

Consolidated interim financial statements 2019

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of the Galenica Group

Consolidated statement of income

Consolidated statement of income

in thousand CHF	1.1.–30.6.2019	1.1.–30.6.2018
Net sales	1,600,422	1,566,133
Other income	8,125	7,404
Operating income	1,608,547	1,573,537
Cost of goods	(1,189,316)	(1,178,227)
Personnel costs	(227,183)	(217,117)
Other operating costs	(69,433)	(91,198)
Share of profit from associates and joint ventures	4,073	2,411
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	126,688	89,406
Depreciation and amortisation	(43,889)	(19,303)
Earnings before interest and taxes (EBIT)	82,799	70,103
Financial income	402	399
Financial expenses	(3,138)	(1,658)
Earnings before taxes (EBT)	80,063	68,844
Income taxes	(15,136)	(12,366)
Net profit	64,927	56,478
Attributable to:		
– Shareholders of Galenica Ltd.	64,813	56,424
– Non-controlling interests	114	54
in CHF		
Earnings per share	1.32	1.15
Diluted earnings per share	1.31	1.15
Unaudited figures		

Consolidated statement of comprehensive income

in thousand CHF	1.1.-30.6.2019	1.1.-30.6.2018
Net profit	64,927	56,478
Translation differences	1	–
Items that may be reclassified subsequently to profit or loss	1	–
Remeasurements of net defined benefit liability	4,724	(2,218)
Income taxes from remeasurement of net defined benefit liability	(1,489)	466
Share of other comprehensive income from joint ventures	(183)	(674)
Items that will not be reclassified to profit or loss	3,052	(2,426)
Other comprehensive income	3,053	(2,426)
Comprehensive income	67,980	54,052
Attributable to:		
– Shareholders of Galenica Ltd.	67,866	53,998
– Non-controlling interests	114	54

Unaudited figures

Consolidated statement of financial position

Consolidated statement of financial position

Assets

in thousand CHF	30.6.2019		31.12.2018	
Cash and cash equivalents		55,175		104,970
Trade and other receivables		458,663		371,648
Inventories		281,359		276,628
Prepaid expenses and accrued income		30,130		28,290
Current assets	37%	825,327	42%	781,536
Property, plant and equipment		274,010		244,990
Right-of-use assets		239,601		–
Intangible assets		824,794		767,910
Investments in associates and joint ventures		19,786		27,281
Financial assets		16,497		13,908
Deferred tax assets		18,477		24,463
Employee benefit assets		2,858		–
Non-current assets	63%	1,396,023	58%	1,078,552
Assets	100%	2,221,350	100%	1,860,088

Liabilities and shareholders' equity

in thousand CHF	30.6.2019		31.12.2018	
Financial liabilities		121,519		29,674
Lease liabilities		42,867		–
Trade and other payables		291,427		298,167
Tax payables		12,028		14,199
Accrued expenses and deferred income		142,082		97,880
Provisions		4,186		2,657
Current liabilities	28%	614,109	24%	442,577
Financial liabilities		380,925		380,910
Lease liabilities		202,547		–
Deferred tax liabilities		34,006		25,579
Employee benefit liabilities		68,922		73,707
Provisions		3,038		3,716
Non-current liabilities	31%	689,438	26%	483,912
Liabilities	59%	1,303,547	50%	926,489
Share capital		5,000		5,000
Reserves		906,107		924,463
Equity attributable to shareholders of Galenica Ltd.		911,107		929,463
Non-controlling interests		6,696		4,136
Shareholders' equity	41%	917,803	50%	933,599
Liabilities and shareholders' equity	100%	2,221,350	100%	1,860,088

2019 figures are unaudited

Consolidated statement of cash flows

in thousand CHF	1.1.–30.6.2019	1.1.–30.6.2018
Net profit	64,927	56,478
Income taxes	15,136	12,366
Depreciation and amortisation	43,889	19,303
(Gain)/loss on disposal of non-current assets	(135)	(117)
Increase/(decrease) in provisions and employee benefit liabilities	799	3,552
Net financial result	2,736	1,259
Share of profit from associates and joint ventures	(4,073)	(2,411)
Other non-cash items	2,059	2,251
Interest received	394	279
Interest paid	(2,074)	(650)
Other financial receipts/(payments)	(53)	(270)
Dividends received	4,165	3,381
Income taxes paid	(11,754)	(8,417)
Cash flow from operating activities before working capital changes	116,016	87,004
Change in trade and other receivables	(72,826)	(41,950)
Change in inventories	4,617	14,711
Change in trade and other payables	(12,833)	16,524
Change in other net current assets	39,891	5,290
Working capital changes	(41,151)	(5,425)
Cash flow from operating activities	74,865	81,579
Investments in property, plant and equipment	(13,099)	(10,787)
Investments in intangible assets	(11,144)	(8,128)
Investments in associates and joint ventures	–	(1,005)
Investments in financial assets	(3,620)	(7,670)
Proceeds from property, plant and equipment and intangible assets	232	285
Proceeds from financial assets	2,991	5,916
Purchase of subsidiaries (net cash flow)	(54,616)	(21,025)
Cash flow from investing activities	(79,256)	(42,414)
Dividends paid	(83,826)	(81,145)
Purchase of treasury shares	(55)	(176)
Proceeds from sale of treasury shares	46	25
Proceeds from financial liabilities	94,735	17,724
Repayment of financial liabilities	(32,900)	(4,061)
Payment of lease liabilities	(23,404)	–
Purchase of non-controlling interests	–	(17)
Cash flow from financing activities	(45,404)	(67,650)
Increase/(decrease) in cash and cash equivalents	(49,795)	(28,485)
Cash and cash equivalents as at 1 January	104,970	96,287
Cash and cash equivalents as at 30 June	55,175	67,802

Unaudited figures

Consolidated statement of changes in equity

Consolidated statement of changes in equity

in thousand CHF	Share capital	Treasury shares	Retained earnings	Equity attributable to shareholders of Galenica Ltd.	Non-controlling interests	Equity
Balance as at 1 January 2018	5,000	(38,720)	890,269	856,549	4,232	860,781
Net profit			56,424	56,424	54	56,478
Other comprehensive income			(2,426)	(2,426)		(2,426)
Comprehensive income			53,998	53,998	54	54,052
Dividends			(81,029)	(81,029)	(116)	(81,145)
Transactions on treasury shares		3,836	(2,838)	998		998
Share-based payments			2,260	2,260		2,260
Change in non-controlling interests			11	11	(28)	(17)
Balance as at 30 June 2018	5,000	(34,884)	862,671	832,787	4,142	836,929
Balance as at 31 December 2018	5,000	(32,199)	956,662	929,463	4,136	933,599
Change in accounting standards ¹⁾			(4,852)	(4,852)	(11)	(4,863)
Balance as at 1 January 2019	5,000	(32,199)	951,810	924,611	4,125	928,736
Net profit			64,813	64,813	114	64,927
Other comprehensive income			3,053	3,053		3,053
Comprehensive income			67,866	67,866	114	67,980
Dividends			(83,758)	(83,758)	(68)	(83,826)
Transactions on treasury shares		3,613	(3,296)	317		317
Share-based payments			2,071	2,071		2,071
Change in non-controlling interests					2,525	2,525
Balance as at 30 June 2019	5,000	(28,586)	934,693	911,107	6,696	917,803

¹⁾ Adjustment upon adoption of IFRS 16 (refer to note 2 and note 6)

Unaudited figures

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

Notes to the consolidated interim financial statements of the Galenica Group

1. Group organisation

General information

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

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

The Board of Directors released the consolidated interim financial statements 2019 on 5 August 2019 for publication.

2. Accounting principles

Basis of preparation

The unaudited consolidated interim financial statements of Galenica are based on the financial statements of the individual companies of Galenica as at 30 June 2019, prepared in accordance with uniform principles. Except for the amendments to International Financial Reporting Standards (IFRS) as detailed below, the consolidated interim financial statements have been prepared using the same accounting principles as the consolidated financial statements for the year ending 31 December 2018 and comply with IAS 34 – Interim Financial Reporting. The consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ending 31 December 2018 as they update previously reported information.

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

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

Estimation uncertainty and assumptions

The preparation of the Group's consolidated interim 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. Any adjustments resulting from changes in estimates and assumptions are made during the reporting period in which the original estimates and assumptions changed.

Seasonal influences on operations

Sales in the business sectors in which Galenica operates are not significantly influenced by seasonal or cyclical fluctuations during the financial year.

Income taxes

Current income taxes are based on an estimate of the expected income tax rate for the full year.

The Swiss Tax Reform (accepted on 19 May 2019) has had no material impact on income taxes reported in the consolidated statement of income as there are offsetting effects from deferred tax assets and liabilities in cantons where the tax rate changes are substantively enacted at 30 June 2019.

Amendments to IFRS

As at 1 January 2019 Galenica adopted the following new International Financial Reporting Standards relevant for the Group.
– IFRS 16 – Leases

IFRS 16 replaces IAS 17 and sets out the principles for recognition, measurement, presentation and disclosure of leases. The new standard requires that right-of-use assets and lease liabilities for most lease contracts are recognised in the consolidated statement of financial position.

Galenica applied the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method and will not restate comparative figures for the year prior to first adoption. The impacts of the adoption are the recognition of right-of-use assets of CHF 239.1 million and lease liabilities of CHF 245.1 million.

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

Further information concerning IFRS 16 is disclosed in note 6.

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

Scope of consolidation

The consolidated interim 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 interim 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.

3. Operating segment information

Operating segment information first half of 2019

in thousand CHF	Health & Beauty	Services	Corporate	Eliminations	Group
Net sales	781,393	1,192,369	9,136	(382,476)	1,600,422
Intersegmental net sales	(43,978)	(330,007)	(8,491)	382,476	0
Net sales to third parties	737,415	862,362	645	—	1,600,422
Other income	3,810	4,623	316	(624)	8,125
Share of profit from associates and joint ventures	4,261	—	—	(188)	4,073
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	94,211	34,082	(186)	(1,419)¹⁾	126,688
Depreciation and amortisation	(32,636)	(11,384)	(33)	164	(43,889)
Earnings before interest and taxes (EBIT)	61,575	22,698	(219)	(1,255)¹⁾	82,799
Interest income					402
Interest expense					(2,923)
Other net financial result					(215)
Earnings before taxes (EBT)					80,063
Income taxes					(15,136)
Net profit					64,927
Assets	1,509,303	881,394	964,760	(1,134,107)²⁾	2,221,350
Investments in associates and joint ventures	23,122	—	—	(3,336)	19,786
Liabilities	1,184,934	602,345	579,891	(1,063,623)³⁾	1,303,547
Investments in property, plant and equipment	7,205	7,085	—	(123)	14,167
Investments in intangible assets	1,400	9,182	—	(5)	10,577
Employees as at 30 June (FTE)	3,875	1,415	34	—	5,324

¹⁾ Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF 0.3 million

²⁾ Of which elimination of intercompany positions of CHF -1,130.1 million and other unallocated amounts of CHF -4.0 million

³⁾ Of which elimination of intercompany positions of CHF -1,130.1 million and other unallocated amounts of CHF 66.5 million

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

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

Notes to the consolidated interim financial statements of the Galenica Group

Operating segment information first half of 2018

in thousand CHF	Health & Beauty	Services	Corporate	Eliminations	Group
Net sales	745,665	1,177,118	8,684	(365,334)	1,566,133
Intersegmental net sales	(38,505)	(318,790)	(8,039)	365,334	–
Net sales to third parties	707,160	858,328	645	–	1,566,133
Other income	2,681	4,308	676	(261)	7,404
Share of profit from associates and joint ventures	2,524	–	–	(113)	2,411
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	63,362	32,758	(121)	(6,593)²⁾	89,406
Depreciation and amortisation	(9,092)	(10,413)	(17)	219	(19,303)
Earnings before interest and taxes (EBIT)	54,270	22,345	(138)	(6,374)²⁾	70,103
Interest income					394
Interest expense					(1,369)
Other net financial result					(284)
Earnings before taxes (EBT)					68,844
Income taxes					(12,366)
Net profit					56,478
Assets¹⁾	1,143,809	770,628	933,519	(987,868)³⁾	1,860,088
Investments in associates and joint ventures ¹⁾	30,247	–	–	(2,966)	27,281
Liabilities¹⁾	852,299	475,802	514,294	(915,906)⁴⁾	926,489
Investments in property, plant and equipment	5,211	7,720	–	(97)	12,834
Investments in intangible assets	167	8,409	6	(27)	8,555
Employees as at 30 June (FTE)	3,492	1,365	34		4,891

¹⁾ Figures as at 31 December 2018

²⁾ Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF –4.8 million

³⁾ Of which elimination of intercompany positions of CHF –987.2 million and other unallocated amounts of CHF –0.7 million

⁴⁾ Of which elimination of intercompany positions of CHF –987.2 million and other unallocated amounts of CHF 71.3 million

4. Business combinations

In the first half of 2019, the scope of consolidation has changed as a result of the following transactions:

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

The purchase consideration amounted to CHF 27.9 million, of which CHF 21.0 million was settled in cash. The deferred purchase price consideration of CHF 6.9 million falls due in the second half of 2019. The fair value of the provisional net assets amounts to CHF 11.9 million at the acquisition date. The goodwill of CHF 16.0 million was allocated to the Retail business sector and corresponds to the added value of the pharmacies based on their locations. Transaction costs were insignificant.

Acquisition of Bichsel Interlaken Holding AG. On 1 May 2019, Galenica acquired 95% of the shares in the Swiss company Bichsel Interlaken Holding AG. Bichsel Interlaken Holding AG is the parent company of the Bichsel Group with its two operating companies Grosse Apotheke Dr. G. Bichsel AG, where Galenica held already 25% of the shares and Laboratorium Dr. G. Bichsel AG. The Bichsel Group is specialised in manufacturing individual medicines and medical devices, offering home care services in the field of home dialysis and clinical home nutrition throughout Switzerland and operates a public pharmacy situated in a prime location. The remaining 5% of the shares were retained by the Bichsel family.

The provisional purchase consideration amounted to CHF 72.3 million, of which CHF 65.1 million was settled in cash. The deferred purchase price consideration of CHF 7.2 million falls due in the second half of 2019. The provisional fair value of the net identifiable assets amounted to CHF 50.5 million at the acquisition date. The provisional goodwill of CHF 31.1 million was allocated to the Retail business sector and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening the leading position in the market of home care for patients, broadening the access to hospitals and healthcare providers and the know-how of the employees gained. As the acquisition date was recent, the purchase price allocation is yet to be finalised. Transaction costs of CHF 0.3 million were recognised in other operating costs.

Business combinations

in thousand CHF	Bichsel Group	Pharmacies	Fair value Total
Cash and cash equivalents	25,277	7,562	32,839
Trade receivables	10,155	3,519	13,674
Inventories	6,810	2,539	9,349
Property, plant and equipment	30,668	2,161	32,829
Right-of-use assets	5,875	6,935	12,810
Intangible assets	2,170	16	2,186
Other current and non-current assets	5,493	733	6,226
Trade payables	(3,650)	(993)	(4,643)
Financial liabilities	(14,940)	(2,381)	(17,321)
Lease liabilities	(5,875)	(6,935)	(12,810)
Deferred tax liabilities	(8,329)	–	(8,329)
Other current and non-current liabilities	(3,161)	(1,301)	(4,462)
Fair value of net assets	50,493	11,855	62,348
Goodwill	31,063	16,037	47,100
Non-controlling interests	(2,525)	–	(2,525)
Fair value of previously held interests	(6,737)	–	(6,737)
Purchase consideration	72,294	27,892	100,186
Cash acquired	(25,277)	(7,562)	(32,839)
Deferred consideration	(7,219)	(6,948)	(14,167)
Net cash flow from current business combinations	39,798	13,382	53,180
Payment of consideration due to previous business combinations			1,436
Net cash flow from business combinations			54,616

Notes to the consolidated interim financial statements of the Galenica Group

Pro forma figures for acquisitions made in the first half of 2019

Since their inclusion in Galenica's scope of consolidation, the businesses acquired contributed net sales of CHF 16.3 million and an operating result (EBIT) of CHF 0.6 million to the Group's results. If these acquisitions had occurred on 1 January 2019, they would have contributed additional net sales of CHF 28.3 million and increased EBIT by CHF 1.8 million.

5. Net sales

Galenica separates revenue recognised from contracts with customers into the business sectors.

Net sales first half of 2019

in thousand CHF	Health & Beauty		Services	Corporate	Eliminations	Group
	Product & Brands	Retail				
Sale of goods	53,267	695,906	1,142,064	–	(358,992)	1,532,245
Sale of services	792	30,199	50,305	9,136	(22,255)	68,177
Net sales	54,059	726,105	1,192,369	9,136	(381,247)	1,600,422
Intersegmental net sales	(28,868)	(13,881)	(330,007)	(8,491)	381,247	–
Net sales to third parties	25,191	712,224	862,362	645	–	1,600,422
– of which sale of goods to third parties	24,399	682,505	825,341	–	–	1,532,245
– of which sale of services to third parties	792	29,719	37,021	645	–	68,177

Net sales first half of 2018

in thousand CHF	Health & Beauty		Services	Corporate	Eliminations	Group
	Product & Brands	Retail				
Sale of goods	47,816	668,113	1,129,999	–	(343,840)	1,502,088
Sale of services	837	27,736	47,119	8,684	(20,331)	64,045
Net sales	48,653	695,849	1,177,118	8,684	(364,171)	1,566,133
Intersegmental net sales	(24,351)	(12,991)	(318,790)	(8,039)	364,171	–
Net sales to third parties	24,302	682,858	858,328	645	–	1,566,133
– of which sale of goods to third parties	23,465	655,533	823,090	–	–	1,502,088
– of which sale of services to third parties	837	27,325	35,238	645	–	64,045

6. Leases

Accounting principles

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

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

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

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 an incremental borrowing rate. 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 expenses on lease liability

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

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

Reconciliation operating lease commitments to lease liabilities

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

in thousand CHF

Operating lease commitments disclosed as at 31 December 2018¹⁾	195,040
Commitments related to short-term leases	(1,589)
Extension options considered to be reasonably certain to be exercised	63,528
Leases not yet commenced to which Galenica is committed as at 31 December 2018	(2,418)
Other	(783)
Gross lease liabilities as at 1 January 2019	253,778
Effect of discounting	(8,671)
Net lease liabilities recognised as at 1 January 2019	245,107

¹⁾ As reported in consolidated financial statements 2018, note 29

Notes to the consolidated interim financial statements of the Galenica Group

Adjusted consolidated statement of financial position as at 1 January 2019

The following table shows the changes in presentation or valuation of the financial positions as at 1 January 2019 after adopting IFRS 16. The comparative figures presented during 2018 have not been restated as Galenica is applying the modified retrospective approach permitted by IFRS.

Assets

in thousand CHF	31.12.2018	Adoption IFRS 16	1.1.2019
Cash and cash equivalents	104,970	–	104,970
Trade and other receivables	371,648	–	371,648
Inventories	276,628	–	276,628
Prepaid expenses and accrued income	28,290	(21)	28,269
Current assets	781,536	(21)	781,515
Property, plant and equipment	244,990	–	244,990
Right-of-use assets	–	239,120	239,120
Intangible assets	767,910	–	767,910
Investments in associates and joint ventures	27,281	(483)	26,798
Financial assets	13,908	–	13,908
Deferred tax assets	24,463	966	25,429
Non-current assets	1,078,552	239,603	1,318,155
Assets	1,860,088	239,582	2,099,670

Liabilities and shareholders' equity

in thousand CHF	31.12.2018	Adoption IFRS 16	1.1.2019
Financial liabilities	29,674	–	29,674
Lease liabilities	–	45,741	45,741
Trade and other payables	298,167	–	298,167
Tax payables	14,199	–	14,199
Accrued expenses and deferred income	97,880	(160)	97,720
Provisions	2,657	(192)	2,465
Current liabilities	442,577	45,389	487,966
Financial liabilities	380,910	–	380,910
Lease liabilities	–	199,366	199,366
Deferred tax liabilities	25,579	(104)	25,475
Employee benefit liabilities	73,707	–	73,707
Provisions	3,716	(206)	3,510
Non-current liabilities	483,912	199,056	682,968
Liabilities	926,489	244,445	1,170,934
Share capital	5,000	–	5,000
Reserves	924,463	(4,852)	919,611
Equity attributable to shareholders of Galenica Ltd.	929,463	(4,852)	924,611
Non-controlling interests	4,136	(11)	4,125
Shareholders' equity	933,599	(4,863)	928,736
Liabilities and shareholders' equity	1,860,088	239,582	2,099,670

7. Financial assets and financial liabilities measured at fair value

Fair value

in thousand CHF	30.6.2019		31.12.2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial liabilities	342	342	272	272
Bonds (fair value level 1)	380,583	393,340	380,638	381,620
Non-current financial liabilities	380,925	393,682	380,910	381,892

With the exception of non-current financial liabilities the carrying amounts of all financial instruments approximate their fair values.

8. Contingent liabilities and commitments

Galenica signed purchase agreements to acquire pharmacies and other business in the next few years. The purchase prices will be fixed at the time of transfer of ownership on the basis of net asset value and discounted cash flow. The unrecognised commitments are expected to involve payments of CHF 14.1 million at the most. The purchase rights have an estimated volume of CHF 14.6 million. These purchase rights or obligations fall due between 2019 and 2023.

9. Subsequent events

The following business combination occurred between 30 June 2019 and 5 August 2019, the date that the consolidated interim financial statements were released for publication.

Acquisition of a pharmacy. Galenicare Holding acquired 100% of the interests in a pharmacy in Switzerland. The net assets of this acquisition will be consolidated for financial year 2019 from the date control was obtained. The purchase consideration was CHF 5.8 million, the fair value of the provisional net assets resulting from this addition was estimated at CHF 2.1 million at the acquisition date. Since the transaction was concluded shortly before the consolidated interim 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.

Impressum

Herausgeber

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Gesamtverantwortung

Corporate Communications und Corporate Finance

Mit Unterstützung von

Text: IRF Communications, Zürich
Übersetzungen: Lionbridge Switzerland AG, Basel
Publishing System: Editorbox, Stämpfli AG, Bern

Konzept und Layout

Casalini Werbeagentur AG, Bern

Bilder

Alain Bucher, Bern
Adobe Stock

Der Halbjahresbericht 2019 erscheint auch in englischer und französischer Sprache und ist als PDF unter www.galenica.com abrufbar.