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 29.2 million for 2022.

### 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 2021 in the chapter Corporate Governance (unaudited).

As at 31 December 2021, Galenica Ltd. has no authorised capital according to Article 3a) of the Articles of Association. The Board of Directors has been authorised to increase the share capital of CHF 5,000,000 by a maximum of CHF 500,000 at any time up to and including 2 May 2021 by issuing not more than 5,000,000 fully paid shares.

#### Number of shares

	Total shares Galenica Ltd.		Outstanding shares
		Treasury shares	
<b>Balance as at 31.12.2019</b>	<b>50,000,000</b>	<b>-660,850</b>	<b>49,339,150</b>
Transactions with treasury shares	-	159,410	159,410
<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>

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 12 May 2021, the Annual General Meeting approved a dividend payment of CHF 89.2 million for the financial year 2020 (previous year: CHF 89.0 million), corresponding to CHF 1.80 per registered share (previous year: CHF 1.80). For this purpose, CHF 0.90 was taken from the reserves from capital contributions (previous year: CHF 0.90) and CHF 0.90 from retained earnings (previous year: CHF 0.90) of Galenica Ltd. The dividend was paid out to the shareholders on 19 May 2021.

In the reporting period, 5,682 treasury shares (previous year: 2,884 treasury shares) were bought at an average price of CHF 65.59 (previous year: CHF 63.46) and 145,619 treasury shares (previous year: 162,294 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 in Unione Farmaceutica Distribuzione SA reduced consolidated shareholders' equity by CHF 0.1 million (previous year: CHF 0.2 million).

The Board of Directors will submit a proposal to the Annual General Meeting on 11 May 2022 to pay a dividend of CHF 2.10 per share entitled to receive dividend for the financial year 2021. For this purpose, CHF 1.05 is to be taken from the reserves from capital contributions and CHF 1.05 from the retained earnings. However, no dividend will be paid on treasury shares. Based on the number of treasury shares as at 31 December 2021, the total dividend would amount to CHF 104.2 million.

## 25. Financial instruments

### 25.1 Categories of financial instruments

#### 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>	

#### Carrying amounts of financial instruments 2020

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	59,781	–	–	59,781
Trade and other receivables	406,360	–	–	406,360
Financial assets	18,471	–	–	18,471
Current financial liabilities	–	70	41,047	41,117
Current lease liabilities	–	–	47,209	47,209
Trade and other payables	–	–	307,413	307,413
Non-current financial liabilities	–	–	381,514	381,514
Non-current lease liabilities	–	–	170,792	170,792
<b>Total</b>	<b>484,612</b>	<b>70</b>	<b>947,975</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>

## Net gain/(loss) on financial instruments 2020

in thousand CHF	Financial assets at amortised costs	Financial liabilities at amortised costs	Total
Net gain/(loss) on foreign exchange	-100	-121	-221
Other financial result	15	-54	-40
Interest income	629	-	629
Interest expense	-	-2,867	-2,867
Interest expense on lease liabilities	-	-2,321	-2,321
Interest income on impaired trade receivables	136	-	136
Expected credit losses	-511	-	-511
<b>Net gain/(loss) recognised in profit or loss</b>	<b>168</b>	<b>-5,364</b>	<b>-5,196</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	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial liabilities	26,238	26,238	1,097	1,097
Bonds (fair value level 1)	380,306	389,270	380,417	392,560
<b>Non-current financial liabilities</b>	<b>406,544</b>	<b>415,508</b>	<b>381,514</b>	<b>393,657</b>

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

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

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

in thousand CHF	2021	2020
<b>1 January</b>	<b>70</b>	<b>70</b>
Arising from business combinations	24,000	-
Payments (cash out)	-70	-
<b>31 December</b>	<b>24,000</b>	<b>70</b>

### Sensitivity analysis of contingent consideration liabilities from business combinations

Determining the contingent consideration liability from business combinations net sales was identified as key assumption. Galenica has recorded the maximum amount as contingent consideration liability, an increase in the forecasted net sales of the acquired company would hence have no impact on the contingent consideration liability. In return, a decrease 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

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

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

#### Fair value hierarchy

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

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

## 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 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>

#### Maturity profile of financial liabilities 2020

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	307,413	308,534	307,916	618	–	–
Current financial liabilities	41,117	41,117	40,569	548	–	–
Current lease liabilities	47,209	49,270	13,009	36,261	–	–
Non-current financial liabilities	1,097	1,097	–	–	847	250
Bonds	380,417	393,800	–	2,800	209,200	181,800
Non-current lease liabilities	170,792	177,048	–	–	128,034	49,014
<b>Total</b>	<b>948,045</b>	<b>970,865</b>	<b>361,494</b>	<b>40,227</b>	<b>338,081</b>	<b>231,064</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	2021	2020
Cash and cash equivalents (without cash on hand)	163,336	58,288
Trade and other receivables	461,108	406,360
Loans and other financial assets	13,719	15,256
<b>Financial assets subject to credit risk</b>	<b>638,164</b>	<b>479,904</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	2021	2020
Current financial liabilities <sup>1)</sup>	43,019	40,933
Current lease liabilities	49,717	47,209
Non-current financial liabilities <sup>1)</sup>	381,697	380,667
Non-current lease liabilities	173,334	170,792
Cash and cash equivalents	-164,982	-59,781
Interest-bearing receivables	-1,527	-8,078
<b>Net debt</b>	<b>481,257</b>	<b>571,743</b>
Equity attributable to shareholders of Galenica Ltd.	1,227,538	1,047,282
Non-controlling interests	6,140	6,073
Shareholders' equity	1,233,677	1,053,355
<b>Gearing</b>	<b>39.0%</b>	<b>54.3%</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.

21,916 performance share units (previous year: 16,802 performance share units) were granted to beneficiaries at a fair value of CHF 52.75 (previous year: CHF 55.03) at the beginning of the reporting period for the 2021 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 76,461 shares of Galenica Ltd. (previous year: 66,386 shares) at a price of CHF 46.80 (previous year: CHF 48.40). This includes a discount of CHF 20.06 (previous year: CHF 20.76) per share.

### Share-based payment expense

in thousand CHF	2021	2020
Remuneration for members of the Board of Directors	880	1,316
Share plan for members of senior management	3,126	1,443
Long-term incentive plan (LTI)	1,180	566
Employee share plan	1,534	1,378
<b>Total</b>	<b>6,719</b>	<b>4,704</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 12.2 million (previous year: CHF 13.5 million). The trade receivables and loans primarily relate to Coop Vitality. The trade payables and loans from associates and joint ventures amounted to CHF 3.8 million (previous year: CHF 2.5 million) and the financial liabilities to pension funds amounted to CHF 37.5 million (previous year: CHF 36.5 million).

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

### Related party transactions

in thousand CHF	2021		2020	
	Associates and joint ventures	Other related parties	Associates and joint ventures	Other related parties
Sale of goods	156,535	2,363	142,721	5,532
Income from services	7,367	–	7,077	–
Other income	17	–	22	–
Purchase of goods	2,353	–	493	3
Other operating costs	67	–	22	–
Financial income	128	–	136	–
Financial expenses	7	–	4	–

## 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	2021	2020
Remuneration	3,890	2,564
Social security costs and pension expenses	899	758
Share-based payments	2,198	1,933
<b>Total</b>	<b>6,986</b>	<b>5,254</b>

## 30. Subsequent events

The following transactions occurred between 31 December 2021 and 2 March 2022, the date on which the consolidated financial statements 2021 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 10.2 million, the fair value of the provisional net assets resulting from these additions was estimated at CHF 2.2 million at the acquisition date. Since the transactions were concluded shortly before the consolidated financial statements were issued, it was not possible to disclose the additional information required by IFRS.

There were no further significant events after the reporting date.

## 31. Group companies

### Group companies

	Registered office	Equity interest	Method of consolidation	Currency	Share capital in thousand
<b>Products &amp; Care</b>					
Amavita Health Care Ltd.	CH-Niederbipp	100%	full	CHF	100
Bahnhof Apotheken Thun AG	CH-Thun	50%	full	CHF	200
Bichsel Interlaken Holding AG <sup>1)</sup>	CH-Interlaken	95%	full	CHF	100
Careproduct AG	CH-Oberwil-Lieli	100%	full	CHF	100
Coop Vitality AG	CH-Bern	49%	at equity	CHF	5,000
Coop Vitality Health Care GmbH <sup>1)</sup>	CH-Niederbipp	49%	at equity	CHF	20
Coop Vitality Management AG	CH-Bern	49%	at equity	CHF	100
Curarex Swiss AG	CH-Zuchwil	100%	full	CHF	100
Dr. A.&L. Schmidgall GmbH & Co KG <sup>1)</sup>	AT-Vienna	100%	full	EUR	145
Dr. U. Reinhard AG	CH-Winterthur	100%	full	CHF	100
Galenica Investment AG	CH-Bern	100%	full	CHF	1,000
Galenicare Ltd.	CH-Bern	100%	full	CHF	700
Galenicare Management Ltd.	CH-Bern	100%	full	CHF	500
G-Pharma AG	CH-Niederbipp	100%	full	CHF	100
Grosse Apotheke Dr. G. Bichsel AG <sup>1)</sup>	CH-Interlaken	95%	full	CHF	200
Hedoga AG	CH-Bern	100%	full	CHF	100
Laboratorium Dr. G. Bichsel AG <sup>1)</sup>	CH-Unterseen	95%	full	CHF	200
Lifestage Solutions Ltd.	CH-Otelfingen	100%	full	CHF	152
Medifilm Ltd. <sup>1)</sup>	CH-Oensingen	100%	full	CHF	1,300
MediService Ltd.	CH-Zuchwil	100%	full	CHF	363
Puresense AG	CH-Gaiserwald	40%	at equity	CHF	100
Schmidgall GmbH <sup>1)</sup>	AT-Vienna	100%	full	EUR	36
Spagyros Ltd.	CH-Worb	100%	full	CHF	860
Sun Store Health Care Ltd.	CH-Niederbipp	100%	full	CHF	100
Swiss Pharma GmbH	DE-Rülzheim	100%	full	EUR	51
Verfora Ltd.	CH-Villars-sur-Glâne	100%	full	CHF	100
Winconcept Ltd.	CH-Bern	100%	full	CHF	100
<b>Logistics &amp; IT</b>					
1L Logistics AG	CH-Burgdorf	100%	full	CHF	100
Alloga Ltd.	CH-Burgdorf	100%	full	CHF	8,332
Dauf SA <sup>1)</sup>	CH-Barbengo-Lugano	91.60%	full	CHF	100
Galexis Ltd.	CH-Niederbipp	100%	full	CHF	25,000
HCI Solutions Ltd.	CH-Bern	100%	full	CHF	100
Pharma-Info AG <sup>1)</sup>	CH-Biel	49%	at equity	CHF	100
PharmaBlist Ltd. <sup>1)</sup>	CH-Widnau	100%	full	CHF	100
Pharmapool Ltd. <sup>1)</sup>	CH-Widnau	100%	full	CHF	962
Pharmapool Zentralapotheke AG <sup>1)</sup>	CH-Widnau	100%	full	CHF	100
Unione Farmaceutica Distribuzione SA	CH-Barbengo-Lugano	91.60%	full	CHF	2,000
<b>Group Services</b>					
Galenica Finanz Ltd.	CH-Bern	100%	full	CHF	100

<sup>1)</sup> Not directly held by Galenica Ltd.





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To the General Meeting of  
Galenica Ltd., Berne

Berne, 2 March 2022

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



### Opinion

We have audited the consolidated financial statements of Galenica Ltd., and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



### Basis for opinion

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

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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.

#### Impairment risk of goodwill and other intangibles

<b>Risk</b>	<p>As disclosed in note 16, goodwill amounts to CHF 856.1 million as at 31 December 2021 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>

#### Impairment risk of right-of-use assets and change in lease liabilities

<b>Risk</b>	<p>As outlined in note 15, right-of-use assets amounts to CHF 215.5 million and current and non-current lease liabilities to CHF 223.1 million. The assessment to record right-of-use assets and lease liabilities involves judgment and estimates made by management. In particular, the assessment and calculation include estimating the expected lease term based on contractual rights including extension and termination options, excluding certain payments such as variable lease payments and non-lease components, and discounting the expected payments with a discount rate, generally the incremental borrowing rate.</p>
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Additionally, right-of-use assets are depreciated over the shorter of the useful life or the end of the lease term, provided ownership is not transferred to the Group at the end of the lease term. Right-of-use assets are tested for impairment if indicators are present that these assets may not be recoverable.

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

#### **Our audit response**

We obtained an understanding of the process in the retail business area for the initiation and processing of changes or new contracts, the reporting of journal entries and the valuation of the right-of-use assets. We tested a sample of contracts and performed procedures to verify the completeness and accuracy of the data in the lease tool. We analyzed the underlying useful life and discussed impairment indicators for right-of-use assets of retail stores with generally lower margins. Finally, we assessed the incremental borrowing rate used to discount lease liabilities and compared the right-of-use assets with the related lease liabilities. Our audit procedures did not lead to any reservations regarding the application of IFRS 16 Leases.



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

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

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

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



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

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

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

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

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

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

**Report on other legal and regulatory requirements**

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

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

Ernst & Young Ltd

Daniel Zaugg  
Licensed audit expert  
(Auditor in charge)

Simone Wittwer  
Licensed audit expert

# Financial statements 2021 of Galenica Ltd.

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## Statement of income of Galenica Ltd.

in thousand CHF	2021	2020
Investment income	87,273	54,400
Financial income	142,694	22,843
Other income	71,391	23,851
<b>Income</b>	<b>301,358</b>	<b>101,094</b>
Personnel costs	-41,004	-13,660
Financial expenses	-4,333	-3,104
Depreciation and amortisation	-6,355	-12
Other expenses	-14,973	-5,511
<b>Expenses</b>	<b>-66,665</b>	<b>-22,287</b>
<b>Profit for the year before taxes</b>	<b>234,693</b>	<b>78,807</b>
Direct taxes	-6,017	-2,599
<b>Profit for the year</b>	<b>228,676</b>	<b>76,208</b>

# Statement of financial position of Galenica Ltd.

in thousand CHF		2021		2020
Cash and cash equivalents		49,816		30,712
Receivables				
– Third parties		3,546		106
– Group companies		62		327,078
Prepaid expenses and accrued income				
– Third parties		4,023		1,127
– Group companies		1,430		–
<b>Current assets</b>	<b>5.1%</b>	<b>58,877</b>	<b>38.2%</b>	<b>359,023</b>
Financial assets		81,614		269,500
Investments		949,967		311,657
Property, plant and equipment		12,019		–
Intangible assets		43,396		–
<b>Non-current assets</b>	<b>94.9%</b>	<b>1,086,996</b>	<b>61.8%</b>	<b>581,157</b>
<b>Assets</b>	<b>100.0%</b>	<b>1,145,873</b>	<b>100.0%</b>	<b>940,180</b>
Other liabilities				
– Third parties		16,468		5,233
– Group companies		21,834		2
Accrued expenses and deferred income				
– Third parties		13,817		6,093
– Group companies		1,430		–
<b>Current liabilities</b>	<b>4.7%</b>	<b>53,549</b>	<b>1.2%</b>	<b>11,328</b>
Interest-bearing liabilities		380,000		380,000
Other non-current liabilities		24,000		–
<b>Non-current liabilities</b>	<b>35.3%</b>	<b>404,000</b>	<b>40.4%</b>	<b>380,000</b>
<b>Liabilities</b>	<b>39.9%</b>	<b>457,549</b>	<b>41.6%</b>	<b>391,328</b>
Share capital		5,000		5,000
Legal capital reserves				
– Reserves from capital contributions		307,010		351,612
Legal retained earnings				
– General legal retained earnings		1,000		1,000
– Reserves for treasury shares		3,000		11,600
Voluntary retained earnings				
– Free reserve		143,000		102,400
– Profit brought forward from the previous year		638		1,032
– Profit for the year		228,676		76,208
<b>Shareholders' equity</b>	<b>60.1%</b>	<b>688,324</b>	<b>58.4%</b>	<b>548,852</b>
<b>Liabilities and shareholders' equity</b>	<b>100.0%</b>	<b>1,145,873</b>	<b>100.0%</b>	<b>940,180</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.

The financial statements 2020 have not been restated to the changed organisational and management structure. 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 a non-taxable gain of CHF 109.5 million due to the merger with GaleniCare Holding Ltd. and the reversal of a bad debt allowance on non-current intercompany loans of CHF 30.0 million (previous year: CHF 15.0 million).

## Other income

Other income includes group-internal management fees of CHF 34.6 million (previous year: CHF 18.3 million) and IT services of CHF 28.4 million (previous year: none). 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	2021	2020
Furniture, fittings	35	-
IT equipment	11,305	-
Vehicles	679	-
<b>Total net carrying amount</b>	<b>12,019</b>	<b>-</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 268.4 million) and joint ventures of CHF 4.9 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 2021 of the Galenica Group.



### Non-current interest-bearing liabilities

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

#### Non-current interest-bearing liabilities

in thousand CHF	2021	2020
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>Non-current interest-bearing liabilities</b>	<b>380,000</b>	<b>380,000</b>

### 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	2021	2020
Within 1 year	1,200	–
In 2 to 5 years	1,200	–
In more than 5 years	27,428	–
<b>Total</b>	<b>29,828</b>	<b>–</b>

### Share capital

As at 31 December 2021, 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 2021, Galenica Ltd. has no authorised capital according to Article 3a) of the Articles of Association. The Board of Directors has been authorised to increase the share capital of CHF 5,000,000 by a maximum of CHF 500,000 at any time up to and including 2 May 2021 by issuing not more than 5,000,000 fully paid shares.

### Reserves from capital contributions

The reserves from capital contributions have been reduced to CHF 307.0 million (previous year: CHF 351.6 million) due to the dividend paid out to the shareholders on 19 May 2021 taken from the reserves from capital contributions in the amount of CHF 44.6 million (previous year: CHF 44.5 million).

### Release of hidden reserves

In 2021, hidden reserves of CHF 30.0 million were released (previous year: CHF 17.5 million).

### Contingent liabilities

As at 31 December 2021, total contingent liabilities amounted to CHF 325.8 million (previous year: CHF 788.5 million), including issued guarantees to Group companies of CHF 195.6 million (previous year: CHF 658.5 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 218 (previous year: 36).

## Treasury shares

Galenica shares owned by subsidiaries:

### Treasury shares

	Number	2021 in CHF	Number	2020 in CHF
<b>1 January</b>	<b>501,440</b>		<b>660,850</b>	
1st quarter				
– Bought	392	23,223	396	24,927
– Sold	–41,676	–2,436,140	–57,734	–3,617,429
2nd quarter				
– Bought	1,584	100,175	500	34,238
– Sold	–18,087	–1,061,888	–28,090	–1,687,366
3rd quarter				
– Bought	1,415	98,068	780	52,283
– Sold	–85,856	–5,740,332	–76,470	–5,288,665
4th quarter				
– Bought	2,291	151,210	1,208	71,573
– Sold	–	–	–	–
<b>31 December</b>	<b>361,503</b>		<b>501,440</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

	Number of shares	31.12.2021 % of share capital	Number of shares	31.12.2020 % of share capital
UBS Fund Management (Switzerland) AG, Switzerland	2,671,158	5.3	2,671,158	5.3
Alecta Pensionsförsäkring, Sweden	2,000,000	4.0	2,000,000	4.0
Credit Suisse Funds AG, Switzerland	1,626,752	3.3	1,626,752	3.3
Swisscanto Fondsleitung AG, Switzerland	1,533,324	3.1	–	–
BlackRock, Inc., USA	–	–	1,408,808 <sup>1)</sup>	3.1
Norges Bank (Central Bank of Norway), Norway	–	–	1,515,199	3.0
Rudolf Maag, Switzerland	–	–	1,500,000	3.0

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

## 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 31.12.2021	Shares allocated for 2021	Held as at 31.12.2020	Shares allocated for 2020
Daniela Bosshardt	22,131	3,564	14,185	7,946
Pascale Bruderer	1,703	1,260	–	1,703
Michel Burnier	8,265	1,222	6,903	1,362
Fritz Hirsbrunner	–	–	–	1,362
Bertrand Jungo	4,964	3,284	2,963	2,001
Markus R. Neuhaus	7,416	1,668	3,812	3,604
Philippe Nussbaumer	–	916	10,269	2,724
Andreas Walde	11,982	1,527	10,279	1,703
<b>Shares of the members of the Board of Directors</b>	<b>56,461</b>	<b>13,441</b>	<b>48,411</b>	<b>22,405</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 31.12.2021	Held as at 31.12.2020
Marc Werner	1,390	80
Felix Burkhard	14,674	16,287
Andreas Koch	2,719	1,690
Daniele Madonna	8,325	6,328
Virginie Pache Jeschka	1,072	–
Thomas Szuran	2,315	1,375

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 2021, 11,880 performance share units (previous year: 10,201 performance share units) with fair value at grant date of CHF 621,300 (previous year: CHF 699,768) have been allocated to the members of the Corporate Executive Committee. In 2021, 5,188 performance share units (previous year: 1,807 performance share units) with fair value at grant date of CHF 271,327 (previous year: CHF 123,988) 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>

<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 11 May 2022, the Board of Directors will propose the following allocation of available earnings and reserves from capital contributions:

in CHF	2021	2020
<b>Appropriation of available earnings</b>		
Balance brought forward	638,387	1,032,257
Profit for the year	228,676,151	76,207,951
<b>Available earnings at the disposal of the Annual General Meeting</b>	<b>229,314,538</b>	<b>77,240,208</b>
Dividend per share CHF 1.05 (2020: CHF 0.90)	-52,500,000 <sup>1)</sup>	-44,601,821
Allocation to free reserve	-176,000,000	-32,000,000
<b>Balance to be carried forward</b>	<b>814,538</b>	<b>638,387</b>
<b>Appropriation of reserves from capital contributions</b>		
<b>Reserves from capital contributions</b>	<b>307,010,206</b>	<b>351,612,027</b>
Dividend per share CHF 1.05 (2020: CHF 0.90) paid out of reserves from capital contributions	-52,500,000 <sup>1)</sup>	-44,601,821
<b>Balance to be carried forward</b>	<b>254,510,206</b>	<b>307,010,206</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 2021, the total dividend would amount to CHF 104.2 million

The Board of Directors proposes to issue a dividend for fiscal year 2021 of CHF 2.10 per registered share. For this purpose, CHF 1.05 is to be taken from the reserves from capital contributions and CHF 1.05 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 17 May 2022.



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To the General Meeting of  
Galenica Ltd., Berne

Berne, 2 March 2022

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Galenica Ltd., which comprise the statement of income, statement of financial position and notes, for the year ended 31 December 2021.



### Board of Directors' responsibility

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



### Auditor's responsibility

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

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



### Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.



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

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



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**Report on other legal requirements**

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

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg  
Licensed audit expert  
(Auditor in charge)

Simone Wittwer  
Licensed audit expert