

Management report

Contents Management report

9	Introduction
10	COVID-19
12	Key figures Galenica Group
14	«Products & Care» segment
23	«Logistics & IT» segment
30	Sustainability

Introduction

Management report

Highlights from the financial year 2021 Primary Care

28

Offers in pharmacies

Online shops

+50%

Sales growth

COVID-19

90,000

Vaccinations in Galenica Group
pharmacies

The Galenica Group can look back on an extremely successful financial year 2021: consolidated net sales increased by 10.2% to CHF 3,834.7 million and the adjusted¹⁾ operating result (EBIT) increased by 26.4% to CHF 213.1 million. The Board of Directors will propose to the Annual General Meeting a dividend of CHF 2.10 (+17%), of which CHF 1.05 will be paid from the capital contribution reserve.

This sales development was driven in particular by one-off additional sales in connection with COVID-19. The business developed very dynamically, especially in the last few months of 2021. On the one hand, the one-off additional sales in relation to COVID-19 increased again, and on the other hand, the sales of cold and flu medicines went up sharply compared to the same period of the previous year. A strong performance by the Mediservice speciality pharmacy and further market share gains in the wholesale business with physicians also contributed positively to sales growth. Once again, acquisitions of companies and products were another growth driver in the 2021 financial year. The profit from the sale of the property at the Galenica headquarters in Bern also had a positive impact on EBIT.

¹⁾ Excluding the effects of IAS 19 and IFRS 16. See chapter «Alternative performance measures».

Financial key figures

Highlights from the financial year 2021

- As of the end of 2021, more than 230,000 antigen, PCR and antibody tests and over 90,000 vaccinations were carried out in Galenica Group pharmacies.
- With 28 primary care offers, the importance of pharmacies as the first point of contact for health issues increased further.
- The linking of online and offline offers gained further momentum, for example with the online booking of test and vaccination services.
- Online sales at Amavita and Sun Store grew by 50%.
- The speciality pharmacy Mediservice saw excellent growth with new medicines for rare diseases in combination with the increasing demand for home care services.
- New and existing partnerships with healthcare providers strengthened the offering available to business (B2B) and end (B2C) customers.
- Verfora reinforced its leading position in the Swiss consumer healthcare market through acquisitions.
- Galexis gained more market share with new offers for specialist doctors and the support of medical centres.

Important contribution to combating COVID-19

Management report

In 2021, the Galenica Group was once again able to demonstrate and further consolidate its leading role in the Swiss healthcare system. Galenica made a key contribution to the security of procurement and supply as well as patient safety and health through its logistics services and pharmacy offerings to combat COVID-19.

In April 2021, pharmacies in Switzerland began dispensing COVID-19 self-tests. The employees in logistics and the pharmacies only had a few days to prepare for one of the largest dispensing campaigns in the history of Swiss pharmacies. In addition, the self-tests were delivered to pharmacies in packs of 25, and the pharmacies had to repackage them into sets of five in order to meet official requirements.





↑ [Primary Care: The pharmacy as the first point of contact for health problems](#)

By the end of September, upon presentation of their health insurance card, people were able to receive five COVID-19 self-tests per person per month; these were paid for by the federal government. Amavita and Sun Store customers were also able to have their five tests sent to their home monthly on subscription. The Galenica Group pharmacies were already offering antigen and PCR tests at the end of 2020, and antibody tests were made available in November 2021. By the end of December 2021, more than 230,000 antigen, PCR and antibody tests had been carried out in Galenica Group pharmacies. Since spring 2021, the three pharmacy formats Amavita, Sun Store and Coop Vitality have also been able to offer vaccinations against COVID-19. In Switzerland, the vaccination permit for pharmacies is regulated at cantonal level. As of the end of 2021, 190 Galenica Group pharmacies with the corresponding cantonal licence were offering [COVID-19 vaccinations](#). In relation to this, Galenica has given more pharmacy employees special training and has adapted the capacity of some pharmacies.

In order to overcome the major logistical challenge of distributing the COVID-19 self-tests, Galexis set up separate warehouse and sales logistics functions in spring 2021, which it integrated into the regular operating processes over the course of the year under review.

The logistics companies of the Galenica Group supported the authorities in ensuring the availability of logistics services to transport vaccines in 2021, in particular Alloga in the canton of Bern and Unione Farmaceutica Distribuzione (UFD) in Ticino. As each canton determines its own COVID-19 logistics for vaccines, with the military pharmacy taking priority, the distribution concept also differs from canton to canton.

HCI Solutions also made valuable contributions to combating COVID-19 in 2021. After the medical and pharmacy software Documedis® was approved by the Federal Office of Public Health (FOPH) as a reporting solution for COVID-19 tests and vaccinations, HCI Solutions promptly programmed the necessary interfaces for the software connection. Since then, pharmacies and medical practices have been able to record information on the vaccinations and tests for their patients, print confirmations and send the corresponding data to the relevant authorities at the touch of a button.

COVID-19 in figures

- Between April and September 2021, Galexis and UFD delivered around 14 million COVID-19 self-tests to Swiss pharmacies.
- In 2021, around 230,000 antigen, PCR and antibody tests were carried out at all Galenica pharmacies.
- In 2021, Galenica Group pharmacies dispensed some 8.5 million self-tests.
- Galenica's more than 190 pharmacies, which have a vaccination licence in 18 cantons, administered more than 90,000 COVID-19 vaccinations in the year under review.

Key figures Galenica Group

Management report

Net sales

+10.2%

Galenica Group CHF 3,834.7 million

EBIT adjusted¹

+26.4%

Galenica Group CHF 213.1 million

Employees

7,239

Galenica Group

In 2021, the Galenica Group generated consolidated net sales of CHF 3,834.7 million, representing strong year-on-year growth of 10.2% compared to the previous year.

This sales development was driven in particular by one-off additional sales in connection with COVID-19 with a growth in sales of 3.1%, most of which occurred in the first half of the year. The business developed very dynamically, especially in the last few months of 2021. On the one hand, the one-off additional sales in relation to COVID-19 increased again, and on the other hand, the sales of cold and flu medicines went up sharply compared to the same period of the previous year. In addition, a strong performance by the specialty pharmacy Mediservice and further market share gains in the wholesale business with doctors made a positive contribution to sales growth. Once again, acquisitions of companies and products were another growth driver in the 2021 financial year.

By way of comparison, the Swiss pharmaceutical market grew by 4.4% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2021). As in 2020, this growth was driven by increased sales of high-priced medications, whereas the volumes sold decreased by 0.6% (IQVIA, Pharmaceutical Market Switzerland, 2021).

The adjusted¹ operating result (EBIT), i.e. excluding the effects of the IFRS 16 (Leases) and IAS 19 (Employee Benefits) accounting standards, grew by 26.4% to CHF 213.1 million. Key drivers were additional COVID-19-related sales with a positive EBIT impact estimated at CHF 25 million and profit from the sale of the property at the Galenica headquarters in Bern of around CHF 9.4 million. The adjusted¹ return on sales (ROS) also increased year-on-year from 4.8% to 5.6%.

At CHF 168.2 million, -2.6% (previous year: CHF 172.7 million), net profit was slightly below the previous year's result due to an extraordinary IAS 19 book profit in the 2020 financial year. Adjusted¹ net profit also showed strong growth at CHF 174.8 million (+26.7%).

Investments in the financial year 2021 totalled CHF 60.4 million (previous year: CHF 57.0 million). These were mainly attributable to the modernisation of the distribution centre in Lausanne-Ecublens and the introduction of the new ERP (Enterprise Resource Planning) system at Alloga and Galexis. In addition, there was increased investment in the development of digital infrastructure in connection with the strategic «Omni-channel» programme.

The Galenica Group's balance sheet was further strengthened. Compared to the previous year, the adjusted¹ shareholders' equity increased by CHF 96.1 million to CHF 1,206.2 million. The adjusted¹ net debt, i.e. excluding lease liabilities, dropped sharply compared with the previous year due to the significant operating cash flow, totalling CHF 258.2 million at the end of December 2021, which corresponds to 1.0× adjusted¹ EBITDA (as of the end of 2020: 1.7×).

The growth in adjusted¹ operating cash flow was very pleasing. It rose to CHF 283.2 million, which corresponds to an increase of 61.5% year-on-year. This growth was due to both the high operating result and the reduction in net working capital as a result of the excellent business development at the end of the 2021 financial year. Despite strong acquisition activity (cash flow for M&A: CHF -69.5 million), free cash flow amounted to a solid CHF 194.9 million (+226.8%), which was also positively influenced by the net sales proceeds from the property at the Galenica headquarters of CHF 38.2 million.

¹⁾ Excluding the effects of IAS 19 and IFRS 16. See chapter «Alternative performance measures».

«Products & Care» segment

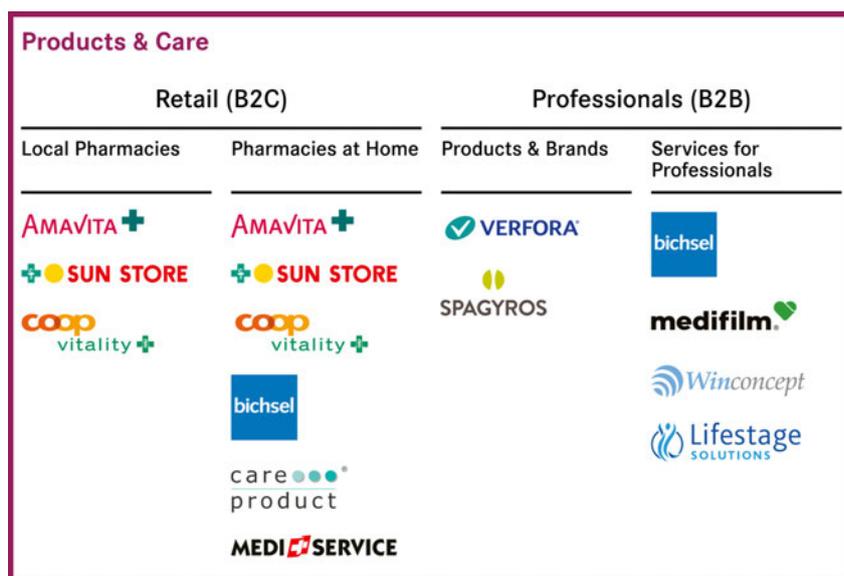
Management report

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



The «Retail» business area comprises the two sectors «Local Pharmacies» (POS) and «Pharmacies at Home» (mail-order and home care), while the «Professionals» business area comprises the «Products & Brands» and «Services for Professionals» sectors.

These activities focus on developing and marketing healthcare services and products via different sales channels: On the one hand, directly to end customers (B2C) through a strong presence with its own bricks-and-mortar pharmacies or at home with home-care services, mail-order pharmacies and e-shops. On the other hand, as an effective partner of service providers (B2B) in the healthcare sector, such as pharmacies, drug stores, doctors, care homes, home-care organisations and hospitals.



Key figures «Products & Care» segment

The «Products & Care» segment achieved net sales of CHF 1,908.1 million (+13.4%) in the financial year 2021.

Of this, CHF 1,720.0 million (+13.3%) was accounted for by the «Retail» business area (B2C), with the «Local Pharmacies» sector contributing CHF 1,261.5 million (+8.5%, excluding Coop Vitality) and the «Pharmacies at Home» sector contributing CHF 458.8 million (+29.2%).

The «Professionals» (B2B) business area increased sales to CHF 194.0 million (+11.9%), with the «Products & Brands» sector contributing CHF 131.6 million (+17.8%) and the «Services for Professionals» sector contributing CHF 62.4 million (+1.4%).

The adjusted¹ operating result (EBIT), i.e. excluding the effects of the IFRS 16 (Leases) accounting standard, increased by 24.4% to CHF 154.5 million in financial year 2021 and the adjusted¹ return on sales (ROS) increased from 7.4% to 8.1%. This strong growth was generated in particular by the one-off additional sales from offers to combat the COVID-19 pandemic of an estimated EBIT contribution of CHF 19 million.

Investments in the «Products & Care» segment totalled CHF 23.5 million (previous year: CHF 26.0 million). These were mainly used for pharmacy renovations and the development of digital infrastructure as part of the «Omni-channel» programme.

¹ Excluding the effects of IFRS 16. See chapter «Alternative performance measures».



Sustainable generics substitution rate

The generics substitution promoted by Galenica dampened sales because of the lower prices of generics. Compared to the previous year, the generic substitution rate increased by 1.5 percentage points to 73.5% at the end of 2021. As a result, Galenica's contribution to reducing price increases in the Swiss healthcare system will continue to make an impact in the long term.

«Retail» business area (B2C)

Local Pharmacies

In the financial year 2021, the «Local Pharmacies» sector achieved net sales of CHF 1,261.5 million (+8.5%, excluding Coop Vitality). The main drivers of this growth were the various offers to combat the COVID-19 pandemic, which had a significant impact in the first half of the year in particular. Excluding the extraordinary additional sales from COVID-19 initiatives, sales growth amounted to 2.9%, mainly thanks to a positive expansion effect of 2.2%.

The loss in sales of «Local Pharmacies» in the first half of 2021 – due to the lack of a flu epidemic in the winter of 2020/2021 – was offset overall by the strong sales growth of cold and flu medicines in the fourth quarter of 2021.

By contrast, at the end of the year, sales in pharmacies at high frequency locations without sales from COVID-19 initiatives were still around 20% below the pre-pandemic level of 2019, while this shortfall was around 35% at the beginning of 2021.

In addition, government-ordered price reductions led to a decline in revenue of -1.0% in 2021. Without this effect, net sales in the «Local Pharmacies» sector would have increased by 9.5%.

By way of comparison, sales of medications from bricks-and-mortar pharmacies in Switzerland (prescription [Rx] and OTC products) grew by 3.5% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2021).

In the year under review, pharmacies were also able to strengthen their position as the first point of contact for health issues. At the end of 2021, the offerings and services in the Primary Care segment comprised 28 indications with accompanying advice. The major advantage for patients is that they do not have to make an appointment in advance, but can go directly to the pharmacy for simple medical examinations and treatment recommendations on six to seven days a week.



↑ [Sun Store Pharmacy in Crissier](#)

Physical points of sale are becoming more modern

Despite the development of the online and home care offers, physical points of sale remain an important element of the sales structure. For this reason, Galenica continued to invest in bricks-and-mortar pharmacy locations in the financial year 2021. Thus, since the second half of 2021, the store layout of the Sun Store pharmacies has been undergoing a gradual modernisation process based on a new concept. In addition, the pharmacy locations of all formats are being constantly modernised and adapted to current requirements, for example with rooms for vaccinations and health advice services.

Further optimisation of the pharmacy network

In 2021, five pharmacies were acquired, and three new locations opened. At the same time, six locations were closed as part of optimisation measures. At the end of 2021, the Galenica own pharmacy network comprised a total of 368 pharmacies (+2).

Overview of development of the pharmacy network in 2021

	31.12.2021	31.12.2020	Change
Amavita pharmacies ¹⁾	181	179	+2
Sun Store pharmacies ¹⁾	92	94	-2
Coop Vitality pharmacies ²⁾	88	87	+1
Specialty pharmacy Mediservice ¹⁾	1	1	-
Majority holdings in other pharmacies ¹⁾	6	5	+1
Total own points of sale	368	366	+2

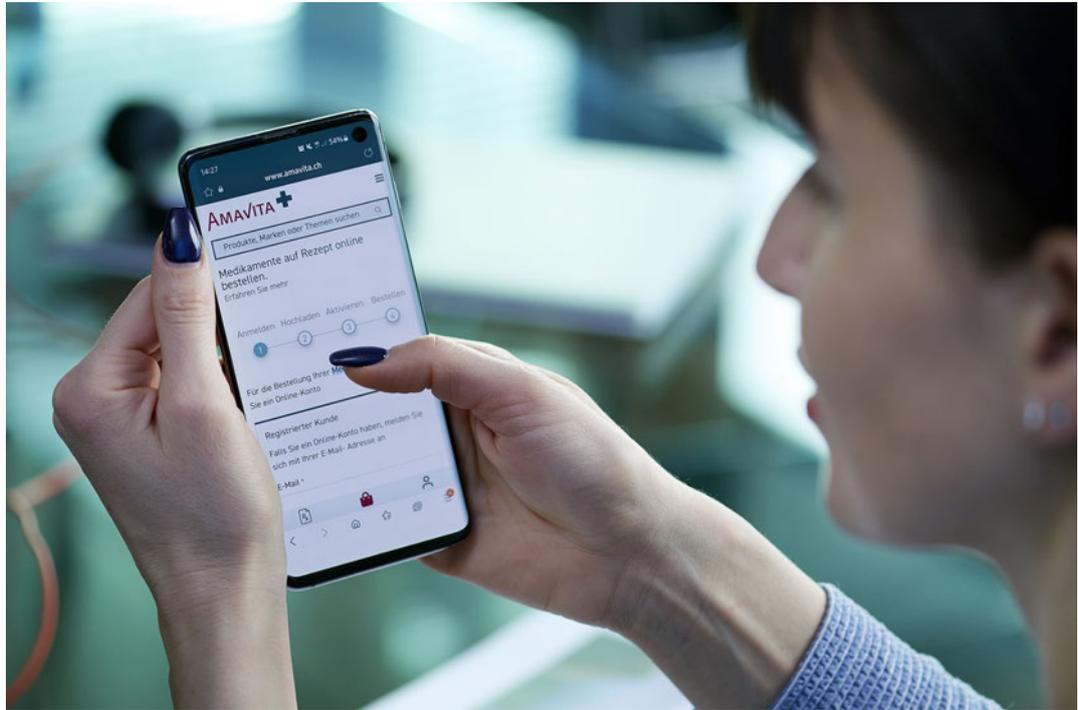
¹⁾ Fully consolidated

²⁾ Consolidated at equity



↑ [Pharmacist and doctor together under one roof](#)

Apodoc in Zurich has been part of the Galenica pharmacy network since July 2021. Apodoc is considered a pioneer in integrated patient care and has its own medical practice on its premises. With a view to further developing Galenica's strategy of offering added value to customers, Apodoc will enable Galenica to gain valuable experience in integrated care and collaboration between doctors and pharmacies.



«Retail» business area (B2C)

Pharmacies at Home

The «Pharmacies at Home» sector achieved extraordinary strong growth with sales of CHF 458.8 million (+29.2%). This strong performance was driven in particular by the specialty pharmacy Mediservice, which offers new medications to treat rare diseases in combination with home care services.

In addition, the Galenica Group online shops achieved a strong growth of 23.9%, even without taking into account the COVID-19-related additional sales. Taking into account COVID-19 self-test subscriptions, this growth even amounted to 50.5%.

With growth of 6.0%, Bichsel's home care activities also made a positive contribution to the sales performance of «Pharmacies at Home».

Government-ordered price reductions resulted in a fall in sales of -2.5% in 2021. Without this effect, net sales in the «Pharmacies at Home» sector would have increased by 31.7%.

By way of comparison, sales of medications from mail-order pharmacies in Switzerland (prescription [Rx] and OTC products) grew by 16.2% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2021).



↑ [Preparation in the mail-order pharmacy](#)

Stronger link between online and offline offers

As part of the strategic «Omni-Channel» programme, Galenica further expanded the online and offline offerings of its pharmacy formats and linked them more closely. All pharmacy formats now also offer a mail-order pharmacy service: Patients can order their prescription medications online and have them delivered to their home. In addition, the service offerings in the Amavita, Sun Store and Coop Vitality web shops were further expanded, for example by giving patients the option to book online appointments for flu and COVID-19 vaccinations as well as antigen, PCR and antibody tests.

Strategy Omni-Channel



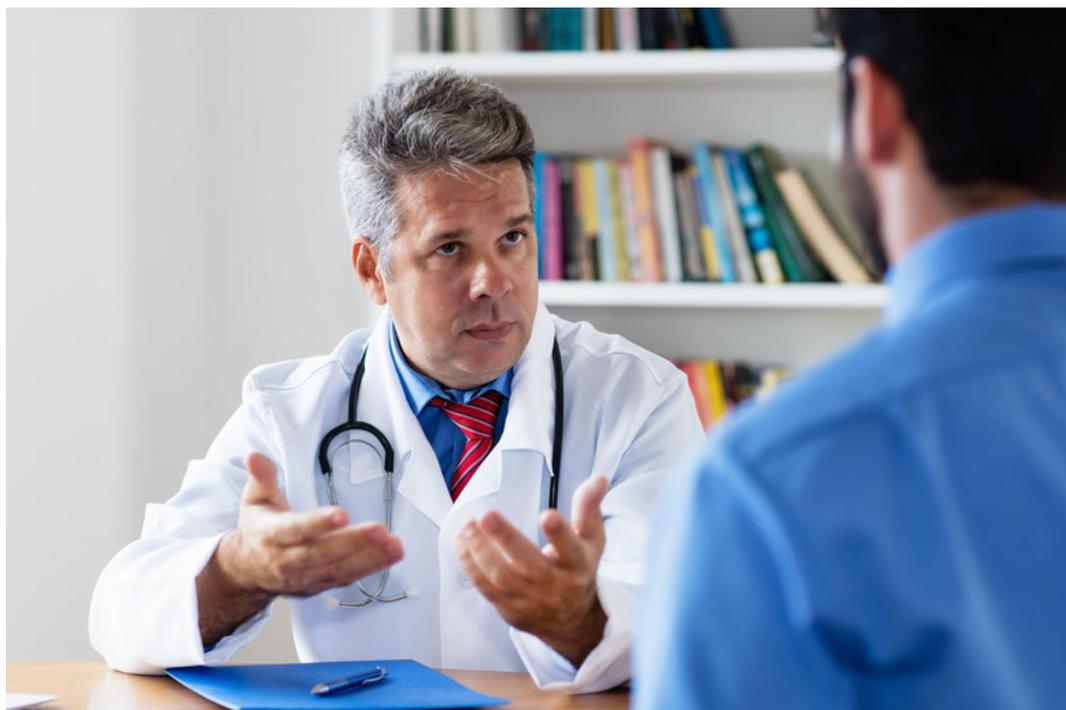
↑ [Home care - Patient care at home](#)

Mediservice: consistent strategy implementation bears fruit

The specialty pharmacy Mediservice, which looks after people with chronic and rare diseases, contributed significantly to the strong growth of the «Pharmacies at Home» sector. At the end of 2021, Mediservice had the expertise to professionally treat more than 50 indications. Mediservice was also able to expand its home care offering to cover more than 80 highly complex therapies in the year under review. This included not only treating patients at home and via telephone but also video consultations with the advisory service provided by Mediservice. As a result, Mediservice can make a significant contribution to increasing patients' independence and improving their quality of life.

Bichsel shows strong growth in the home care sector

The growing demand for home care services is also reflected in the offerings of Bichsel, particularly in connection with intravenous therapies. Thus, the demand for parenteral nutrition and for antibiotic therapies produced specifically for individual patients increased.



«Professionals» business area (B2B)

Products & Brands

The «Products & Brands» sector achieved sales of CHF 131.6 million (+17.8%) in the financial year 2021. Of this total, CHF 104.1 million (+19.3%) came from the Swiss market and CHF 27.5 million (+12.4%) from exports involving distribution partners in various countries. Sales drivers in the «Products & Brands» sector, which mainly comprises the business activities of Verfora, were acquisitions and new in-licensing in particular. The expansion-related growth thus amounted to a considerable 22.0%.

Strong losses in sales in the first half of 2021 (organic growth, adjusted for expansion effect, -22.9%) due to the absence of the 2020/2021 flu season and declining sales of travel-related products were largely compensated in the second half of the year. At -4.2% overall and -2.4% in the Swiss market, organic growth in 2021 remained only slightly negative.

By way of comparison, the consumer healthcare market declined by 0.2% year-on-year (IQVIA, Consumer Health Market Switzerland, 2021, excluding COVID-19 self-tests).

Verfora successful with acquisitions and partnerships

Verfora further expanded its position as the market leader in the Swiss consumer healthcare market in 2021. New partnerships and acquisitions in particular also contributed to this.

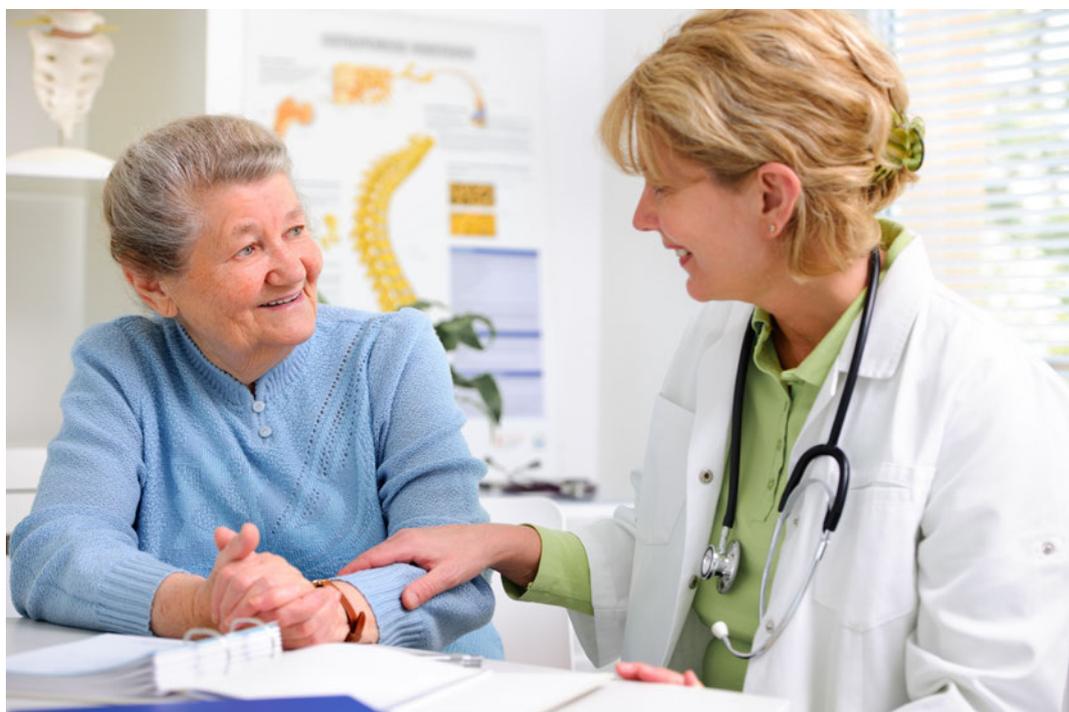
In May 2021, Verfora acquired the therapeutic product range from Dr. Wild & Co. Ltd., which includes well-known brands such as Vitamin D3 Wild Öl® and VI-DE 3®. Verfora thus secured the rights to strong brands and licences with potential. The acquired products from Dr. Wild have been leader in the attractive vitamin D market in Switzerland for many years and strengthen Verfora's product portfolio in the area of prevention and immune system fortification. Verfora took over the experienced medical field service of Dr. Wild for marketing purposes and established its own medical field service, which commenced operations at the beginning of 2022.



↑ [Spagyros: Centre of competence for complementary medicine](#)

Thanks to the acquisition of [Spagyros Ltd.](#) in September 2021, Verfora will not only be able to meet the growing demand for phytotherapy and complementary medicines through its own products but will also strengthen the position of pharmacies and drugstores with a range of products that require intensive consultation.

The acquisition of the Hedoga Group in 2020, the partnership with Angelini Pharma, which was also expanded in 2020, and the new distribution agreement with Institut Allergosan also had a positive impact on the 2021 financial year. The probiotic portfolio of Allergosan, in particular Omni-Biotic[®], recorded pleasing growth in 2021. Through the acquisition of Hedoga, Verfora has not only become the clear market leader in the Swiss lemon balm spirit market, but has also strengthened its export business in selected European markets.



«Professionals» business area (B2B)

Services for Professionals

The «Services for Professionals» sector generated sales of CHF 62.4 million (+1.4%) in financial year 2021. Growth was generated in particular by the acquisition of Lifestage Solutions Ltd. in July 2021.

The COVID-19-related decline in sales at Winconcept and the lower year-on-year sales with the productions at Laboratorium Bichsel were only partially offset by the strong sales growth at Medifilm. Winconcept supports 150 partner pharmacies at the end of 2021 (previous year: 151).



↑ [Lifestage Solutions: Offering for home care organisations and care homes](#)

Greater range of services for home care organisations and care homes

As part of the strategic «Professionals» (B2B) and «Care» (B2C) programmes, Galenica acquired [Lifestage Solutions Ltd.](#) at the end of July 2021.

Lifestage Solutions develops and operates an innovative digital trading platform for home care organisations and care homes, enabling them to order medical consumables, care products and services fully automatically. As a result, Lifestage Solutions simplifies the daily routines of its customers, allowing them to concentrate on their core task of care while also saving them money.

Furthermore, thanks to the synergies with Bichsel Homecare, Mediservice and Medifilm, it will also be possible to increase the services for home care patients. With its expanded offering, Galenica is making an important contribution to the health, well-being, safety and independence of patients in need of care.

Bichsel increases production capacities and efficiency

In the reporting year, production capacities for liquid solutions in plastic bottles were increased as the result of a new, modern filling plant. The installation of the new PPB (polypropylene bottle) filling plant focused on automation, product and patient safety, and employee protection. The new plant will allow Bichsel to produce a larger number of solutions in plastic bottles in accordance with regulatory compliance requirements. At the same time, the sachet line was repositioned in the production department and connected to the automation system, which also led to efficiency gains.

«Logistics & IT» segment

Management report

The «Logistics & IT» segment comprises two sectors: «Wholesale» and «Logistics & IT Services». They operate and develop the logistics and IT platforms for the Galenica Group and offer services to all the parties involved in healthcare – pharmacies, drug stores, doctors, hospitals and care homes.



These activities focus on optimising and further developing the range of logistics solutions and services as well as producing innovative solutions to promote digitalisation in the healthcare market.



Key figures «Logistics & IT» segment

The «Logistics & IT» segment achieved net sales of CHF 2,831.4 million (+7.9%) in the 2021 financial year. CHF 2,728.4 million (+7.8%) of this was generated by the «Wholesale» sector and CHF 111.9 million (+13.7%) by the «Logistics & IT Services» sector. The «Logistics & IT» segment thus clearly exceeded the growth of the overall market of 4.4% (IQVIA, Pharmaceutical Market Switzerland, 2021).

COVID-19 also impacted sales in the «Logistics & IT» segment in the year under review. Additional extraordinary sales, driven primarily by the coronavirus pandemic, contributed an estimated 3% to sales growth. Another sales driver was again the market share gains in the wholesale business with doctors.

Losses in sales in the first half of 2021 due to the absence of the flu and cold season in the winter of 2020/2021 were largely compensated by a strong increase in the fourth quarter 2021.

Government-ordered price reductions led to a decline in sales of 1.3% in 2021. Had this not been the case, the segment's net sales would have increased by 9.2%.

The adjusted¹ operating result (EBIT), i.e. excluding the impact of the IFRS 16 (Leases) accounting standard, rose year-on-year by 35.2% to CHF 61.0 million. This significant growth was boosted by the profit from the sale of the property at the Galenica headquarters in Bern amounting to CHF 9.4 million, as well as the EBIT contribution generated by one-off additional sales to combat the coronavirus pandemic of an estimated CHF 6 million.

Thanks to these two special factors, the adjusted¹ return on sales (ROS) rose to 2.2% (previous year: 1.7%).

Investments totalled CHF 37.0 million (previous year: CHF 31.4 million). These were primarily used for the modernisation and renovation of the Galexis distribution centre in Lausanne-Ecublens, for the gradual roll-out of the new ERP software at Alloga and Galexis and for the development of digital infrastructure as part of the strategic «Omni-Channel» programme.

¹ Excluding the effects of IFRS 16. See chapter «Alternative performance measures».



Sector «Wholesale»

Strong sales growth of +7.8% to CHF 2,728.4 million was achieved in the «Wholesale» sector, also due to COVID-19-related additional sales.

The pharmacy customer segment recorded significant growth of 7.5%. Adjusted for the extraordinary sales of the COVID-19 initiatives, sales to pharmacies increased by 3.2%. Market growth of stationary pharmacies amounted to 3.5% in the financial year 2021 (IQVIA, Pharmaceutical Market Switzerland, 2021).

Another sales driver was again market share gains in the wholesale business with doctors, with sales growth of a strong 9.8% in this segment. Services for oncologists and rheumatologists were the main contributors to this. Galenica was also able to position itself as the ideal partner for specialist doctors in particular.

By way of comparison, the medical market developed by 6.0% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2021). As was the case in 2020, non-essential operations and elective interventions in hospitals and by specialist doctors were postponed nationwide in 2021 due to COVID-19. For this reason, hospitals (+3.0%, IQVIA, Pharmaceutical Market Switzerland, 2021) are still lagging behind the overall market (+4.4%, IQVIA, Pharmaceutical Market Switzerland, 2021).



↑ [Galenicas contribution to the security of medical supplies](#)

Growing presence in the physician market

Galexis gained further market shares in the physicians segment in 2021. As a specialist partner, Galexis actively supports its customers in setting up and maintaining group practices and medical centres of various sizes. It thus helps to secure the supply of medical care in Switzerland – particularly in regions where there is already a shortage of family doctors or where this is likely to be the case in the near future.

Significant expansion of warehouse capacities

Galexis significantly increased its warehousing capacity in 2021 to meet the growing demand for its logistics services. In Niederbipp (canton of Bern), the existing distribution centre was expanded and, in particular, the storage capacity for medications was expanded by the creation of 17,600 new storage bays, resulting in a total of 61,395 with two additional automated storage and retrieval machines. The storage and retrieval machines went into operation at the end of September 2021. These additional storage capacities will enable Galexis to significantly increase product availability.

Innovation for the distribution of chilled medications

The range of refrigerated medications (2–8 degrees) is constantly increasing. Galexis delivers more than 2,000 containers of chilled products every day, reaching capacity limits on peak days. Until now, the cool boxes have used cooling elements, which took around 14 hours to reach the required temperature. Galexis was able to optimise this process in 2021 with a sustainable solution similar to that in the catering industry. By using ‘shock freezers’, the time needed to condition the cool boxes to the required temperature can be reduced to four hours. This reduction has made Galexis more agile and enabled it to react more flexibly to the market with a maximum capacity of around 3,000 boxes per day. Galexis is the first pharmaceutical wholesaler to use this innovative cooling process, which sets new standards in pharmaceutical logistics.



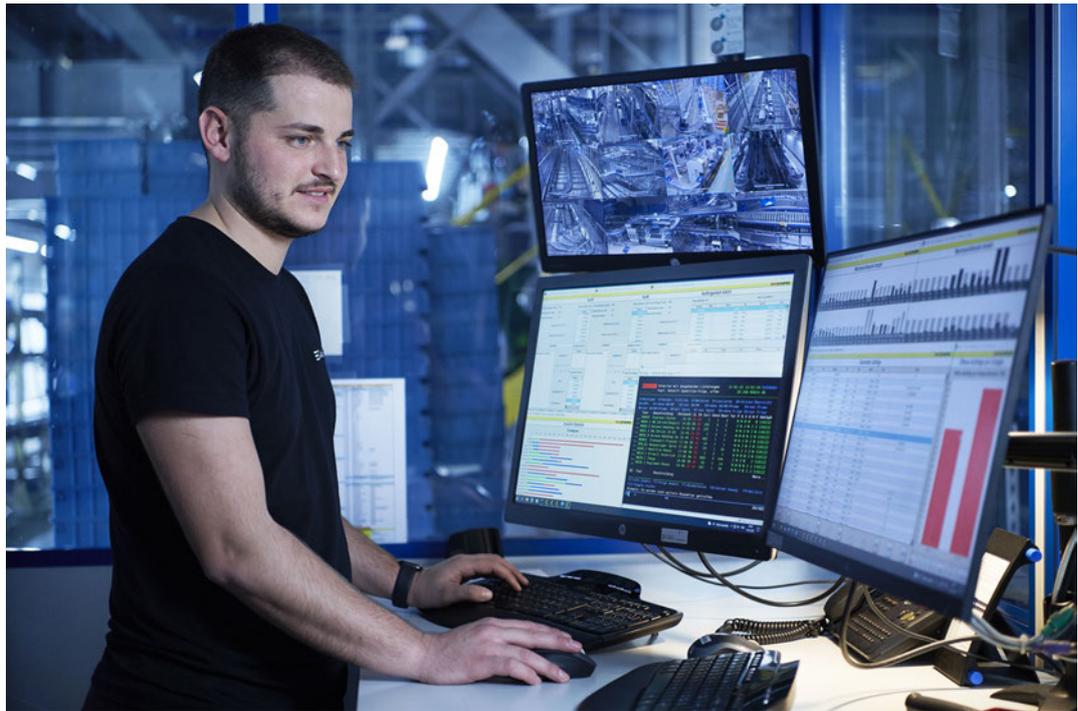
↑ [Innovative cooling technology at Galexis: Shock-Freezer](#)

Galexis also commissioned a new central warehouse for medical technology products at the neighbouring site in Oensingen (canton of Solothurn). This warehouse also serves as a second location for handling UFD's «E-Box» logistics service. Until now, all deliveries of online orders received in the Amavita, Sun Store and Coop Vitality online shops have been picked and shipped from UFD in Barbengo-Lugano. Thanks to the new storage capacities in Oensingen, around half of the 60,000 items available throughout Switzerland have been delivered within 24 hours as of summer 2021.

The renovation and modernisation of the Galexis distribution centre in Lausanne-Ecublens continued in the year under review. The outer shell of the new building and the office wing were completed and the administration department moved in at the end of 2021. The conversion included the refurbishment of all the buildings and the roofs to increase energy efficiency. The interior will be fitted out and put into full operation in the course of 2022.

Galexis launches ERP test phase

While more progress has been made with the introduction of the ERP (enterprise resource planning) system at Alloga, the introduction at Galexis began with the implementation phase. This means that the ERP system for Galexis was set up on the basis of the Alloga ERP system and started with the test phase and subsequent data migration.



Sector «Logistics & IT Services»

The «Logistics & IT Services» sector achieved net sales of CHF 111.9 million (+13.7%) in financial year 2021. The main driver of the strong growth was additional invoicing for internal Group IT services due to the new organisational structure introduced in 2021. HCI Solutions also contributed to sales growth with the expansion of digital services in the healthcare sector.

Continuous ERP roll-out at Alloga

The introduction of the ERP system at Alloga progressed according to plan in the year under review. At the end of 2021, Alloga was able to migrate around a third of its customers to the SAP platform. The progress of further migration work depends on the IT changes at the customers' premises.

Increased efficiency and expanded range of services

In 2021, Alloga was able to implement a new digital tool that suppliers can use to enter their delivery dates themselves in advance. This allows Alloga a better capacity utilisation at goods receipt and to increase the efficiency of its processing with suppliers. Alloga was also able to expand its range of chilled goods services to include Monday deliveries. Thanks to new refrigerated transport boxes, which keep cool for longer, refrigerated goods ordered on Fridays can be assembled for storage and transport at between two and eight degrees on Fridays and delivered on the following Monday.



↑ [E-Mediplan: increasing patient safety with digital innovations](#)

HCI Solutions: new Documedis® function as the basis for e-Mediplan increases patient safety

By the end of 2021, half of the doctors in Switzerland were already able to access the Documedis® medical and pharmacy software from HCI Solutions via their primary IT system. This also enables them to use the «Clinical Decision Support» (CDS) check, which was supplemented by additional algorithms in the reporting year. The CDS check is algorithm-based and checks a patient's medication for risks, such as potential intolerance to two drugs taken at the same time. This prevents medication errors and increases patient safety. In 2021, monthly CDS checks increased steadily from around five million in January to almost nine million in December. The CDS check also serves as the basis for the e-Mediplan electronic medication plan. This is integrated into the apps of all Galenica Group pharmacy formats. It not only sends automated messages to remind customers to take their medications, but also gives product information such as dosage, when to start and stop taking medication, comments, instructions and images. The e-Mediplan makes a significant contribution to increased medication safety and further functions will be added in 2022.

Pilot project on electronic transmission of prescriptions

A pilot project for the reliable and secure electronic transmission of prescriptions was launched in the first half of 2021. The corresponding IT solution «E-prescription» was developed by HCI Solutions and its partner company AD Swiss Net. Medi24, Switzerland's leading telemedicine provider, was the first medical practice to take part in this pilot project. «E-Prescription» is scheduled to be introduced into onlinedoctor.ch and other doctors in 2022.

Sustainability

Management report

Galenica further stepped up its commitment to sustainability in the financial year 2021. Based on a survey of external and internal stakeholder groups, the relevance matrix was updated and refined further. Moreover, specific sustainability goals were defined for the areas that were deemed to be essential.



These goals include, for example, reducing municipal waste and greenhouse gas emissions, reducing the number of occupational and non-occupational accidents, and increasing the use of the e-Mediplan electronic medication plan as a contribution to patient safety in pharmacies. In addition, Galenica is including sustainability reporting in accordance with the GRI Standards «core» option for the first time in the 2021 Annual Report.

[GRI report](#)

Energy consumption reduced in relation to net sales

The Galenica Group's total energy consumption – both within and outside the organisation – continued to increase 9% year-on-year in 2021 and amounted to 65,439 MWh (previous year: 60,312 MWh). The Galenica Group's direct and indirect greenhouse gas emissions amounted to 12,127 tonnes of CO₂ equivalents (tCO₂e) (previous year: 10,578 tCO₂e). This increase is due to the fact that the fuel consumption of the Group's own vehicles has been included in the data in 2021 for the first time ever. Without this data expansion, CO₂ emissions would have decreased 1% compared to the previous year. 44% of energy consumption within the organisation comes from renewable sources such as hydropower and photovoltaics and around 56% from non-renewable sources such as heating oil, natural gas, diesel and petrol. The intensity of energy consumption in relation to Group net sales in the 2021 financial year decreased by 2% and the intensity of CO₂ emissions in relation to Group net sales increased by 4%.

Key environmental figures



↑ [Driving into the future in an eco-friendly way](#)

New mobility concepts and the use of renewable energies

In order to reduce its environmental footprint, Galenica is increasingly focusing on new mobility concepts and the use of renewable energies in distribution. In addition to providing charging stations for electric cars and e-bikes, the company purchases its own vehicles on the basis of eco-friendly criteria and, wherever possible, chooses climate-neutral models. In addition, Galenica encourages its employees to switch to public transport wherever possible. All employees who use public transport to commute to work receive an annual contribution towards their transport costs in the form of Rail Checks or SBB (Swiss Federal Railways) vouchers.



↑ [What sustainability means for Galenica](#)

When renovating and converting sites, Galenica pays particular attention to measures designed to increase energy efficiency over the long term, such as energy-saving lighting in points of sale, warehouses and office spaces. The installation of motion detectors and sustainable air-conditioning systems also contributes to improved energy efficiency.

The Galexis distribution centre in Lausanne-Ecublens will be equipped with a photovoltaic system, new building insulation and new roof insulation in accordance with the latest sustainability standards. This reduces heat loss in winter and makes cooling in summer more efficient.



Galenica invests in its employees

The number of employees of the Galenica Group also rose in the 2021 financial year. As of the end of 2021, Galenica had 7,239 employees (previous year: 7,205).

The development of its employees is a top priority for Galenica, which is why it invested CHF 3.7 million in employee training and development in the year under review (previous year: CHF 3.3 million). At Amavita, Sun Store and Coop Vitality in particular, extensive training programmes were offered to develop the skills of pharmacy employees. Around 935 employees completed these programmes in 2021. Galenica is also actively involved helping to combat the skills shortage. During the financial year, the Group trained 823 apprentices in its Service and Business Units.

Key social figures



↑ [Connecting employees digitally](#)

As part of the new organisational structure introduced at the start of 2021, the regulations applicable to employees of the Galenica Group have been further harmonised. In addition, Galenica has expanded its internal digital communication platforms to promote and further develop the dialogue among employees and the transfer of knowledge, even during the COVID-19 pandemic. The home working regulation has also been revised in order to offer employees the greatest possible flexibility.

Galenica Group employees were once again able to use case management in the year under review. The primary objective of this scheme is to ensure that employees return to work quickly after an illness or accident. 2021 saw 434 new cases of illness, an decrease of 8% compared to the previous year. The number of occupational accidents fell by 5% compared to 2020. This decline is partly attributable to awareness-raising campaigns carried out in recent years. The number of non-occupational accidents rose by 14% compared to the previous year. The increase can be explained by the integration of some companies and pharmacies into the HR system in 2021 and the resulting increase in the number of employees for whom non-occupational accidents are recorded.

The Group-wide employee survey «Opinio» was once again carried out in 2021. With a response rate of 58%, the number of participants was down on the previous year. The results of the survey show that there is room for improvement, particularly in the areas of compensation, procedures and workload. The individual Service and Business Units are taking targeted measures to improve their results in the coming year.