



Half year report 2022

of the Galenica Group

Galenica - Health and wellbeing are at the heart of what we do.

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We grow with our strategy

Dear Shareholders, Ladies and Gentlemen,



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

We can look back on a successful first half of 2022. With sales growth of 5.5%, we exceeded our forecast.

With the coronavirus measures being lifted, we are gradually returning to a new normal, which has also had a positive impact on the business performance of the Group as a whole. We were also able to invite our shareholders to a General Meeting in May for the first time in two years, giving us a chance to welcome them in person.

We have compiled an operational review of the first half of the year for you in the Management Report.

[Management report](#)

The outbreak of the war in Ukraine has shown us once again how quickly the sense of security we are used to can turn into uncertainty. Within the Galenica Group, we wasted no time in organising aid deliveries and, as long as circumstances permitted, transporting them directly to Ukraine with the help of our logistics partners. Our employees also donated CHF 116,000 to the Swiss charitable foundation «Swiss Solidarity». Galenica has doubled this amount, thus making at least one additional contribution towards helping the Ukrainian people. We would like to thank all employees of the Galenica Group for their solidarity and donations.

«We are actively shaping the digitalisation of the health system and driving forward the networking of all stakeholders.»

Galenica continues to drive digitalisation forward

We want to play an active role in shaping and driving forward the digitalisation of the healthcare system. This includes forming networks of everyone involved – from patients, pharmacies, hospitals and doctors to health insurers. The focus is always on keeping processes as simple, efficient and safe as possible for our patients and customers to help lower overall costs. In addition to our own digital offerings, we are striking up strategic partnerships with digital solution providers. One example is our investment in the Well healthcare platform. This enables customers to benefit from even easier access to our services. Well also supports healthcare professionals, as it gives them the option to connect the functionalities and data to their existing systems and, for example, allocate appointments via Well or use health data that users share with them via the app.

In the first half of the year, we worked intensively on our e-prescription solution and our e-Mediplan. We will now test these with the help of partners in various pilot schemes. Patient safety and the needs of our customers are our top priority. E-prescriptions can make a crucial contribution to ensuring these needs are met.

[Spotlight E-prescription](#)



↑ Service and counselling offers for healthcare advice in pharmacies.

The pharmacy as the first point of contact for health issues

The COVID-19 pandemic has demonstrated the important role that pharmacies play and shown their potential as a first point of contact for health issues. With our pharmacy services and advice, we are not only able to offer patients and customers a low-threshold range of health-related services, but also make a significant contribution towards reducing the overall cost of treatment. The figures clearly show that what we offer is appreciated and used by our customers. Demand has increased by about 60%: while around 27,000 customers used the services and advice offered by pharmacies in the first half of 2021, this figure had already risen to 43,000 in 2022.

Pharmacies can only fulfil this important role in the healthcare system thanks to their competent and dedicated employees. Like many other sectors, healthcare is facing an acute shortage of skilled workers, which is also evident at Galenica's pharmacies. Galenica uses various elements to position itself as an attractive employer. For example, services and advice enrich the work of pharmacy employees and give them the opportunity to use their full expertise to help customers, supported by up-to-date training and further education programmes that enable employees to expand and consolidate their skills. In recent months, we have also developed some new ways to attract new specialist staff.

Spotlight Skills shortage in pharmacies



↑ [Emeda offers simple and practical solutions in the home care sector.](#)

New home care services create added value for patients and their caregivers

The ever-increasing need for care to be provided at home as far as possible, our ageing society and the cost pressures associated with this are creating a greater need and demand for outpatient services and treatment options. That is why we are playing an active role in steering the shift towards more services in the home care sector and offering simple and practical solutions for both patients and their caregivers, such as nursing homes and home-care organisations. In March 2022, we teamed up with Medicall to set up the joint venture Emeda. The Emeda team consists of mobile doctors who specialise in outpatient geriatric medical care for residents of nursing homes. Thanks to this joint venture, they will be even better placed to provide pharmaceutical care for patients.

Spotlight Emeda

«The health, safety and well-being of our customers are at the heart of our business activity.»

We systematically implement our sustainability goals

We have made further progress in the area of sustainability. In addition to the photovoltaic system at the logistics centre in Burgdorf, which went into operation in 2018, a further one is currently being installed at the modernised distribution centre in Lausanne-Ecublens, which will be opened this autumn, and another is planned for the distribution centre in Niederbipp in 2023. With these investments, we are taking a step further in reducing our environmental footprint.

Spotlight Sustainability goals

Another sustainability goal is ensuring the long-term motivation and satisfaction of our employees. All teams discussed the results of the last survey and worked out specific measures based on them. We also carried out further awareness-raising schemes for our employees in the area of IT and data security during the first half of 2022. The aim of this is to make sure patient data and our IT systems get the best possible protection.

Our sustainable vision

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

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

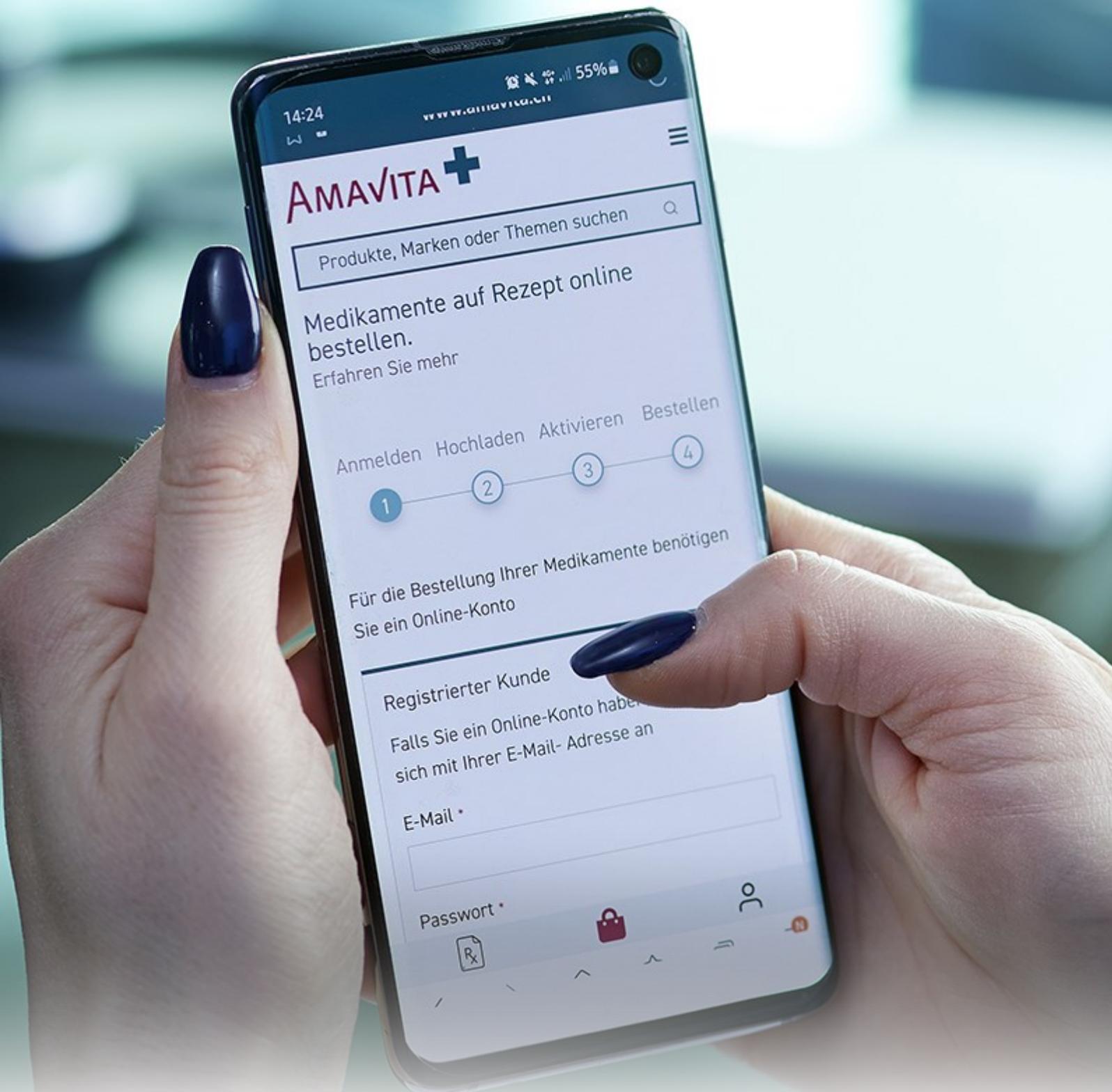
Bern, 9 August 2022



Daniela Bosshardt
Chairwoman



Marc Werner
CEO



Management report

Financial key figures

Net sales
in million CHF



■ Products & Care ¹⁾: 986.8
■ Logistics & IT ¹⁾: 1,434.6

EBIT adjusted²⁾
in million CHF



■ Products & Care ^{1) 2)}: 75.8
■ Logistics & IT ^{1) 2)}: 25.4

Number of employees
at 30 June 2022



■ Products & Care: 5,386
■ Logistics & IT: 1,681
■ Group Services: 247

in million CHF	1.1.–30.6.2022	1.1.–30.6.2021	Change
Net sales	1,959.9	1,857.1	5.5%
Products & Care ¹⁾	986.8	918.9	7.4%
Logistics & IT ¹⁾	1,434.6	1,377.9	4.1%
EBIT	103.3	99.0	4.4%
EBIT adjusted ²⁾	100.0	101.4	-1.4%
in % of net sales	5.1%	5.5%	
Products & Care ^{1) 2)}	75.8	76.2	-0.5%
in % of net sales	7.7%	8.3%	
Logistics & IT ^{1) 2)}	25.4	26.3	-3.7%
in % of net sales	1.8%	1.9%	
Net profit	83.1	79.6	4.5%
Net profit adjusted ²⁾	81.3	82.5	-1.5%
Investment in property, plant and equipment and intangible assets	30.8	24.7	24.7%
Employees at reporting date (FTE)	5,517	5,388	2.4%

in million CHF	30.6.2022	30.6.2021	Change
Equity ratio	47.4%	44.3%	
Equity ratio adjusted ²⁾	53.1%	49.2%	
Capital contribution reserves	254.8	307.0	-17.0%
Net debt adjusted ²⁾	402.3	395.2	1.8%

Share information

in CHF	30.6.2022	31.12.2021
Share price at reporting date	73.30	68.55
Market capitalisation at reporting date in million CHF	3,645.6	3,402.7
Shareholders' equity per share at reporting date	23.33	24.76
Earnings per share 1.1.–30.6.	1.67	1.60
Earnings per share adjusted 1.1.–30.6. ²⁾	1.63	1.66

¹⁾ Reported for each segment not taking into account Group Services and Eliminations

²⁾ For details to the adjusted key figures refer to chapter Alternative performance measures in this Half year report 2022

Galenica Group

Management report

In the first half of 2022, the Galenica Group generated consolidated net sales of CHF 1,959.9 million, representing strong growth of 5.5% compared to the first half of 2021. Adjusted for the additional sales in connection with COVID-19¹, which were exceptionally high in the prior-year period, growth even amounted to 8.7%.

Net sales

+5.5%

Galenica Group CHF 1,959.9 million

EBIT adjusted²

-1.4%

Galenica Group CHF 100.0 million

Employees

7,314

Galenica Group

Galenica grows strongly in the first half 2022

The lifting of the coronavirus measures had a positive impact on the business performance of the Group as a whole in the first half of 2022. A normal seasonal flu epidemic and numerous illnesses caused by the coronavirus Omicron variant led to strong sales growth in OTC cold medication. In comparison, there were practically no colds or flu infections in the prior-year period due to the coronavirus-related social distancing and hygiene measures.

Pharmacy sales at high-frequency locations continued to recover and in June 2022 were only 12% lower than in the same period in 2019 pre-coronavirus.

In addition, the extremely positive growth momentum of the previous year was continued in the first half of 2022 by the specialty pharmacy Mediservice (+16.2%) and in the «Wholesale» sector (+3.8%). Acquisitions of pharmacies, new products and service companies contributed 1.1% to growth.

By way of comparison, the Swiss pharmaceutical market grew by 7.1% in the reporting period. Due to the flu and colds, the OTC market in particular showed strong growth at 14.1%. Thanks to the strong demand for OTC medicines, the volumes sold in the overall market increased disproportionately by 12.1% (IQVIA, Pharmaceutical Market Switzerland, first half of 2022).

The adjusted² operating result (EBIT), i.e. excluding the effects of the IFRS 16 (Leases) and IAS 19 (Employee Benefits) accounting standards, fell by 1.4% to CHF 100.0 million. The adjusted² return on sales (ROS) fell year-on-year from 5.5% to 5.1%. Reported EBIT improved by 4.4% to CHF 103.3 million.

The lower EBIT margin compared to the first half of 2021 is due in particular to the significantly lower margin contribution from extraordinary additional sales in connection with COVID-19¹. Other factors also led to a dilution of the EBIT margin: on the one hand, strong sales gains were achieved in relatively low-margin business activities, whilst on the other hand, additional costs were incurred due to various initiatives to further digitalise the business, the acute shortage of skilled workers in pharmacies, and generally higher costs for transport, energy and operating materials.

Adjusted for the EBIT contributions from the extraordinary additional sales in connection with COVID-19¹, strong growth of adjusted² EBIT of 19.8% was achieved year-on-year.

Net profit amounted to CHF 83.1 million (+4.5%, first half of 2021: CHF 79.6 million). On a comparable basis, adjusted² net profit amounted to CHF 81.3 million (-1.5%).

Investments in the first half of 2022 amounted to CHF 30.8 million (first half of 2021: CHF 24.7 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 the digital infrastructure in connection with the strategic «Omni-Channel» programme.

The Galenica Group's balance sheet remained strong. At CHF 1,181.0 million (-2.1%), adjusted² shareholders' equity remained practically unchanged compared to the beginning of the year, even despite the fact that a dividend of CHF 104.4 million was distributed to shareholders in May 2022. Adjusted² net debt, i.e. excluding lease liabilities, increased by CHF 7.1 million compared to the end of June 2021 and amounted to CHF 402.3 million, which corresponds unchanged to 1.6× adjusted² EBITDA.

Due to high investments in net working capital, operating cash flow decreased significantly to CHF +13.0 million (first half of 2021: CHF +113.8 million). The high cash outflow from changes in net working capital is a correction to the exceptionally low level of net working capital as of 31 December 2021. Free cash flow after acquisition activities amounted to CHF -34.7 million (first half of 2021: CHF +55.9 million).

Outlook 2022

Due to strong growth in the first half of 2022, Galenica is adjusting its forecast for sales and EBIT for the 2022 financial year. Galenica now expects sales growth of between 2% and 4% (previously at least at the same level as the previous year). Based on adjusted² EBIT 2021 – excluding the extraordinary results from the COVID-19 initiatives (estimated at CHF 25 million) and the sale of the property at its headquarters in Bern (CHF 9.4 million) – Galenica now expects an EBIT increase of 8% to 12% (previously 5% to 10%).

¹⁾ Sales of COVID-19 initiatives with PCR, antigen, rapid and self-testing as well as vaccinations, EBIT contributions estimated.

²⁾ 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

Net sales and operating result

The «Products & Care» segment generated net sales of CHF 986.8 million (+7.4%) in the first half of 2022. Of this, CHF 880.4 million (+5.5%, excluding Coop Vitality) was attributable to the «Retail» (B2C) business area and CHF 109.3 million (+23.5%) to the «Professionals» (B2B) business area.

The adjusted¹ operating result (EBIT), i.e. excluding the impact of the IFRS 16 (Leases) accounting standard, amounted to CHF 75.8 million in the first half of 2022, compared with CHF 76.2 million in the same period last year, which corresponds to a reduction of 0.5%. The adjusted¹ return on sales (ROS) fell from 8.3% to 7.7%. Reported EBIT remained practically unchanged from the previous year at CHF 77.6 million (previous year CHF 77.7 million). Adjusted for the EBIT contributions from extraordinary additional sales in connection with COVID-19², the «Products & Care» segment achieved strong adjusted¹ EBIT growth of 20.9% year-on-year.

EBIT increased in the reporting period due to higher sales in pharmacies at high-frequency locations as well as the more intense flu epidemic and numerous illnesses caused by the coronavirus Omicron variant compared to the previous year. The expansion also contributed to EBIT growth. These positive effects almost fully compensated for the sharp decline in extraordinary additional sales generated through offers to combat the COVID-19² pandemic.

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

²) Sales of COVID-19 initiatives with PCR, antigen, rapid and self-testing as well as vaccinations, EBIT contributions estimated.



«Retail» business area (B2C)

Net sales development

In the first half of 2022, the «Retail» business area generated net sales of CHF 880.4 million (+5.5%, excluding Coop Vitality). Of this, CHF 627.9 million (+1.8%) was attributable to «Local Pharmacies» (POS) and CHF 252.6 million (+16.1%) to «Pharmacies at Home» (mail-order and home care). Adjusted for extraordinary additional sales from COVID-19 initiatives¹, sales growth amounted to 10.3%.

Government-mandated price reductions caused sales to decline by -2.0% during the reporting period. Excluding this effect, net sales in the «Retail» business area would have risen by 7.5%.

By way of comparison, sales of medications from bricks-and-mortar and mail-order pharmacies in Switzerland (prescription [Rx] and OTC products) grew by 8.5% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2022).



Progress in integrated and networked healthcare

By investing in the Well digital healthcare platform, Galenica is further advancing integrated and networked healthcare in Switzerland and linking Well's digital services with its own digital and in-person offerings. The Well app makes it even easier for customers to access existing Galenica services. In a first step, booking of vaccination appointments was integrated or other pharmacy healthcare services like heart or allergy checks. Well also supports healthcare professionals, as it gives them the option to connect the functionalities and data to their existing systems and thus allocate appointments via Well and to use health data that patients make available to them via the app.

↑ [New digital offer in partnership with Well.](#)

«Local Pharmacies» sector

In the first half of 2022, the «Local Pharmacies» sector generated net sales of CHF 627.9 million (+1.8%, excluding Coop Vitality). Adjusted for extraordinary additional sales from COVID-19 initiatives¹, sales growth amounted to 7.5%.

The main drivers of revenue growth in the «Local Pharmacies» sector were higher sales from pharmacies in high-frequency locations and higher sales of OTC cold medicines.

The expansion of the pharmacy network accounted for 1.0% of the sales growth.

Government-mandated price reductions caused sales to decline by -1.2% during the reporting period. Excluding this effect, net sales in the «Local Pharmacies» sector would have risen by 3.0%.

By way of comparison, sales of medications from bricks-and-mortar pharmacies in Switzerland (prescription [Rx] and OTC products) grew by 8.5% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2022). The consumer healthcare market grew by 6.4% year-on-year (IQVIA, Consumer Health Market Switzerland, first half of 2022, excluding COVID-19 self-tests).

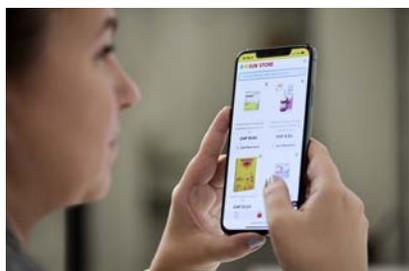
¹⁾ Sales of COVID-19 initiatives with PCR, antigen, rapid and self-testing as well as vaccinations.

Sustainable generic substitution rate

As of 30 June 2022, Galenica was able to increase its generic substitution rate to around 75%, an increase of 1.5 percentage points compared to 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.

The pharmacy as an expert health partner

In the period under review, pharmacies were able to further strengthen their role as expert health partners and the first point of contact for health issues. They did this by training additional pharmacy staff in the range of services and advice on offer and strengthening the expertise available in the pharmacies. The current 31 algorithms to support the diagnosis of common complaints are constantly being expanded on an ongoing basis. In addition, there are plans to integrate telemedicine services into the service portfolio and offer laboratory analyses to optimise pharmacy advice. In the first half of 2022, around 43,000 customers made use of the range of services and advice available to assist with resolving health complaints. Compared to the first half of 2021, utilisation of this range of services and advice increased by an impressive 58% (previous year: 27,000 customers). SWICA, one of Switzerland's largest health insurers, has been paying for the services provided by pharmacies under its «Favorit Medpharm» insurance model since the beginning of June 2022, thus supplementing the remuneration benefits provided by CSS, which has been paying pro rata for the services provided by pharmacies under its «myFlex» supplementary outpatient insurance policy since the beginning of 2022.



«Omni-Channel» strategy shows success

In the first half of 2022, increased investments were made to improve the visibility of the Amavita, Sun Store and Coop Vitality online shops in digital channels, such as search engines, and customer purchasing behaviour was examined. The visibility of pharmacy online shops grew by 16.5% in the period under review. Compared to the first half of 2021, 20% more customers visited a bricks-and-mortar pharmacy following a web shop visit. The consistent linking of online and offline channels is therefore showing significant success and reinforcing Galenica's «omni-channel» approach.

↑ [Online pharmacy from Sun Store.](#)

Further optimisation of the pharmacy network

In the first half of 2022, Galenica further optimised and expanded its pharmacy network. With a net plus of four pharmacies, it comprised 372 own-held pharmacies as of 30 June 2022.

Overview of development of the pharmacy network

	30.06.2022	31.12.2021	Change
Amavita pharmacies ¹⁾	182	181	+1
Sun Store pharmacies ¹⁾	94	92	+2
Coop Vitality pharmacies ²⁾	89	88	+1
Specialty pharmacy Mediservice ¹⁾	1	1	-
Majority holdings in other pharmacies ¹⁾	6	6	-
Total own points of sale	372	368	+4

¹⁾ Fully consolidated

²⁾ Consolidated at equity

«Pharmacies at Home» sector

With sales of CHF 252.6 million (+16.1%), the «Pharmacies at Home» sector once again achieved exceptionally strong growth. The strong performance was driven particularly by the specialty pharmacy Mediservice with new medications to treat rare diseases in combination with home care services (+16.2%). Bichsel's home care sales in the area of clinical nutrition also developed positively (+5.0%). On the other hand, sales generated by the Amavita and Sun Store online shops declined compared to the exceptionally strong prior-year period during the lockdown (-12.5%). In addition, a one-off shift in segment reporting had a positive impact on growth. Without this special effect, the growth of «Pharmacies at Home» would have been 11.3%.

Government-mandated price reductions caused sales to decline by -4.3% during the reporting period. Excluding this effect, net sales in the «Pharmacies at Home» sector would have risen by 20.4%.

By way of comparison, sales of medications from mail-order pharmacies in Switzerland (prescription [Rx] and OTC products) grew by 8.2% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2022).

Article 71a-d HIO

In exceptional cases, Article 71a-d HIO provides for the reimbursement of medicinal products or their indications that are not included in the federal specialities list (SL). This regulation is relevant, for example, in cases of rare, very severe or chronic disease and high therapeutic benefit.

SmartMIP is already in use at 23 health insurance providers and 19 pharmaceutical companies.

More efficient digital collaboration

In the first half of 2022, a further step was taken towards fostering more efficient digital collaboration with health insurers. In early July 2022, Galenica acquired 100% of Aquantic Ltd. The IT and consulting company offers software solutions that act as an interface between pharmaceutical companies and health insurers when it comes to the reimbursement of medicinal products. Aquantic's SmartMIP software solution makes it possible for medicinal products, within the meaning of Article 71 a-d of the Health Insurance Ordinance (HIO), to be reimbursed quickly, in a standardised manner and in compliance with the law. Aquantic's solution and extensive experience will enable Mediservice to expand its Article 71 expertise and optimise its services. Patients of Mediservice and partner companies benefit from the digitalisation of processes in connection with Article 71 and the associated quality and efficiency.

In recent months, Mediservice has also developed new digital services for patient care at home. Mediservice operates via an app to support patients with their therapy, thereby improving the adherence, success, satisfaction and quality of life of patients.

**«Professionals» business area (B2B)****Net sales development**

In the first half of 2022, the «Professionals» business area generated net sales of CHF 109.3 million (+23.5%). Of this, CHF 75.1 million (+26.0%) was attributable to «Products & Brands» and CHF 34.2 million (+18.3%) to «Services for Professionals».

«Products & Brands» sector

The «Products & Brands» sector generated sales of CHF 75.1 million (+26.0%) in the first half of 2022. Of this, CHF 62.4 million (+34.4%) came from the Swiss market and CHF 12.7 million (-3.4%) from exports involving distribution partners. Sales in the «Products & Brands» sector were driven by the more intense flu season compared to the same period in the previous year, numerous illnesses caused by the coronavirus Omicron variant and increased sales of travel-related products. In addition, the expansion of the product portfolio in 2021 with the acquisition of the therapeutic product range from Dr. Wild and the acquisition of Spagyros made a positive 13.0% contribution to sales growth.

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



↑ [Verfora expands product range with Boiron products.](#)

Verfora expands its range of homeopathic products

At the end of June 2022, Verfora announced that it would be taking over the range of products produced by the manufacturer Boiron in Switzerland as of 1 October 2022. The company's product portfolio particularly comprises homeopathic medications with indications as well as individual homeopathic remedies. Its best-known brand in Switzerland is Oscillocochinum®. The Boiron range of products excellently complements the existing complementary medicine portfolio of Verfora and Spagyros and significantly strengthens the company's offering in the field of homeopathy.

«Services for Professionals» sector

The «Services for Professionals» sector generated sales of CHF 34.2 million (+18.3%) in the first half of 2022. Growth was primarily due to the acquisition of Lifestage Solutions Ltd. in July 2021. Both Medifilm and Winconcept continued to perform strongly, each growing by around 10.0%. By contrast, temporary production challenges at the laboratories of the Bichsel Group led to backlogs and corresponding year-on-year sales losses.



↑ [Galenica broadens its offering for retirement and nursing homes.](#)

Broader range of services for retirement and nursing homes

In the first half of 2022, Galenica and Medica! founded the joint venture Emeda, which aimed to provide medical and pharmaceutical care to retirement and nursing homes in Switzerland. The Emeda team consists of mobile doctors who specialise in outpatient geriatric medical care for residents of nursing homes. Galenica's investment in this joint venture will expand and enhance the offering with the inclusion of pharmaceutical care for patients in homes. In the future, Emeda will be able to draw on the entire range of Galenica services, such as the provision of medicines, including blister packaging and pharmaceutical advice, for retirement and nursing homes.

Lifestage Solutions expands into French-speaking Switzerland

In the first half of 2022, Lifestage Solutions was able to expand its services and has now been able to acquire three nursing homes in French-speaking Switzerland as customers. In addition to Lifestage Solutions's weighing system, which optimally manages stock-based care products, the nursing homes also use Lifestage Solutions's wide range of digital services, making the process for ordering medical consumables, care products and services fully automated.



↑ [Winconcept developed a new partner model.](#)

Winconcept successful with new partner model

In 2021, Winconcept developed and introduced a new three-stage partner model. Winconcept's existing customers were migrated to this model in the first half of 2022. In the three-stage partner model, pharmacies can use the services offered by Winconcept as part of its small, medium and large packages. Thanks to the new partner model, Winconcept was able to acquire eleven new independent pharmacies as customers in the first six months of 2022. As of 30 June 2022, Winconcept serviced a total of 161 partner pharmacies in Switzerland.

Winconcept also took part in the «Pic & Collect» pilot project in the first half of the year. The project involves pharmacy customers taking a photo of their desired product with their mobile phone and sending it to the pharmacy via WhatsApp. After the confirmation by the pharmacy, the customer can pick up the ordered product in person.

Strategic partnership with Medinform

In order to ensure that the training and development of employees in pharmacies and the health advice they provide remains at a high level and continues to advance, Galenica expanded its existing partnership and acquired a stake of 50% in Medinform Ltd. as of 5 July 2022. Medinform is the leading provider of training and specialisations for pharmacies and has an extensive partner network of health insurers and doctors. Medinform currently offers 50 different FPH courses for pharmacists, pharmacy assistants and druggists. Galenica's investment in the company means that it will be able to benefit from valuable synergies for the professional training of its employees.

«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

Net sales and operating result

The «Logistics & IT» segment generated net sales of CHF 1,434.6 million (+4.1%) in the first half of 2022. Of this, CHF 1,379.4 million (+3.8%) was attributable to the «Wholesale» sector and CHF 63.8 million (+26.2%) to the «Logistics & IT Services» sector. Adjusted for sales of COVID-19² self-tests, which were exceptionally high in the first half of 2021, growth in the segment amounted to 7.1%. «Logistics & IT» thus performed more or less in line with the overall market, which recorded growth of 7.1% (IQVIA, Pharmaceutical Market Switzerland, first half of 2022). Sales in «Wholesale» were also driven by the more intense flu season and numerous illnesses caused by the coronavirus Omicron variant as well as new customer acquisitions in the wholesale business with pharmacies and doctors.

The adjusted¹ operating result (EBIT), i.e. excluding the impact of the IFRS 16 (Leases) accounting standard, decreased by 3.7% year-on-year to CHF 25.4 million. The adjusted¹ return on sales (ROS) for the first half of 2022 amounted to 1.8% (first half of 2021: 1.9%). The reported EBIT amounted to CHF 25.4 million (previous year CHF 26.4 million). Adjusted for the EBIT contributions from additional sales in connection with COVID-19², which were exceptionally high in the first half of 2021, the «Logistics & IT» segment achieved strong adjusted¹ EBIT growth of 15.6%.

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

²⁾ Sales of COVID-19 self-tests, EBIT contributions estimated.



«Wholesale» sector

Net sales development

Sales in the «Wholesale» sector increased by +3.8% to CHF 1,379.4 million. Adjusted for additional sales of COVID-19 self-tests, which were exceptionally high in the first half of 2021, sales growth amounted to 6.9%. The strong sales growth is based on the one hand, on increased sales of OTC products as a result of the more intense flu season compared to the previous year and increased illnesses with flu-like symptoms caused by the coronavirus Omicron variant. On the other hand, further market share gains were realised with physicians and medical practices, so that sales in this segment increased by an impressive 8.4%. Services for oncologists and rheumatologists were the main contributors to this. In this customer group Galexis was able to position itself as a partner for specialist doctors.

The negative impact on sales development due to the government-mandated price reduction also continued and amounted to -2.0% in the reporting period. Excluding this effect, net sales in the sector would have risen by 5.8%.

By way of comparison, the physician market developed by 6.0% in the first half of 2022 and the pharmacy market by 8.5%. The hospital market also grew by 5.4%. (IQVIA, Pharmaceutical Market Switzerland, first half of 2022).



↑ Galaxis entered into a partnership with additional customers in the physicians segment.

Other customers in the physicians segment

In the first half of 2022, Galaxis entered into a partnership with additional customers in the physicians segment. As a specialist partner, Galenica 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.

Galaxis undertakes expansion works

The renovation and modernisation of the company's distribution centre in Lausanne-Ecublens continued in the first half of 2022. The office wing was completed at the end of 2021 and staff have been moving into the offices and commencing operations over the past few months. The conveyor system and shelf storage were also assembled in June 2022. In the second half of 2022, construction work in the warehouse will be completed and the modernised distribution centre in Lausanne-Ecublens will resume full operation.

At the Niederbipp site expanding work also started on the storage capacities during the first half of 2022. Around 6,500 storage spaces will be created for around 25,000 additional cosmetics and care products by September 2022, with a further 18,000 storage spaces to follow by 2025.

Additional loading areas were also created in the incoming and outgoing goods departments. Measuring 60 metres long, the factory building was extended by 5 metres for this purpose. As a result of this expansion, Galaxis now has 58 loading stations for transportation vehicles at its Niederbipp location.



↑ [Investments in photovoltaic systems.](#)

Investments in sustainability

In addition to expanding the capacity and renovating the Lausanne-Ecublens and Niederbipp sites, Galenica is also investing in renewable energies. A photovoltaic system has been installed on the roof of the modernised distribution centre in Lausanne-Ecublens, which will supply up to 50 kWp of electricity over a surface of 300m² and thus contribute an important part of the building's energy requirements. A photovoltaic system will also be installed in Niederbipp. The system, which covers an area of approx. 16,000m², is expected to deliver an electricity output of up to 1.7 MWh for Galaxis and thus save over 300 tonnes of CO₂ per year.

UFD further develops the E-BOX

Unione Farmaceutica Distribuzione (UFD) has been offering the «Busta 2.0» version of its E-BOX since May 2022. This new solution makes it possible for products from the distribution centres in Lugano and Oensingen to be dispatched fully automatically in a narrow cardboard box instead of via parcel. Not only does this save on shipping costs, as shipping via envelopes also means that less packaging material is used, it is also more environmentally friendly. Since its launch, 21% of UFD's order volume has already been processed via the «Busta 2.0» E-BOX.



«Logistics & IT Services» sector

Net sales development

The «Logistics & IT Services» sector generated net sales of CHF 63.8 million (+26.2%) in the first half of 2022. 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.



↑ [Heat pump at Alloga in Burgdorf.](#)

Alloga on track to meet its energy targets

Alloga has been using a new heat pump since early 2022. Modern heating technology helps to save around 120 tonnes of CO₂ emissions every year. The heat pump provides Alloga with an additional heating system, which reduces current gas consumption by around two-thirds. In addition, installing a heat pump supports Alloga's fundamental energy-saving goal to reduce CO₂ emissions by 80% and energy consumption by around 20% within ten years. The company has also added further insulation to the 25,000m² roof of the Burgdorf warehouse building. This new insulation means that further energy savings of 10-15% per year can be achieved. The new insulation also allows for the future expansion of the existing photovoltaic system which, with an output of 1,200 kWh in full sunshine, is one of the largest installations in the Burgdorf region.

ERP roll-out is in full swing

The introduction of ERP at Alloga made further progress in the first half of 2022. Over the past six months, work has been completed on the roll-out for a further six customers. A total of 22 partners are to be moved to the new ERP system by the end of 2022.



↑ [Digital healthcare: HCI Solutions prepares medication data according to requirements.](#)

HCI Solutions develops the digital vaccination check

In the first six months of 2022, HCI Solutions developed a digital vaccination check that streamlines the tightly scheduled day-to-day operations of pharmacies and medical practices. The new algorithm checks whether patients are fully vaccinated, when their next vaccination is due and whether this is associated with risks. According to the Medical Devices Ordinance, the CDS.CE solution from Documedis® is a Class I medical device. Because the data is not stored centrally, it is also protected against misuse. The Swiss vaccination plan published by the Federal Office of Public Health forms the basis for the vaccination check. The vaccination plan includes the vaccinations available in Switzerland, such as hepatitis A and B, rabies and influenza. In addition to the basic vaccinations for all members of the population, there are a range of recommended complementary vaccinations as well as those for high-risk groups.



↑ [E-prescriptions increase patient safety, relieve the burden on pharmacies and simplify collaboration between service providers.](#)

Additional e-prescription pilot projects launched

The technical functionality of e-prescriptions was thoroughly tested in the first half of 2022, with further pilot projects being launched in summer 2022 with doctors, patients and pharmacies to validate the suitability of e-prescriptions for everyday use. Based on the experience gained thus far, the digital solution is set to be finalised and integrated into as many types of software as possible, which will make it possible for e-prescriptions to be offered and used by many doctors, hospitals and pharmacies. In addition to process reliability, e-prescriptions offer real added value in terms of simplicity and greater safety for patients.



Financial report

Alternative performance measures 2022

Definitions of alternative performance measures

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

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

The alternative performance measures are unaudited.

IAS 19 – Employee benefits

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

Galenica's results are influenced by external parameters that cannot be managed by the Group and the management is of the opinion that such an impact should be excluded when it comes to assess the performance of the Galenica Group. For this reason, Galenica also evaluates its performance by adjusting personnel costs as if those plans were defined contribution plans (adjustments for the effects of IAS 19). For these adjustments, the costs of defined benefit plans and long-service awards determined in accordance with IAS 19 are replaced by an expense based on the employer's contribution and 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 Professionals (B2B), organic growth of net sales is calculated only including existing business activities with a full year period comparison. 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 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 price reductions.

Organic growth of net sales first half of 2022

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care ¹⁾	Wholesale	Logistics & IT Services	Logistics & IT ¹⁾
Net sales	880,442	109,341	986,815	1,379,426	63,794	1,434,631
Change to previous period ²⁾	5.5%	23.5%	7.4%	3.8%	26.2%	4.1%
Effect of net expansion	6,172 ³⁾	13,467 ⁴⁾	19,639	-	-	-
In % of net sales of previous period	0.7%	15.2%	2.1%	0.0%	0.0%	0.0%
Net sales excluding effect of net expansion	874,269	95,874	967,176	1,379,426	63,794	1,434,631
Organic growth of net sales ²⁾	4.8%	8.3%	5.3%	3.8%	26.2%	4.1%
Mandatory price reductions ⁵⁾	16,671			26,387		
In % of net sales of previous period	2.0%			2.0%		
Net sales excluding effect of net expansion and mandatory price reductions	890,940			1,405,813		
Organic growth of net sales excluding price reductions ²⁾	6.8%			5.8%		

¹⁾ Including eliminations of intercompany net sales

²⁾ Growth rate includes minor change in segment reporting structure: adjusted growth rate on a comparable basis would be 1.2% lower for Retail (B2C), 1.1% lower for Products & Care and 0.7% higher for Wholesale and Logistics & IT

³⁾ The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

⁴⁾ The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

⁵⁾ 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 first half of 2022 Products & Care

in thousand CHF	Local Pharmacies	Pharmacies at Home	Retail (B2C) ¹⁾	Products & Brands	Services for Professionals	Professionals (B2B) ¹⁾
Net sales	627,947	252,598	880,442	75,097	34,244	109,341
Change to previous period ²⁾	1.8%	16.1%	5.5%	26.0%	18.3%	23.5%
Effect of net expansion	6,172 ³⁾	-	6,172 ³⁾	7,721 ⁴⁾	5,745 ⁴⁾	13,467 ⁴⁾
In % of net sales of previous period	1.0%	0.0%	0.7%	13.0%	19.9%	15.2%
Net sales excluding effect of net expansion	621,774	252,598	874,269	67,375	28,499	95,874
Organic growth of net sales ²⁾	0.8%	16.1%	4.8%	13.0%	-1.6%	8.3%
Mandatory price reductions ⁵⁾	7,262	9,409	16,671			
In % of net sales of previous period	1.2%	4.3%	2.0%			
Net sales excluding effect of net expansion and mandatory price reductions	629,036	262,007	890,940			
Organic growth of net sales excluding price reductions ²⁾	2.0%	20.4%	6.8%			

¹⁾ Including eliminations of intercompany net sales

²⁾ Growth rate includes minor change in segment reporting structure: adjusted growth rate on a comparable basis would be 4.8% lower for Pharmacies at Home and 1.2% lower for Retail (B2C)

³⁾ The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

⁴⁾ The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

⁵⁾ 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 first half of 2021

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care ¹⁾	Wholesale	Logistics & IT Services	Logistics & IT ¹⁾
Net sales	834,286	88,518	918,926	1,328,787	50,542	1,377,914
Change to previous period	14.4%	5.4%	13.6%	7.4%	4.4%	7.4%
Effect of net expansion	17,077 ²⁾	17,484 ³⁾	34,561	-	-	-
In % of net sales of previous period	2.3%	20.8%	4.3%	0.0%	0.0%	0.0%
Net sales excluding effect of net expansion	817,209	71,035	884,365	1,328,787	50,542	1,377,914
Organic growth of net sales	12.1%	-15.4%	9.3%	7.4%	4.4%	7.4%
Mandatory price reductions ⁴⁾	7,920			14,453		
In % of net sales of previous period	1.1%			1.2%		
Net sales excluding effect of net expansion and mandatory price reductions	825,129			1,343,239		
Organic growth of net sales excluding price reductions	13.2%			8.6%		

¹⁾ Including eliminations of intercompany net sales

²⁾ The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

³⁾ The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

⁴⁾ 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 first half of 2021 Products & Care

in thousand CHF	Local Pharmacies	Pharmacies at Home	Retail (B2C) ¹⁾	Products & Brands	Services for Professionals	Professionals (B2B) ¹⁾
Net sales	616,926	217,533	834,286	59,583	28,935	88,518
Change to previous period	9.6%	30.9%	14.4%	9.1%	-1.5%	5.4%
Effect of net expansion	16,085 ²⁾	992 ²⁾	17,077 ²⁾	17,484 ³⁾	-	17,484 ³⁾
In % of net sales of previous period	2.9%	0.6%	2.3%	32.0%	0.0%	20.8%
Net sales excluding effect of net expansion	600,841	216,541	817,209	42,099	28,935	71,035
Organic growth of net sales	6.7%	30.3%	12.1%	-22.9%	-1.5%	-15.4%
Mandatory price reductions ⁴⁾	4,893	3,027	7,920			
In % of net sales of previous period	0.9%	1.8%	1.1%			
Net sales excluding effect of net expansion and mandatory price reductions	605,734	219,568	825,129			
Organic growth of net sales excluding price reductions	7.6%	32.2%	13.2%			

¹⁾ Including eliminations of intercompany net sales

²⁾ The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

³⁾ The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

⁴⁾ Mandatory price reductions of medications reimbursed by health insurers of the specialities list (SL/LS) released by the Federal Office of Public Health (FOPH), calculated based on volumes of previous period

Adjusted consolidated statement of income

Galenica's consolidated statement of income adjusted by IAS 19 effects related to employee benefits (defined benefit plans and long-service awards) and IFRS 16 lease effects allowing financial results to be assessed on a comparable basis.

Adjusted consolidated statement of income first half of 2022

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Net sales	1,959,878	–	–	1,959,878
Products & Care ¹⁾	986,815	–	–	986,815
Logistics & IT ¹⁾	1,434,631	–	–	1,434,631
Other income	7,755	–	–	7,755
Operating income	1,967,633	–	–	1,967,633
Cost of goods	-1,467,996	–	–	-1,467,996
Personnel costs	-263,608	-1,369	–	-264,977
Other operating costs	-85,398	–	-27,525	-112,923
Share of profit from associates and joint ventures	2,019	-47	-5	1,967
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	152,649	-1,416	-27,530	123,703
Products & Care ¹⁾	110,973	–	-25,699	85,274
Logistics & IT ¹⁾	40,345	–	-1,231	39,114
Depreciation and amortisation	-49,301	–	25,625	-23,676
Earnings before interest and taxes (EBIT)	103,348	-1,416	-1,905	100,027
Return on sales (ROS) ²⁾	5.3%	-0.1%	-0.1%	5.1%
Products & Care ¹⁾	77,550	–	-1,722	75,829
Return on sales (ROS) ²⁾	7.9%	0.0%	-0.2%	7.7%
Logistics & IT ¹⁾	25,382	–	-20	25,361
Return on sales (ROS) ²⁾	1.8%	0.0%	0.0%	1.8%
Net financial expenses	-2,474	-115	1,204	-1,385
Earnings before taxes (EBT)	100,875	-1,531	-701	98,642
Income taxes	-17,750	267	126	-17,357
Net profit	83,124	-1,264	-575	81,285
Attributable to:				
– Shareholders of Galenica Ltd.	82,912	-1,264	-575	81,072
– Non-controlling interests	213	–	–	213

¹⁾ Reported for each operating segment not taking into account Group Services and Eliminations

²⁾ Calculated as EBIT divided by net sales

in CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Earnings per share	1.67	-0.03	-0.01	1.63
Diluted earnings per share	1.67	-0.03	-0.01	1.63

Adjusted consolidated statement of income first half of 2021

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Net sales	1,857,103	-	-	1,857,103
Products & Care ¹⁾	918,926	-	-	918,926
Logistics & IT ¹⁾	1,377,914	-	-	1,377,914
Other income	6,111	-	-	6,111
Operating income	1,863,214	-	-	1,863,214
Cost of goods	-1,389,768	-	-	-1,389,768
Personnel costs	-256,389	3,702	-	-252,688
Other operating costs	-74,211	-	-25,799	-100,010
Share of profit from associates and joint ventures	3,748	170	67	3,985
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	146,592	3,872	-25,732	124,732
Products & Care ¹⁾	112,403	-	-24,478	87,925
Logistics & IT ¹⁾	39,343	-	-1,254	38,089
Depreciation and amortisation	-47,589	-	24,267	-23,322
Earnings before interest and taxes (EBIT)	99,003	3,872	-1,465	101,410
Return on sales (ROS) ²⁾	5.3%	0.2%	-0.1%	5.5%
Products & Care ¹⁾	77,654	-	-1,439	76,215
Return on sales (ROS) ²⁾	8.5%	0.0%	-0.2%	8.3%
Logistics & IT ¹⁾	26,354	-	-27	26,328
Return on sales (ROS) ²⁾	1.9%	0.0%	0.0%	1.9%
Net financial expenses	-2,337	8	1,143	-1,186
Earnings before taxes (EBT)	96,666	3,880	-322	100,224
Income taxes	-17,108	-647	65	-17,690
Net profit	79,559	3,233	-257	82,534
Attributable to:				
- Shareholders of Galenica Ltd.	79,304	3,238	-258	82,283
- Non-controlling interests	255	-5	1	251

¹⁾ Reported for each operating segment not taking into account Group Services and Eliminations

²⁾ Calculated as EBIT divided by net sales

in CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Earnings per share	1.60	0.07	-0.01	1.66
Diluted earnings per share	1.60	0.07	-0.01	1.66

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	1.1.-30.6.2022	1.1.-30.6.2021
Cash flow from operating activities before working capital changes	134,758	138,697
Payment of lease liabilities	-26,205	-24,855
Cash flow from operating activities before working capital changes adjusted	108,553	113,842
Working capital changes	-95,540	-78
Cash flow from operating activities adjusted	13,014	113,764
Cash flow from investing activities without M&A ¹⁾	-39,204	-19,514
Free cash flow before M&A	-26,191	94,250
Cash flow from M&A ²⁾	-8,467	-38,369
Free cash flow	-34,658	55,881

¹⁾ Cash flow from investing activities without net cash flow from business combinations

²⁾ Net cash flow from business combinations

CAPEX

in thousand CHF	1.1.-30.6.2022	1.1.-30.6.2021
Investments in property, plant and equipment	18,652	18,924
Investments in intangible assets	12,198	5,824
CAPEX	30,849	24,748

Cash conversion

	1.1.-30.6.2022	1.1.-30.6.2021
Cash conversion ¹⁾	75.1%	80.2%

¹⁾ 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	30.06.2022	30.06.2021
Total assets	2,454,464	2,513,598
Cumulative effects of IAS 19 adjustments	-2,261	-46,662
Cumulative effects of IFRS 16 adjustments	-227,771	-220,242
Total assets adjusted	2,224,432	2,246,694

Net debt

in thousand CHF	30.06.2022	30.06.2021
Current financial liabilities ¹⁾	242,865	139,373
Current lease liabilities	50,200	47,872
Non-current financial liabilities ¹⁾	181,565	380,611
Non-current lease liabilities	185,109	180,032
Cash and cash equivalents	-20,966	-124,418
Interest-bearing receivables	-1,165	-331
Net debt	637,608	623,139
Lease liabilities (current and non-current)	-235,309	-227,903
Net debt adjusted	402,299	395,236

¹⁾ Excluding non-interest-bearing financial liabilities

Shareholders' equity

in thousand CHF	30.06.2022	30.06.2021
Shareholders' equity	1,163,083	1,113,856
Cumulative effects of IAS 19 adjustments	12,983	-13,434
Cumulative effects of IFRS 16 adjustments	4,972	4,994
Shareholders' equity adjusted	1,181,038	1,105,416

Equity ratio

	30.06.2022	30.06.2021
Equity ratio ¹⁾	47.4%	44.3%
Equity ratio adjusted ²⁾	53.1%	49.2%

¹⁾ Calculated as shareholders' equity divided by total assets

²⁾ Calculated as shareholders' equity adjusted divided by total assets adjusted

Gearing

	30.06.2022	30.06.2021
Gearing ¹⁾	54.8%	55.9%
Gearing adjusted ²⁾	34.1%	35.8%

¹⁾ Calculated as net debt divided by shareholders' equity

²⁾ Calculated as net debt adjusted divided by shareholders' equity adjusted

Debt coverage

	30.06.2022	30.06.2021
Debt coverage ¹⁾	2.1 x	2.1 x
Debt coverage adjusted ²⁾	1.6 x	1.6 x

¹⁾ Calculated as net debt divided by two times EBITDA of the first half year

²⁾ Calculated as net debt adjusted divided by two times EBITDA adjusted of the first half year

Consolidated interim financial statements 2022

Consolidated statement of income

in thousand CHF	1.1.-30.6.2022	1.1.-30.6.2021
Net sales	1,959,878	1,857,103
Other income	7,755	6,111
Operating income	1,967,633	1,863,214
Cost of goods	-1,467,996	-1,389,768
Personnel costs	-263,608	-256,389
Other operating costs	-85,398	-74,211
Share of profit from associates and joint ventures	2,019	3,748
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	152,649	146,592
Depreciation and amortisation	-49,301	-47,589
Earnings before interest and taxes (EBIT)	103,348	99,003
Financial income	445	221
Financial expenses	-2,919	-2,558
Earnings before taxes (EBT)	100,875	96,666
Income taxes	-17,750	-17,108
Net profit	83,124	79,559
Attributable to:		
- Shareholders of Galenica Ltd.	82,912	79,304
- Non-controlling interests	213	255

in CHF	1.1.-30.6.2022	1.1.-30.6.2021
Earnings per share	1.67	1.60
Diluted earnings per share	1.67	1.60

Unaudited figures

Consolidated statement of comprehensive income

in thousand CHF	1.1.-30.6.2022	1.1.-30.6.2021
Net profit	83,124	79,559
Translation differences	-139	25
Items that may be reclassified subsequently to profit or loss	-139	25
Remeasurement of net defined benefit liability	-56,513	79,848
Income taxes from remeasurement of net defined benefit liability	10,172	-14,373
Share of other comprehensive income from joint ventures	-921	2,667
Items that will not be reclassified to profit or loss	-47,262	68,142
Other comprehensive income	-47,401	68,167
Comprehensive income	35,723	147,725
Attributable to:		
- Shareholders of Galenica Ltd.	35,511	147,411
- Non-controlling interests	213	315

Unaudited figures

Consolidated statement of financial position

in thousand CHF		30.06.2022		31.12.2021 ¹⁾
Cash and cash equivalents		20,966		164,982
Trade and other receivables		533,369		461,108
Inventories		296,320		295,070
Prepaid expenses and accrued income		37,239		42,336
Current assets	36.2%	887,894	37.6%	963,496
Property, plant and equipment		245,213		244,549
Right-of-use assets		228,334		215,496
Intangible assets		1,034,894		1,020,666
Investments in associates and joint ventures		30,499		30,696
Financial assets		23,499		19,152
Deferred tax assets		2,843		4,747
Employee benefit assets		1,288		67,000
Non-current assets	63.8%	1,566,570	62.4%	1,602,306
Assets	100.0%	2,454,464	100.0%	2,565,802

in thousand CHF		30.06.2022		31.12.2021 ¹⁾
Financial liabilities		242,898		43,052
Lease liabilities		50,200		49,717
Trade and other payables		335,710		364,043
Tax payables		25,855		29,442
Accrued expenses and deferred income		178,279		176,147
Provisions		2,083		2,498
Current liabilities	34.0%	835,025	25.9%	664,899
Financial liabilities		206,292		406,544
Lease liabilities		185,109		173,334
Deferred tax liabilities		48,156		60,071
Employee benefit liabilities		15,285		25,967
Provisions		1,514		1,310
Non-current liabilities	18.6%	456,356	26.0%	667,226
Liabilities	52.6%	1,291,381	51.9%	1,332,125
Share capital		5,000		5,000
Reserves		1,154,421		1,222,538
Equity attributable to shareholders of Galenica Ltd.		1,159,421		1,227,538
Non-controlling interests		3,663		6,140
Shareholders' equity	47.4%	1,163,083	48.1%	1,233,677
Liabilities and shareholders' equity	100.0%	2,454,464	100.0%	2,565,802

¹⁾ 31.12.2021 restated (refer to note 2)

Unaudited figures

Consolidated statement of cash flows

in thousand CHF	1.1.-30.6.2022	1.1.-30.6.2021
Net profit	83,124	79,559
Income taxes	17,750	17,108
Depreciation and amortisation	49,301	47,589
(Gain)/loss on disposal of non-current assets	-84	-90
Increase/(decrease) in provisions and employee benefit assets and liabilities	-1,580	5,166
Net financial result	2,474	2,337
Share of profit from associates and joint ventures	-2,019	-3,748
Share-based payments	2,466	2,522
Interest received	282	188
Interest paid	-2,068	-1,852
Other financial receipts/(payments)	-12	-22
Dividends received	6,860	2,548
Income taxes paid	-21,735	-12,608
Cash flow from operating activities before working capital changes	134,758	138,697
Change in trade and other receivables	-71,157	-125,115
Change in inventories	-802	24,499
Change in trade and other payables	-30,320	56,332
Change in other net current assets	6,739	44,207
Working capital changes	-95,540	-78
Cash flow from operating activities	39,219	138,619
Investments in property, plant and equipment	-18,751	-17,871
Investments in intangible assets	-10,992	-6,169
Investments in associates and joint ventures	-3,833	-
Investments in financial assets	-7,136	-4,279
Proceeds from property, plant and equipment and intangible assets	309	238
Proceeds from financial assets	1,199	8,567
Net cash flow from business combinations	-8,467	-38,369
Cash flow from investing activities	-47,671	-57,883
Dividends paid	-104,810	-89,509
Purchase of treasury shares	-236	-123
Proceeds from sale of treasury shares	58	25
Proceeds from financial liabilities	1,008	124,050
Repayment of financial liabilities	-1,232	-25,677
Payment of lease liabilities	-26,205	-24,855
Purchase of non-controlling interests	-4,048	-46
Cash flow from financing activities	-135,464	-16,136
Effects of exchange rate changes on cash and cash equivalents	-100	37
Net change in cash and cash equivalents	-144,016	64,637
Cash and cash equivalents as at 1 January	164,982	59,781
Cash and cash equivalents as at 30 June	20,966	124,418

Unaudited figures

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 31 December 2020	5,000	-19,817	1,062,099	1,047,282	6,073	1,053,355
Net profit			79,304	79,304	255	79,559
Other comprehensive income			68,107	68,107	60	68,167
Comprehensive income			147,411	147,411	315	147,725
Dividends			-89,204	-89,204	-305	-89,509
Transactions on treasury shares		2,207	-2,462	-255		-255
Share-based payments			2,586	2,586		2,586
Change in non-controlling interests			40	40	-86	-46
Balance as at 30 June 2021	5,000	-17,610	1,120,470	1,107,860	5,996	1,113,856
Balance as at 31 December 2021	5,000	-14,511	1,237,049	1,227,538	6,140	1,233,677
Net profit			82,912	82,912	213	83,124
Other comprehensive income			-47,401	-47,401	-	-47,401
Comprehensive income			35,511	35,511	213	35,723
Dividends			-104,443	-104,443	-367	-104,810
Transactions on treasury shares		3,649	-3,639	10		10
Share-based payments			2,530	2,530		2,530
Change in non-controlling interests			-1,725	-1,725	-2,323	-4,048
Balance as at 30 June 2022	5,000	-10,862	1,165,282	1,159,421	3,663	1,163,083

Unaudited figures

On 11 May 2022, the Annual General Meeting approved a dividend payment of CHF 104.4 million for the financial year 2021 (previous year: CHF 89.2 million), corresponding to CHF 2.10 per registered share (previous year: CHF 1.80). For this purpose, CHF 1.05 was taken from the reserves from capital contributions (previous year: CHF 0.90) and CHF 1.05 from retained earnings (previous year: CHF 0.90) of Galenica Ltd. The dividend was paid out to the shareholders on 17 May 2022.

Notes to the consolidated interim 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 interim financial statements 2022 on 8 August 2022 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 2022, 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 2021 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 2021 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.

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 effects are not material for the consolidated interim financial statements.

Restatement 2021 due to adjustments to provisional purchase price allocation

The purchase price allocation for the acquisition of Spagyros Ltd. was determined provisionally at the end of 2021 and has now be finalised. The fair value measurement leads to a decrease of property, plant and equipment based on the final external valuation in the amount of CHF 0.7 million and deferred tax liabilities in the amount of CHF 0.1 million. This adjustment leads to an increase in goodwill in the amount of CHF 0.6 million. The figures for the previous year were adjusted for the purposes of comparison.

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.

Seasonal influences on operations

Sales in the business sectors in which Galenica operates are usually 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.

Scope of consolidation

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

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

Amendments to IFRS

As at 1 January 2022 Galenica adopted the following new International Financial Reporting Standards:

- Amendments to IFRS 3 – Reference to the conceptual framework
- Amendments to IAS 16 – Proceeds before intended use
- Amendments to IAS 37 – Onerous Contracts – cost of fulfilling a contract
- Annual Improvements 2018-2020 Cycle

These changes have no or no material impact on the financial position, financial performance and cash flows of Galenica nor on disclosures in these consolidated interim financial statements. Galenica has not early adopted any other standard or interpretation that has been issued but is not yet effective.

3. Operating segment information

Operating segment information first half of 2022

Operating segment information first half of 2022

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	986,815	1,434,631	22,352	-483,920	1,959,878
Intersegmental net sales	-46,092	-416,313	-21,516	483,920	-
Net sales to third parties	940,724	1,018,318	837	-	1,959,878
Other income	4,010	2,962	1,438	-656	7,755
Share of profit from associates and joint ventures	1,937	20	-	62	2,019
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	110,973	40,345	242	1,089¹⁾	152,649
Depreciation and amortisation	-33,423	-14,963	-1,062	147	-49,301
Earnings before interest and taxes (EBIT)	77,550	25,382	-820	1,237¹⁾	103,348
Interest income					320
Interest expense					-2,666
Other net financial result					-128
Earnings before taxes (EBT)					100,875
Income taxes					-17,750
Net profit					83,124
Assets	1,735,549	952,034	388,076	-621,195²⁾	2,454,464
Investments in associates and joint ventures	31,657	85	-	-1,244	30,499
Liabilities	661,509	593,768	631,305	-595,202³⁾	1,291,381
Investments in property, plant and equipment	4,125	13,400	1,127	-	18,652 ⁴⁾
Investments in intangible assets	769	11,499	-	-70	12,198 ⁵⁾
Employees as at 30 June (FTE)	3,924	1,377	216	-	5,517

¹⁾ Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF 1.4 million

²⁾ Of which elimination of intercompany positions of CHF -603.6 million and other unallocated amounts of CHF -17.6 million

³⁾ Of which elimination of intercompany positions of CHF -603.6 million and other unallocated amounts of CHF 8.4 million

⁴⁾ Of which non-cash investments of CHF 0.9 million

⁵⁾ Of which non-cash investments of CHF 1.8 million

Operating segment information first half of 2021

Operating segment information first half of 2021

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	918,926	1,377,914	10,485	-450,222	1,857,103
Intersegmental net sales	-35,419	-404,963	-9,840	450,222	-
Net sales to third parties	883,507	972,950	645	-	1,857,103
Other income	3,723	3,024	188	-825	6,111
Share of profit from associates and joint ventures	3,910	8	-	-170	3,748
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	112,403	39,343	-307	-4,846²⁾	146,592
Depreciation and amortisation	-34,749	-12,989	-1	150	-47,589
Earnings before interest and taxes (EBIT)	77,654	26,354	-308	-4,697²⁾	99,003
Interest income					189
Interest expense					-2,482
Other net financial result					-45
Earnings before taxes (EBT)					96,666
Income taxes					-17,108
Net profit					79,559
Assets¹⁾	1,687,729	864,050	404,017	-389,994³⁾	2,565,802
Investments in associates and joint ventures ¹⁾	31,015	66	-	-385	30,696
Liabilities¹⁾	585,459	515,479	641,402	-410,215⁴⁾	1,332,125
Investments in property, plant and equipment	8,460	10,581	37	-155	18,924 ⁵⁾
Investments in intangible assets	2,155	3,770	-	-102	5,824 ⁶⁾
Employees as at 30 June (FTE)	3,799	1,364	225	-	5,388

¹⁾ Figures as at 31 December 2021 restated (refer to note 2)

²⁾ Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF -3.9 million

³⁾ Of which elimination of intercompany positions of CHF -441.1 million and other unallocated amounts of CHF 51.1 million

⁴⁾ Of which elimination of intercompany positions of CHF -441.1 million and other unallocated amounts of CHF 30.9 million

⁵⁾ Of which non-cash investments of CHF 1.7 million

⁶⁾ Of which non-cash investments of CHF 0.2 million

4. Business combinations

In the first half of 2022, the scope of consolidation has changed as a result of the following transactions:

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

The total purchase consideration amounted to CHF 10.4 million and was fully settled in cash. The fair value of the provisional net assets amounts to CHF 2.5 million at the acquisition date. The goodwill of CHF 7.9 million was allocated to the operating segment Products & Care and corresponds to the added value of the pharmacies based on their locations. Transaction costs were not material.

Business combinations

in thousand CHF	Fair value
Cash and cash equivalents	1,967
Trade receivables	855
Inventories	475
Right-of-use assets	2,158
Other current and non-current assets	258
Trade payables	-715
Lease liabilities	-2,158
Other current and non-current liabilities	-350
Fair value of net assets	2,491
Goodwill	7,943
Purchase consideration	10,434
Cash acquired	-1,967
Net cash flow from current business combinations	8,467

Pro forma figures for acquisitions made in the first half of 2022

Since their inclusion in Galenica's scope of consolidation, the businesses acquired contributed net sales of CHF 4.6 million and an operating result (EBIT) of CHF 0.1 million to the Group's results. If these acquisitions had occurred on 1 January 2022, they would have contributed additional net sales of CHF 2.1 million and increased EBIT by CHF 0.4 million.

5. Net sales

Net sales first half of 2022

Net sales first half of 2022

in thousand CHF	Sale of goods	Sale of services	Total net sales	Intersegmental net sales	Total net sales to third parties	of which sale of goods to third parties	of which sale of services to third parties
Local Pharmacies	590,444	37,503	627,947	-12	627,935	590,432	37,503
Pharmacies at Home	248,441	4,157	252,598	-188	252,410	248,253	4,157
Retail (B2C) ¹⁾	838,782	41,660	880,442	-97	880,345	838,686	41,660
Products & Brands	74,136	960	75,097	-38,302	36,794	35,834	960
Services for Professionals	27,075	7,169	34,244	-10,660	23,584	21,672	1,913
Professionals (B2B) ¹⁾	101,250	8,091	109,341	-48,963	60,378	57,506	2,873
Products & Care ¹⁾	938,445	48,370	986,815	-46,092	940,724	896,191	44,532
Wholesale	1,374,463	4,963	1,379,426	-393,773	985,653	982,662	2,991
Logistics & IT Services	325	63,469	63,794	-31,130	32,665	324	32,340
Logistics & IT ¹⁾	1,374,789	59,841	1,434,631	-416,313	1,018,318	982,986	35,332
Group Services	-	22,352	22,352	-21,516	837	-	837
Eliminations ²⁾	-434,057	-49,863	-483,920	483,920	-	-	-
Galenica Group	1,879,177	80,701	1,959,878	-	1,959,878	1,879,177	80,701

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

Net sales first half of 2021

Net sales first half of 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	581,825	35,101	616,926	-34	616,892	581,791	35,101
Pharmacies at Home	213,535	3,998	217,533	-225	217,309	213,311	3,998
Retail (B2C) ¹⁾	795,188	39,099	834,286	-86	834,201	795,102	39,099
Products & Brands	58,228	1,355	59,583	-29,308	30,275	28,919	1,355
Services for Professionals	22,331	6,604	28,935	-9,903	19,032	17,237	1,795
Professionals (B2B) ¹⁾	80,583	7,935	88,518	-39,212	49,307	46,156	3,151
Products & Care ¹⁾	873,222	45,704	918,926	-35,419	883,507	841,258	42,249
Wholesale	1,313,526	15,261	1,328,787	-389,208	939,579	934,377	5,201
Logistics & IT Services	1,284	49,259	50,542	-17,171	33,372	293	33,079
Logistics & IT ¹⁾	1,314,767	63,147	1,377,914	-404,963	972,950	934,670	38,280
Group Services	-	10,485	10,485	-9,840	645	-	645
Eliminations ²⁾	-412,061	-38,162	-450,222	450,222	-	-	-
Galenica Group	1,775,928	81,175	1,857,103	-	1,857,103	1,775,928	81,175

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

6. Financial assets and financial liabilities measured at fair value

Fair value

in thousand CHF	30.06.2022		31.12.2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Current financial liabilities	42,829	42,829	43,052	43,052
Bond (fair value level 1)	200,070	199,060	-	-
Current financial liabilities	242,898	241,889	43,052	43,052
Non-current financial liabilities ¹⁾	26,112	26,112	26,238	26,238
Bond (fair value level 1)	180,180	174,888	380,306	389,270
Non-current financial liabilities	206,292	201,000	406,544	415,508

¹⁾ Of which contingent consideration liabilities from business combinations (fair value level 3) of CHF 24.0 million (previous year: CHF 24.0 million)

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

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.

7. Employee benefit assets

Galenica realised in the consolidated statement of comprehensive income a remeasurement loss of CHF 56.5 million which is due to the negative market developments on plan assets exceeded the positive effect from the increase in the discount rate. The increase of the discount rate resulted in an actuarial gain (change in financial assumptions) and an asset ceiling. Overall Galenica has net employee benefit liabilities of CHF 14.0 million as at 30 June 2022 (as at 31 December 2021: net employee benefit assets of CHF 41.0 million).

Due to the remeasurement loss a deferred tax gain of CHF 10.2 million has been recorded in the consolidated statement of comprehensive income, which also resulted in a respective decrease of deferred tax liabilities.

8. Contingent liabilities and commitments

Galenica signed purchase agreements to acquire pharmacies and other businesses 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 flows. The unrecognised commitments are expected to involve payments of CHF 0.8 million at the most. The purchase rights have an estimated volume of CHF 1.3 million. These purchase rights or obligations fall due between 2022 and 2023.

9. Subsequent events

The following business combinations occurred between 30 June 2022 and 8 August 2022, the date that the consolidated interim financial statements were released for publication.

Acquisition of Medinform AG. On 5 July 2022, Galenica acquired 50% of the shares of the Swiss based Medinform AG. The company is a leading provider of training courses and specialisations for pharmacies and has a broad network of partners such as health insurance companies and doctors.

The purchase consideration amounting to CHF 4.3 million was settled in cash. Due to the proximity of the acquisition to the date of release for publication of these financial statements, the fair value of the provisional net assets at the acquisition date cannot yet be estimated with sufficient reliability.

Acquisition of Acquantic AG. On 11 July 2022, Galenica acquired 100% of the shares of the Swiss based Acquantic AG. With the acquisition, Galenica gains access to a digital ecosystem that significantly simplifies the reimbursement of specific medicines by linking pharmaceutical companies and health insurances.

The purchase consideration consists of a cash consideration of CHF 4.6 million as well as a contingent consideration of up to CHF 5.5 million depending on future events and the achievement of certain profitability targets. Due to the proximity of the acquisition to the date of release for publication of these financial statements, the fair value of the provisional net assets at the acquisition date cannot yet be estimated with sufficient reliability.

There were no further significant events after the reporting date.



Spotlights

E-prescription: Galenica rethinks health

Spotlights

Galenica is working on a solution for an electronic prescription (e-prescription) and thus improving patient safety – one of Galenica's sustainability goals. The burden on pharmacies will also be eased and cooperation between service providers facilitated with the help of efficient electronic data transmission.



↑ E-prescriptions increase patient safety, relieve the burden on pharmacies and simplify collaboration between service providers.

Digitalisation is revolutionising healthcare. For example, it allows doctors, hospitals and pharmacies to rethink health and become more efficient. At Galenica, we will ensure that patients will be able to use both paper and electronic prescriptions in our pharmacy formats in the future. Electronic prescriptions improve medication quality and patient safety by preventing counterfeiting or improving the readability of the e-prescription content, for instance. Electronic prescriptions will also ease the burden on pharmacies by enabling data to be transmitted and processed digitally in a rapid, simple and secure way. It is already possible to create a prescription for medication digitally. The QR code on it only contains the prescription data. An e-prescription also includes an electronic signature from the doctor. An e-prescription is therefore a prescription with a verified signature that has been issued digitally.

A major contribution to the digitalisation of the healthcare system

The Swiss Federal Council is supporting the measures to promote the digitalisation of healthcare as part of its «Health 2030» strategy. These include improving the quality of medication and patient safety as well as promoting digitalisation of the medication process. With the electronic prescription, Galenica is making a key contribution to these goals and actively shaping digitalisation in the healthcare sector.

The introduction of e-prescriptions improves patient safety. For Galenica, this is a key topic and is embedded in its sustainability strategy and sustainability objectives. Great importance is also attached to this issue in the global reference framework for sustainable development, the United Nation's Sustainable Development Goals (SDG). As Switzerland's leading, fully integrated healthcare provider we are making a significant contribution to SDG 3 (Good Health and Well-being). This goal is at the heart of the business activity and is the core of Galenica's customer promise: to help people in all situations on their journey towards good health and well-being.

Digital healthcare: good advice thanks to data

Spotlights

HCI Solutions is preparing pharmaceutical data to meet requirements and thus making an important contribution to the digitalisation in the healthcare sector.

300 new medicinal products are approved each year in Switzerland. This can make it challenging even for experienced healthcare professionals to maintain an overview of the entire range of services, mechanisms of action, interactions and side effects of medications. Both professionals and patients trust in reliable information such as that available in the compendium.ch online database from HCI Solutions.

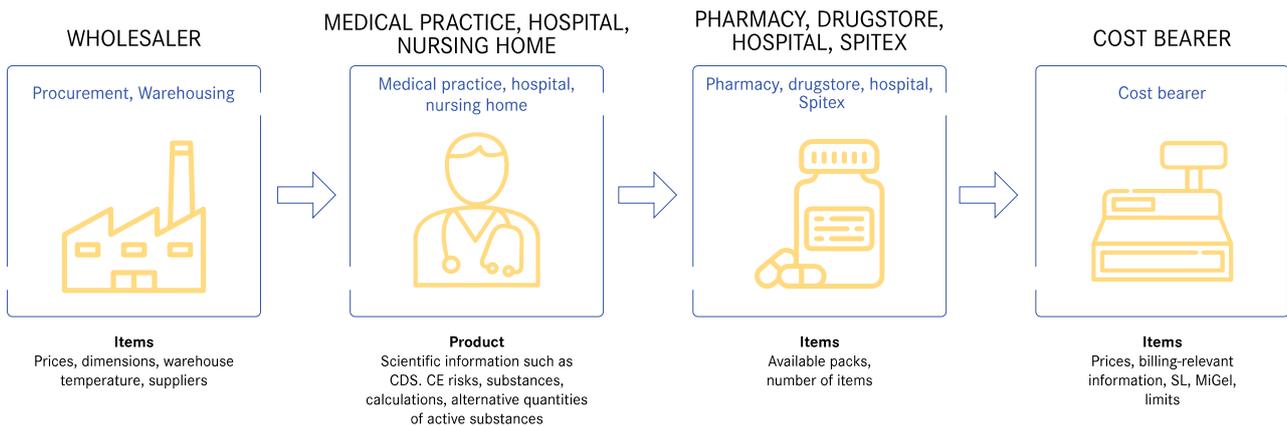


Before the medicinal product data is added to the database, it is carefully recorded by HCI Solutions. An editorial team checks all received information about new medicinal products, harmonises the data and supplements it with photographs of tablets or packaging, for example. Once all required information is available and correct, it is published in the index databases and therefore also in tools such as the compendium or Documedis®. This software accesses the relevant medicinal product data, thereby enabling Clinical Decision Support (CDS), for instance. This allows the medication used by a patient or medication that they plan to use to be rapidly checked for known risks, interactions or duplicate medications, i.e., when the same active substance is present in multiple prescribed medications.

↑ Digital healthcare: HCI Solutions prepares medication data according to requirements.

The responsible preparation of data allows all health service providers to fulfil their promise: to offer patients the best possible advice and ensure their safety.

Where data plays a role:



New digital offer in partnership with Well

Spotlights

«We look forward to working with Well and the other strong partners involved in the platform. This form of networking between patients, service providers and insurers is paving the way towards digital healthcare and innovative and easily accessible services.»

Marc Werner
CEO Galenica Group

Galenica is continuing to drive integrated and networked healthcare in Switzerland and is participating in the digital healthcare platform Well.

Well is an open and digital healthcare platform to strengthen integrated Swiss healthcare. The objectives of the cooperation with the other platform partners – CSS, Visana, Medi24, Zur Rose Group and Swiss Medical Network – are to connect healthcare service providers and link Well's digital services with Galenica's offerings.

Well users will have easy access to existing Galenica services, such as booking vaccination appointments or other pharmacy healthcare services. At the same time, healthcare professionals can link the data to their existing systems. Galenica not only brings Switzerland's largest pharmacy network to this information system, but also experience with healthcare software solutions and digital offerings. All in the spirit of simple, digital and self-determined health.



↑ Integrated and connected healthcare through a partnership with the Well healthcare platform.

Happy Birthday Sun Store!

Spotlights



↑ The pharmacy in the Crissier shopping centre is the first that opened in the new store design.



↑ Sun Store celebrates its 50th anniversary with benefits for customers.

Sun Store celebrates its 50th anniversary in 2022. Switzerland's oldest pharmacy chain has made big plans to mark its jubilee. First and foremost, the customers will benefit from it.

The story of Sun Store began on 30 August 1972, when chemist Marcel Séverin opened the first perfumery and drugstore in the Sion Métropole shopping centre. 50 years later, there are 94 Sun Store pharmacies across Switzerland. To celebrate the anniversary in style, our customers can look forward to some highlights in 2022. Pharmacies are to be decorated in the 1970s look all year round, selected affiliates will be hosting events with a prize wheel, instant prizes and competitions, and our customers will also benefit from a monthly anniversary offer and attractive discounts on selected products. The Sun Store employees are also celebrating this notable birthday. They are invited to attend an unforgettable performance at Circus Knie in October 2022. A wonderful moment of celebration to share together.

Further development with a focus on the customer

Sun Store has evolved continuously over the past few decades. In November 2021, the pharmacy in the Crissier shopping centre, which was the first to feature a new store design, was opened. Sun Store's new store concept is fresh, spacious and bright. Thanks to optimised customer management, customers have more space to experience the product range. An attractive shopping experience also means that our employees have more time to focus on their most important task: providing personal advice to our customers. A special counter has been set up to provide customers with advice on the health services offered by the pharmacy. For example, they can ask questions about vaccinations or about allergy or multi-medication checks, book an appointment directly at the counter or pick up their Click-&-Collect orders.

Pharmacy of the future

With its new store design, Galenica is moving one step closer to becoming the pharmacy of the future. We firmly believe that in-pharmacy personalised advice and health services will continue to form a key element of the «Omni-Channel» strategy: offering customers the best experience at all times, in all locations, across all channels.

Galenica expands its offer for homes for the elderly

Spotlights

With its joint venture Emeda, Galenica is working with Medical1 to close the gaps in medical care in nursing homes.



↑ Expanded range of medical care services in nursing and care homes.

«The Emeda concept gets it right in every way! The close cooperation ensures high-quality medical care and streamlines our administrative processes.»

Annette Hefti and Martin Summerauer
Managers of Heime Uster care home

Providing medical care in nursing homes is an ever-increasing challenge. Emeda's mobile doctors can remedy this problem. They specialise in outpatient geriatric nursing care for home residents.

The head of Galenica's strategic programme «Professionals», Monika Menin, explains: «For care homes, a holistic, patient-focused offer is emerging in which (mobile) doctors play a key role. Care home residents have different medical needs to those of GP practice patients. This includes, for instance, more complex pathologies. Mobile care home doctors specialise in this. There is also a shortage of general practitioners in many regions and this unfortunate trend is set to continue.»

As a partner, Galenica brings its comprehensive pharmacy expertise and know-how in medication blister packaging to the table. The supply of medication to home residents complements the Emeda offer particularly well.

Skills shortage in pharmacies: A challenge for the healthcare system

Spotlights

The shortage of skilled workers in pharmacies poses difficulties. Galenica has taken appropriate measures. Virginie Pache Jeschka, Head of the Pharmacies Service Unit, explains the circumstances and the measures taken by Galenica.



↑ Virginie Pache Jeschka, Head of the Pharmacies Service Unit, explains how Galenica is dealing with the challenge of the shortage of skilled workers in pharmacies.

What does the skills shortage mean for Galenica?

The shortage of skilled workers is a major challenge in many sectors, including our own. First of all, there is a shortage of qualified employees, particularly in IT professions and pharmacies. Without employees, we will no longer be able to fully meet the needs of our customers and fulfil our customer promise. Since the COVID-19 pandemic, if not earlier, the important role of pharmacies as the first point of contact for health-related matters has become apparent. The shortage of skilled workers not only threatens the way in which pharmacies operate, but also puts pressure on the entire healthcare system.

How has Galenica addressed the problem?

An interdisciplinary working group from all areas worked intensively on measures and exchanged views with experts from pharmacies and sales. Firstly, this has allowed us to decide on long-term measures. Secondly, we have succeeded in finding at short notice, creative and unconventional ways to at least ease the current situation.

What are these solutions specifically?

For example, measures to make pharmacy careers more attractive. This will allow us to expand the skills of pharmacy employees and thus offer more development prospects. We are also developing a retraining programme for trained pharmacy staff.

In the short term, we have stepped up our university marketing activities and have organised events directly with pharmacy students in order to find talented young people. At the Women's Run in Bern, we also carried out a guerrilla recruitment campaign to draw attention to the exciting working environments in our pharmacies.

The new ideas are now being implemented gradually, whereby we regularly evaluate how successful these have been and develop the measures accordingly.

Just as important are the creative ideas put forward by our employees in the pharmacies. A selection of these can be found in the [«Shortage of skilled workers: Together we are stronger»](#) feature.

Shortage of skilled workers: Together we are stronger

Spotlights

«Together we are stronger» is one of the five key values of Galenica. This is particularly evident in the current situation with the shortage of skilled workers in pharmacies. In addition to the various measures developed by a specialist group, the employees in the pharmacies also implement creative solutions and overcome the current challenges together.



↑ Pia Binkert is a still active retired pharmacist.

Valuable support from retired colleagues

Jolanda Erb was the manager of the Coop Vitality pharmacy in Flims until 2020 before she took her retirement and today she still helps out as a stand-in around two days a week in various Amavita and Coop Vitality pharmacies. «My colleagues are often unable to find a substitute, so I can be of great help. Thanks to the gratitude and joy of the teams, I continue to do what I can.» Pia Binkert is also a retired pharmacist and helps out four days a week wherever colleagues are unavailable for work. Her places of work are in different cantons, and Pia is prepared to put up with longer commutes of up to one and a half hours. The fact that she is able to support different teams and also use her skills for clients is particularly important to her.



↑ Rena and Livia, pharmacy students at the Amavita pharmacy at Wädenswil station.

Students as temporary staff in pharmacies

Pharmacy students also support pharmacies in the event of staff shortages, for example in the Amavita pharmacy near the railway station in Wädenswil and the Coop Vitality pharmacy in the Gäupark shopping centre in Egerkingen. As temporary specialists in training, they can take on a wide range of tasks, from COVID tests, inspections of incoming goods to home deliveries to customers.

The teams in the pharmacies greatly appreciate the commitment of the students, as they generally are quick to grasp new concepts and are quick to work independently. It is also an investment in the future and we are delighted if they later also spend their assistant year at a Galenica pharmacy. Moreover, they help to maintain contact with the universities and thus attract other fellow students to work in a pharmacy. After all, the model is also very interesting for students: They get to know the everyday life of the pharmacy, gain important experience and get to see how fulfilling the various activities and direct contact with patients in a pharmacy can be.



↑ The shortage of skilled workers in pharmacies is being overcome thanks to creative solutions from employees.



↑ Jacqueline Ryffel, former CEO of Spagyros helps out in pharmacies.

Former Spagyros CEO at the pharmacy

Jacqueline Ryffel was CEO of Spagyros Ltd. for 24 years. Spagyros has been part of the Galenica Group since mid-2021, and Jacqueline has been Business Development Advisor for Complementary Medicine since then. She too has learned that Galenica Group pharmacies are struggling with staff shortages. That's why, as a trained pharmacist, she offered to help out. Now she works one day a week at the Amavita pharmacy in Bern's railway station. In the back office, she handles the registration of house specialities, particularly spagyric mixtures, with the cantonal pharmacy office. Jacqueline enthuses: «I am amazed at how everyday life in the pharmacy has become more professional and how many services are on offer.»

Find out more in the [«Skills shortage in pharmacies: A challenge for the healthcare system»](#).

How Galenica is reducing its CO₂ emissions

Spotlights

By installing a modern heat pump this year at Alloga, creating new photovoltaic systems and expanding existing ones, Galenica is helping to actively reduce CO₂ emissions. This makes an important contribution to achieving of our sustainability goals.

Alloga has been using a new heat pump to heat its warehouse building in Burgdorf since the start of 2022. This modern heating technology helps to save around 120 tonnes of CO₂ emissions every year. By way of comparison, around 9,600 trees would have to be planted to compensate for this output. The heat pump is an additional heating system at Alloga that extracts heat from the groundwater and feeds it directly into the building's existing heating system. This reduces current gas consumption by around two-thirds. In addition, installing a heat pump supports Alloga's fundamental energy-saving goal to reduce CO₂ emissions by 80% and energy consumption by around 20% within 10 years.

Alloga has also fitted the 25,000m² roof with additional insulation. The new insulation allows for additional energy savings of 10-15% each year. The new insulation also enables a future expansion of the existing photovoltaic system, which, with an output of 1,200 kWh in full sunlight, is one of the largest systems in the Burgdorf region.



↑ Photovoltaic system on the roof of Alloga in Burgdorf.



↑ Heat pump at Alloga in Burgdorf.

Other companies within the Group are also making important contributions to Galenica's sustainability goals. Galexis, for instance, has been using a biogas-powered vehicle to transport goods between the platform in Oensingen and the distribution centre in Niederbipp since March 2021. Galexis also plans to install a photovoltaic system on the roof of the Niederbipp distribution centre, which is set to commence operation in 2023. The approximately 16,000m² system is expected to generate up to 1.7 MWh of electricity, thus saving over 300 tonnes of CO₂ each year. These investments, which also include the newly installed photovoltaic system at the modernised Lausanne-Ecublens distribution centre, are concrete measures designed to help us to achieve our sustainability goals.

Galenica gets involved with there-for-you.com

Spotlights

«For us, having Galenica on board as our main partner is an expression of great trust and appreciation. It makes us very happy and assures us that we are on the right track.»

Janosch Bremauer
Project Manager at there-for-you.com

The Galenica Group has always accepted its social and environmental responsibility, such as in its role as the main partner of there-for-you.com.

The Galenica Group has been the main partner of the crowd-donating platform there-for-you.com since January 2022. On the platform, initiators of social, humanitarian and sustainable projects are able to present their plans and collect donations.

By donating one Swiss Franc for each 2021 Christmas card, the Galenica Group supported its first specific project, the «Make a Wish Ambulance». Through the «Make a Wish Ambulance», volunteers work to make the wishes of those suffering from a terminal illness who do not have long left to live come true, at no cost to the individual. Whether it's going to see the musician Bligg live one more time, going to visit the house in which they were born, marvelling at the animals in the zoo or jumping into the cool waters of Lake Zurich – the wishes are all as unique as the people who make them.

Other projects will be selected in consultation with the employees over the course of the year.



↑ Seeing the Swiss musician Bligg live in concert thanks to the «Make a Wish Ambulance» project.

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info@galenica.com
www.galenica.com

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