

Financial Reporting

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Definitions of alternative performance measures

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

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

The alternative performance measures are unaudited.

IAS 19 – Employee benefits

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

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

IFRS 16 – Leases

Lessees have to account for most leases on balance sheet by recognising lease liabilities and corresponding right-of-use assets. The right-of-use assets are depreciated over the lease term and the lease liabilities generate interest expense in the statement of income. Variable lease payments, not dependent on an index or rate, such as sales-based rental expenses are accounted for as operating expenses when they are incurred. With its large network of retail pharmacies, IFRS 16 has a significant impact on Galenica's balance sheet and the presentation of lease related expenses in the consolidated statement of income.

Galenica has lease agreements with fixed and variable lease payments and these payments affect various line items in the statement of income making comparisons across individual pharmacies and points-of-sale difficult. For this reason management also monitors results by adjusting the statement of income and balance sheet as if lease agreements were still accounted for as operating leases, e.g. all lease expense is presented in other operating costs on a straight-line basis and the depreciation of the right-of-use assets and the interest expense on the lease liabilities are removed. Income taxes are also adjusted accordingly.

IFRS 16 adjusted measures are important for Galenica's value-based management and therefore for management's incentive and remuneration schemes. As the type and duration of rental agreements under IFRS 16 have a significant influence on the invested capital and accordingly on the return on invested capital (ROIC) and on the Galenica economic profit (GEP), the invested capital is stated after removing lease liabilities. This minimises the risk that management makes decisions that are not in the interest of Galenica due to potential incentives when concluding leases.

Organic growth of net sales

Organic growth of net sales shows the development of net sales for the operating segments Products & Care and Logistics & IT excluding the effects of acquisitions, new license agreements, openings and closures of pharmacies (effect of net expansion). It provides a "like-for-like" comparison with previous periods. In the business area Retail (B2C), organic growth of net sales is calculated only including points of sales with a full year period comparison. In the business area Professionals (B2B), organic growth of net sales is calculated only including existing business activities with a full year period comparison. In order to show the impact of mandatory price reductions of medications reimbursed by health insurers on net sales transparently, organic growth of net sales is also disclosed without the effect of mandatory price reductions.

Organic growth of net sales 2022

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care ¹⁾	Wholesale	Logistics & IT Services	Logistics & IT ¹⁾
Net sales	1,806,625	228,780	2,029,620	2,820,359	130,712	2,933,318
Change to previous period ²⁾	5.0%	17.9%	6.4%	3.4%	16.8%	3.6%
Effect of net expansion	7,498 ³⁾	17,972 ⁴⁾	25,469	–	682	682
In % of net sales of previous period	0.4%	9.3%	1.3%	0.0%	0.6%	0.0%
Net sales excluding effect of net expansion	1,799,127	210,809	2,004,151	2,820,359	130,030	2,932,636
Organic growth of net sales²⁾	4.6%	8.6%	5.1%	3.4%	16.2%	3.6%
Mandatory price reductions ⁵⁾	33,780			57,520		
In % of net sales of previous period	2.0%			2.1%		
Net sales excluding effect of net expansion and mandatory price reductions	1,832,907			2,877,879		
Organic growth of net sales excluding price reductions²⁾	6.6%			5.5%		

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), 1.2% lower for Products & Care and 0.8% 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 2022 Products & Care

in thousand CHF	Local Pharmacies	Pharmacies at Home	Retail (B2C) ¹⁾	Products & Brands	Services for Professionals	Professionals (B2B) ¹⁾
Net sales	1,286,856	519,939	1,806,625	157,687	71,093	228,780
Change to previous period ²⁾	2.0%	13.3%	5.0%	19.8%	13.9%	17.9%
Effect of net expansion	7,835 ³⁾	-337 ³⁾	7,498³⁾	8,771 ⁴⁾	9,200 ⁴⁾	17,972⁴⁾
In % of net sales of previous period	0.6%	-0.1%	0.4%	6.7%	14.7%	9.3%
Net sales excluding effect of net expansion	1,279,021	520,276	1,799,127	148,916	61,893	210,809
Organic growth of net sales²⁾	1.4%	13.4%	4.6%	13.1%	-0.8%	8.6%
Mandatory price reductions ⁵⁾	16,672	17,108	33,780			
In % of net sales of previous period	1.3%	3.7%	2.0%			
Net sales excluding effect of net expansion and mandatory price reductions	1,295,693	537,384	1,832,907			
Organic growth of net sales excluding price reductions²⁾	2.7%	17.1%	6.6%			

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 3.4% 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 2021

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care ¹⁾	Wholesale	Logistics & IT Services	Logistics & IT ¹⁾
Net sales	1,719,987	193,972	1,908,130	2,728,437	111,865	2,831,358
Change to previous period	13.3%	11.9%	13.4%	7.8%	13.7%	7.9%
Effect of net expansion	26,013 ²⁾	29,287 ³⁾	55,300	–	–	–
In % of net sales of previous period	1.7%	16.9%	3.3%	0.0%	0.0%	0.0%
Net sales excluding effect of net expansion	1,693,974	164,685	1,852,830	2,728,437	111,865	2,831,358
Organic growth of net sales	11.6%	-5.0%	10.1%	7.8%	13.7%	7.9%
Mandatory price reductions ⁴⁾	20,275			33,137		
In % of net sales of previous period	1.3%			1.3%		
Net sales excluding effect of net expansion and mandatory price reductions	1,714,249			2,761,574		
Organic growth of net sales excluding price reductions	12.9%			9.1%		

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 2021 Products & Care

in thousand CHF	Local Pharmacies	Pharmacies at Home	Retail (B2C) ¹⁾	Products & Brands	Services for Professionals	Professionals (B2B) ¹⁾
Net sales	1,261,521	458,844	1,719,987	131,581	62,392	193,972
Change to previous period	8.5%	29.2%	13.3%	17.8%	1.4%	11.9%
Effect of net expansion	25,078 ²⁾	935 ²⁾	26,013²⁾	24,579 ³⁾	4,708 ³⁾	29,287³⁾
In % of net sales of previous period	2.2%	0.3%	1.7%	22.0%	7.6%	16.9%
Net sales excluding effect of net expansion	1,236,443	457,908	1,693,974	107,002	57,683	164,685
Organic growth of net sales	6.3%	28.9%	11.6%	-4.2%	-6.2%	-5.0%
Mandatory price reductions ⁴⁾	11,338	8,937	20,275			
In % of net sales of previous period	1.0%	2.5%	1.3%			
Net sales excluding effect of net expansion and mandatory price reductions	1,247,781	466,846	1,714,249			
Organic growth of net sales excluding price reductions	7.3%	31.4%	12.9%			

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 2022

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Net sales	4,014,348	–	–	4,014,348
Products & Care ¹⁾	2,029,620	–	–	2,029,620
Logistics & IT ¹⁾	2,933,318	–	–	2,933,318
Other income	13,040	–	–	13,040
Operating income	4,027,388	–	–	4,027,388
Cost of goods	–3,008,302	–	–	–3,008,302
Personnel costs	–538,353	617	–	–537,736
Other operating costs	–181,151	–	–54,494	–235,645
Share of profit from associates and joint ventures	4,202	22	–50	4,173
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	303,784	639	–54,545	249,879
Products & Care ¹⁾	223,288	–	–50,871	172,417
Logistics & IT ¹⁾	80,518	–	–2,469	78,049
Depreciation, amortisation and impairment	–100,474	–	51,407	–49,067
Earnings before interest and taxes (EBIT)	203,310	639	–3,138	200,812
Return on sales (ROS) ²⁾	5.1%	0.0%	–0.1%	5.0%
Products & Care ¹⁾	156,273	–	–2,752	153,521
Return on sales (ROS) ²⁾	7.7%	0.0%	–0.1%	7.6%
Logistics & IT ¹⁾	49,306	–	–60	49,246
Return on sales (ROS) ²⁾	1.7%	0.0%	0.0%	1.7%
Net financial expenses	–3,685	–224	2,455	–1,453
Earnings before taxes (EBT)	199,626	415	–683	199,358
Income taxes	–33,767	–33	126	–33,674
Net profit	165,859	383	–557	165,684
Attributable to:				
– Shareholders of Galenica Ltd.	165,132	383	–558	164,956
– Non-controlling interests	727	–	1	728

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	3.32	0.01	–0.01	3.32
Diluted earnings per share	3.32	0.01	–0.01	3.32

Adjusted consolidated statement of income 2021

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Net sales	3,834,679	–	–	3,834,679
Products & Care ¹⁾	1,908,130	–	–	1,908,130
Logistics & IT ¹⁾	2,831,358	–	–	2,831,358
Other income	21,082	–	593	21,675
Operating income	3,855,761	–	593	3,856,354
Cost of goods	–2,873,589	–	–	–2,873,589
Personnel costs	–518,859	7,331	–	–511,528
Other operating costs	–164,240	–	–51,775	–216,014
Share of profit from associates and joint ventures	6,765	288	61	7,114
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	305,838	7,620	–51,121	262,337
Products & Care ¹⁾	225,106	–	–49,212	175,895
Logistics & IT ¹⁾	90,959	–	–1,909	89,050
Depreciation, amortisation and impairment	–98,430	–	49,224	–49,205
Earnings before interest and taxes (EBIT)	207,408	7,620	–1,896	213,131
Return on sales (ROS) ²⁾	5.4%	0.2%	0.0%	5.6%
Products & Care ¹⁾	156,943	–	–2,469	154,474
Return on sales (ROS) ²⁾	8.2%	0.0%	–0.1%	8.1%
Logistics & IT ¹⁾	60,489	–	538	61,028
Return on sales (ROS) ²⁾	2.1%	0.0%	0.0%	2.2%
Net financial expenses	–4,375	18	2,298	–2,059
Earnings before taxes (EBT)	203,033	7,638	402	211,073
Income taxes	–34,850	–1,302	–106	–36,258
Net profit	168,183	6,336	296	174,814
Attributable to:				
– Shareholders of Galenica Ltd.	167,680	6,277	284	174,241
– Non-controlling interests	503	59	12	574

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	3.38	0.13	0.01	3.52
Diluted earnings per share	3.38	0.13	0.01	3.51

Free cash flow

The free cash flow shows Galenica's capacity to pay dividends and repay debt and repay equity. It provides information on the remaining cash and cash equivalents from the operating cash flow, reduced by all lease payments and after consideration of investment activities.

Free cash flow

in thousand CHF	2022	2021
Cash flow from operating activities before working capital changes	281,750	281,397
Payment of lease liabilities	-52,459	-49,939
Cash flow from operating activities before working capital changes adjusted	229,291	231,458
Working capital changes	-44,877	51,698
Cash flow from operating activities adjusted	184,414	283,156
Cash flow from investing activities without M&A ¹⁾	-90,003	-18,742
Free cash flow before M&A	94,411	264,414
Cash flow from M&A ²⁾	-36,549	-69,494
Free cash flow	57,862	194,920

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

²⁾ Net cash flow from business combinations

CAPEX

in thousand CHF	2022	2021
Investments in property, plant and equipment	41,044	42,189
Investments in intangible assets	29,676	18,250
CAPEX	70,720	60,439

Cash conversion

	2022	2021
Cash conversion ¹⁾	71.7%	77.0%

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	2022	2021 (Restated)
Total assets	2,612,825	2,565,802¹⁾
Cumulative effects of IAS 19 adjustments	-2,466	-70,769
Cumulative effects of IFRS 16 adjustments	-226,168	-214,928
Total assets adjusted	2,384,191	2,280,106¹⁾

¹⁾ Figures restated (refer to note 2 of the Consolidated financial statements 2022 of the Galenica Group)

Net debt

in thousand CHF	2022	2021
Current financial liabilities ¹⁾	218,464	43,019
Current lease liabilities	50,173	49,717
Non-current financial liabilities ¹⁾	181,389	381,697
Non-current lease liabilities	183,005	173,334
Cash and cash equivalents	-93,927	-164,982
Interest-bearing receivables	-11,347	-1,527
Net debt	527,758	481,257
Lease liabilities (current and non-current)	-233,178	-223,051
Net debt adjusted	294,580	258,206

¹⁾ Excluding non-interest-bearing financial liabilities

Shareholders' equity

in thousand CHF	2022	2021
Shareholders' equity	1,249,461	1,233,677
Cumulative effects of IAS 19 adjustments	14,340	-33,014
Cumulative effects of IFRS 16 adjustments	4,982	5,547
Shareholders' equity adjusted	1,268,783	1,206,210

Equity ratio

	2022	2021
Equity ratio ¹⁾	47.8%	48.1%
Equity ratio adjusted ²⁾	53.2%	52.9%

¹⁾ Calculated as shareholders' equity divided by total assets

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

Gearing

	2022	2021
Gearing ¹⁾	42.2%	39.0%
Gearing adjusted ²⁾	23.2%	21.4%

¹⁾ Calculated as net debt divided by shareholders' equity

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

Debt coverage

	2022	2021
Debt coverage ¹⁾	1.7 x	1.6 x
Debt coverage adjusted ²⁾	1.2 x	1.0 x

¹⁾ Calculated as net debt divided by EBITDA

²⁾ Calculated as net debt adjusted divided by EBITDA adjusted

Value based management

Galenica has an integrated value-based management concept in place that derived from an economic value added (EVA) approach. It is based on the understanding that in the interest of shareholders and other important groups of stakeholders, Galenica will strive to achieve a long-term investment return which exceeds the weighted average cost of capital (WACC). Targets, plans, performance measurement and management compensation are aligned to increase the enterprise value.

Invested capital

Invested capital corresponds to current and fixed operating assets less cash and cash equivalents and non-interest-bearing current liabilities. In the following, invested capital is calculated indirectly via equity and net debt.

Invested capital

in thousand CHF	2022	2021 (Restated)
Shareholders' equity adjusted	1,268,783	1,206,210
Net debt adjusted	294,580	258,206
Deferred tax assets ²⁾	-231	-73
Deferred tax liabilities ²⁾	49,325	49,347 ¹⁾
Invested capital	1,612,456	1,513,690¹⁾
Average invested capital	1,563,073	1,513,316¹⁾

¹⁾ Figures restated (refer to note 2 of the Consolidated financial statements 2022 of the Galenica Group)

²⁾ Without deferred taxes due to IAS 19 and IFRS 16 as already taken into account in shareholders' equity adjusted

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

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

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

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

in thousand CHF	2022	2021
EBIT adjusted	200,812	213,131
Net financial income from financial assets	489	633
Net operating profit before taxes	201,301	213,764
Calculatory tax rate (18%)	-36,234	-38,478
Net operating profit after taxes (NOPAT)	165,067	175,286
Return on invested capital (ROIC)¹⁾	10.6%	11.6%

¹⁾ Calculated as NOPAT in % of average invested capital

Galenica economic profit (GEP)

The most important key figure in Galenica's value-based management concept is the Galenica economic profit (GEP). The GEP illustrates the result of the Galenica Group after consideration of the cost of capital. GEP is a measure designed to reflect the principles of value-based management derived from an economic value added (EVA) approach. GEP is calculated as the NOPAT less the WACC over the average invested capital.

Galenica economic profit (GEP)

in thousand CHF	2022	2021 (Restated)
Net operating profit after taxes (NOPAT)	165,067	175,286
Cost of capital ²⁾	-97,692	-94,582 ¹⁾
Galenica economic profit (GEP)	67,375	80,704¹⁾

¹⁾ Figures restated (refer to note 2 of the Consolidated financial statements 2022 of the Galenica Group)

²⁾ Calculated as average invested capital multiplied with WACC (weighted average cost of capital) of 6.25 %

Consolidated financial statements 2022 of the Galenica Group

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Consolidated statement of income

in thousand CHF	Note	2022	2021
Net sales	5	4,014,348	3,834,679
Other income	6	13,040	21,082
Operating income		4,027,388	3,855,761
Cost of goods		-3,008,302	-2,873,589
Personnel costs	7, 23	-538,353	-518,859
Other operating costs	8	-181,151	-164,240
Share of profit from associates and joint ventures	17	4,202	6,765
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		303,784	305,838
Depreciation, amortisation and impairment	14,15,16	-100,474	-98,430
Earnings before interest and taxes (EBIT)		203,310	207,408
Financial income	9	2,065	1,301
Financial expenses	9	-5,749	-5,677
Earnings before taxes (EBT)		199,626	203,033
Income taxes	11	-33,767	-34,850
Net profit		165,859	168,183
Attributable to:			
– Shareholders of Galenica Ltd.		165,132	167,680
– Non-controlling interests		727	503
in CHF	Note	2022	2021
Earnings per share	10	3.32	3.38
Diluted earnings per share	10	3.32	3.38

Consolidated statement of comprehensive income

in thousand CHF	Note	2022	2021
Net profit		165,859	168,183
Translation differences		-64	-123
Items that may be reclassified subsequently to profit or loss		-64	-123
Remeasurement of net defined benefit plans	23	-55,768	107,003
Income taxes from remeasurement of net defined benefit plans	11	10,025	-19,261
Share of other comprehensive income from associates and joint ventures	17	-921	3,529
Items that will not be reclassified to profit or loss		-46,663	91,272
Other comprehensive (loss)/income		-46,727	91,148
Comprehensive income		119,132	259,331
Attributable to:			
- Shareholders of Galenica Ltd.		118,405	258,737
- Non-controlling interests		727	594

Consolidated statement of financial position

in thousand CHF	Note	2022	2021 (Restated)
Cash and cash equivalents		93,927	164,982
Trade and other receivables	13	529,479	461,108
Inventories	12	315,160	295,070
Prepaid expenses and accrued income		38,152	42,336
Current assets		37.4% 976,718	37.6% 963,496
Property, plant and equipment	14	249,495	244,549 ¹⁾
Right-of-use assets	15	226,685	215,496
Intangible assets	16	1,100,112	1,020,666 ¹⁾
Investments in associates and joint ventures	17	32,682	30,696
Financial assets	18	23,692	19,152
Deferred tax assets	11	3,258	4,747
Employee benefit assets	23	183	67,000
Non-current assets		62.6% 1,636,107	62.4% 1,602,306¹⁾
Assets		100.0% 2,612,825	100.0% 2,565,802¹⁾
Financial liabilities	19	218,464	43,052
Lease liabilities	15	50,173	49,717
Trade and other payables	20	355,220	364,043
Income tax payables		40,358	29,442
Accrued expenses and deferred income		211,417	176,147
Provisions	21	4,487	2,498
Current liabilities		33.7% 880,119	25.9% 664,899
Financial liabilities	19	234,848	406,544
Lease liabilities	15	183,005	173,334
Deferred tax liabilities	11	48,384	60,071 ¹⁾
Employee benefit liabilities	23	16,813	25,967
Provisions	21	197	1,310
Non-current liabilities		18.5% 483,245	26.0% 667,226¹⁾
Liabilities		52.2% 1,363,364	51.9% 1,332,125¹⁾
Share capital	24	5,000	5,000
Reserves		1,240,580	1,222,538
Equity attributable to shareholders of Galenica Ltd.		1,245,580	1,227,538
Non-controlling interests		3,881	6,140
Shareholders' equity	24	47.8% 1,249,461	48.1% 1,233,677
Liabilities and shareholders' equity		100.0% 2,612,825	100.0% 2,565,802¹⁾

¹⁾ Figures restated (refer to note 2)

Consolidated statement of cash flows

in thousand CHF	Note	2022	2021
Net profit		165,859	168,183
Income taxes	11	33,767	34,850
Depreciation, amortisation and impairment	14,15,16	100,474	98,430
(Gain)/loss on disposal of non-current assets	6,8	-205	-9,387
(Gain)/loss on disposal of subsidiaries	4	-853	-
Increase/(decrease) in provisions and employee benefit assets and liabilities		2,598	5,272
Net financial result	9	3,685	4,375
Share of profit from associates and joint ventures	17	-4,202	-6,765
Share-based payments	28	7,109	6,719
Interest received		542	542
Interest paid		-5,612	-4,695
Other financial receipts/(payments)		-153	29
Dividends received	17	6,860	2,548
Income taxes paid		-28,118	-18,704
Cash flow from operating activities before working capital changes		281,750	281,397
Change in trade and other receivables		-53,724	-57,900
Change in inventories		-19,531	18,482
Change in trade and other payables		-10,988	47,409
Change in other net current assets		39,366	43,707
Working capital changes		-44,877	51,698
Cash flow from operating activities		236,873	333,095
Investments in property, plant and equipment		-41,061	-41,937
Investments in intangible assets		-29,305	-18,136
Investments in associates and joint ventures	17	-3,833	-
Investments in financial assets		-18,592	-9,999
Proceeds from sale of property, plant and equipment and intangible assets		524	40,258
Proceeds from sale of financial assets		2,264	11,071
Net cash flow from business combinations	4	-38,462	-69,494
Net cash flow from sale of subsidiaries	4	1,913	-
Cash flow from investing activities		-126,552	-88,236
Dividends paid		-104,810	-89,509
Purchase of treasury shares		-539	-373
Proceeds from sale of treasury shares		4,886	4,232
Proceeds from financial liabilities	19	1,607	112,698
Repayment of financial liabilities	19	-25,893	-116,634
Payment of lease liabilities		-52,459	-49,939
Purchase of non-controlling interests		-4,069	-109
Cash flow from financing activities		-181,276	-139,634
Effects of exchange rate changes on cash and cash equivalents		-101	-24
Increase in cash and cash equivalents		-71,055	105,201
Cash and cash equivalents as at 1 January ¹⁾		164,982	59,781
Cash and cash equivalents as at 31 December ¹⁾		93,927	164,982

¹⁾ Cash and cash equivalents include cash, sight deposits at financial institutions and time deposits with an original term of three months or less. Cash and cash equivalents are measured at nominal value.

Consolidated statement of changes in equity

in thousand CHF	Share capital	Treasury shares	Retained earnings	Equity attributable to shareholders of Galenica Ltd.	Non-controlling interests	Equity
Balance as at 31 December 2020	5,000	-19,817	1,062,099	1,047,282	6,073	1,053,355
Net profit			167,680	167,680	503	168,183
Other comprehensive income			91,057	91,057	91	91,148
Comprehensive income			258,737	258,737	594	259,331
Dividends			-89,204	-89,204	-305	-89,509
Transactions on treasury shares		5,306	-1,604	3,702	-	3,702
Share-based payments			6,907	6,907	-	6,907
Change in non-controlling interests			113	113	-223	-109
Balance as at 31 December 2021	5,000	-14,511	1,237,049	1,227,538	6,140	1,233,677
Net profit			165,132	165,132	727	165,859
Other comprehensive loss			-46,727	-46,727	-	-46,727
Comprehensive income			118,405	118,405	727	119,132
Dividends			-104,443	-104,443	-367	-104,810
Transactions on treasury shares		6,694	-5,860	834	-	834
Share-based payments			7,255	7,255	-	7,255
Change in non-controlling interests			-4,008	-4,008	-2,618	-6,626
Balance as at 31 December 2022	5,000	-7,817	1,248,397	1,245,580	3,881	1,249,461

Notes to the consolidated financial statements of the Galenica Group

1. Group organisation

General information

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

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

The Board of Directors released the consolidated financial statements 2022 for publication on 2 March 2023. The 2022 consolidated financial statements will be submitted for approval to the Annual General Meeting on 3 May 2023.

2. Accounting principles

Basis of preparation

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

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

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

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

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

Foreign currencies are not material for the consolidated financial statements.

Restatement 2021 due to adjustments to provisional purchase price allocation

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

Classification as current or non-current

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

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

Estimation uncertainty, assumptions and judgments

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

Leases (note 15)

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

Goodwill and intangible assets (note 16)

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

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

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

Fair value of contingent consideration liabilities from business combinations (note 25)

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount rate.

Scope of consolidation

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

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

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

Companies which Galenica controls have been fully consolidated. This is the case when Galenica has the ability to direct the relevant activities of a company, has rights to variable returns from its involvement with the investee and has the ability to affect those returns.

When Galenica holds less than 50% of the voting rights in a company, Galenica considers all the relevant facts and circumstances in assessing whether it has control over that company. This includes contractual arrangements with the vote holders of the investee, rights arising from other contractual arrangements and the number of voting rights and potential voting rights.

Assets and liabilities as well as income and expenses of subsidiaries are consolidated from the acquisition date, i.e. the date on which Galenica obtains control.

All intercompany receivables and payables, income and expenses, investments and dividends as well as unrealised gains and losses on transactions within Galenica are fully eliminated.

Amendments to IFRS

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

- Amendments to IFRS 3 – Reference to the conceptual framework
- Amendments to IAS 16 – Property, plant and equipment: Proceeds before intended use
- Amendments to IAS 37 – Onerous Contracts – Cost of fulfilling a contract
- Annual Improvements 2018–2020 Cycle

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

Future amendments to IFRS

The IASB has issued various new and amended standards and interpretations with effective dates in the financial year 2023 or later. Galenica has not early adopted any of the following amendments to standards or interpretations that are potentially relevant for Galenica. Galenica intends to apply the new or amended standards for the first time in the financial year beginning on or after the date shown below:

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies (1 January 2023)
- Amendments to IAS 8 – Definition of accounting estimates (1 January 2023)
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction (1 January 2023)
- Amendments to IAS 1 – Classification of liabilities as current or non-current (1 January 2024)

Galenica is currently assessing the impact of these amendments. Based on a preliminary analysis, Galenica does not expect a material impact on the consolidated financial statements.

3. Operating segment information

The management approach is used to determine the reportable operating segments. Accordingly, external segment reporting is based on the internal organisational and management structures of Galenica and the internal financial reporting to the chief operating decision maker (CODM). The CODM of Galenica is the CEO. Galenica operates in Switzerland within two operating segments Products & Care and Logistics & IT.

The CEO of Galenica acting as CODM allocates resources and monitors performance of the Group's operating segments Products & Care and Logistics & IT on the basis of information prepared in accordance with IFRS with exception of defined benefit plans and long-service awards, which are recognised at Group level.

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

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

Products & Care

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

The «Retail» business area comprises the two sectors «Local Pharmacies» (point-of-sale) and «Pharmacies at Home» (mail-order and home care). Retail operates at 531 locations Galenica's pharmacy network, the largest in Switzerland. With 368 pharmacies of its own and 163 partner pharmacies, Retail has outlets throughout the country. Galenica's own pharmacies comprise the Amavita brand with 179 branches and the Sun Store brand with 92 branches. Galenica also operates a chain of 89 pharmacies in partnership with Coop under the Coop Vitality brand. Galenica's pharmacy network also covers the speciality pharmacy Mediservice, which is focused on medication for treatment of patients at home, 7 majority interests in pharmacies and 163 Winconcept partner pharmacies.

The «Professionals» business area comprises the «Products & Brands» and «Services for Professionals» sectors. These activities focus on the development and marketing of healthcare services and products via the various sales channels: in-store at pharmacies (point-of-sale), shipments via mail-order pharmacies and e-shops or at home (home care), as well as business customers. Professionals launches and distributes a complete portfolio of consumer health products which is sold to Swiss pharmacies and drugstores. The companies of Professionals launches and distributes pharmaceutical and parapharmaceutical products and offer marketing and sales services to all partners in the healthcare market.

Logistics & IT

The Logistics & IT segment comprises the two sectors «Wholesale» and «Logistics & IT Services». These provide services for all those involved in the healthcare sector – pharmacies, drugstores, doctors, hospitals and care homes, partners and suppliers. Their activities focus on optimising and further developing the logistics services and service offering as well as providing innovative solutions that promote digitalisation in the healthcare market.

Wholesale plays an important role in the pharmaceutical supply chain. As a pharmaceutical wholesaler, Wholesale ensures on-schedule delivery within short deadlines to pharmacies, drugstores, doctors, hospitals and care homes throughout Switzerland.

Logistics & IT Services offers pharmaceutical and healthcare companies a broad range of specialised pre-wholesale services, from storage and distribution of products in Switzerland to debt collection. The companies of the Logistics & IT Services also offer solutions for the healthcare market. They operate comprehensive databases that provide additional knowledge for all service providers in the Swiss healthcare market and develop management solutions tailored specifically to the needs of the healthcare market. Logistics & IT Services is the leading provider of master data systems for Switzerland's entire healthcare market and publishes printed and electronic technical information on pharmaceutical products as well as complete management solutions for pharmacies. Furthermore Logistics & IT Services provides Group internal IT services.

Group Services

The activities included within Group Services mainly comprise Galenica's central operations, which include Group Management and centralised Corporate functions such as Accounting, Controlling, Tax, Treasury, Corporate Finance, Investor Relations, Insurance, Indirect procurement, Human Resources, Legal & Board Services, Communications and Transformation.

Corporate charges management fees to the group companies for the organisational and financial management services that it provides.

Eliminations

Operating activities involve the sale of goods and services between the operating segments.

Sale of goods and services between the operating segments and resulting unrealised gains are eliminated in the Eliminations column. In addition, Eliminations include adjustments recorded on Group level which mainly consist of costs for IAS 19 from defined benefit plans and long-service awards.

Segment assets and liabilities include loans and current accounts held with respect to other segments. These positions are eliminated in the Eliminations column.

Operating segment information 2022

Operating segment information 2022

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	2,029,620	2,933,318	49,138	-997,728	4,014,348
Intersegmental net sales	-96,579	-853,674	-47,475	997,728	-
Net sales to third parties	1,933,041	2,079,645	1,663	-	4,014,348
Other income	7,156	6,265	3,123	-3,503	13,040
Share of profit from associates and joint ventures	4,255	17	-	-70	4,202
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	223,288	80,518	1,759	-1,782¹⁾	303,784
Depreciation, amortisation and impairment	-67,015	-31,212	-2,541	294	-100,474
Earnings before interest and taxes (EBIT)	156,273	49,306	-782	-1,487¹⁾	203,310
Interest income					727
Interest expense					-5,273
Other net financial result					861
Earnings before taxes (EBT)					199,626
Income taxes					-33,767
Net profit					165,859
Assets	1,784,254	921,458	320,811	-413,699²⁾	2,612,825
Investments in associates and joint ventures	33,975	82	-	-1,375	32,682
Liabilities	604,571	524,903	619,655	-385,765³⁾	1,363,364
Investments in property, plant and equipment	14,183	24,354	2,507	-	41,044 ⁴⁾
Investments in intangible assets	1,276	28,469	-	-69	29,676 ⁵⁾
Employees as at 31 December (FTE)	4,104	1,399	225	-	5,728

¹⁾ Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF -0.6 million

²⁾ Of which elimination of intercompany positions of CHF -395.6 million and other unallocated amounts of CHF -18.1 million

³⁾ Of which elimination of intercompany positions of CHF -395.6 million and other unallocated amounts of CHF 9.8 million

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

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

Geographic information 2022

in thousand CHF	Switzerland	Other countries	Galenica Group
Net sales to third parties	3,979,458	34,890	4,014,348
Non-current assets ¹⁾	1,608,886	88	1,608,974

¹⁾ Without employee benefit assets, financial assets and deferred tax assets

Operating segment information 2021

Operating segment information 2021

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	1,908,130	2,831,358	31,844	-936,652	3,834,679
Intersegmental net sales	-76,323	-829,775	-30,554	936,652	-
Net sales to third parties	1,831,807	2,001,582	1,290	-	3,834,679
Other income	6,158	16,939	673	-2,689	21,082
Share of profit from associates and joint ventures	7,092	17	-	-343	6,765
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	225,106	90,959	-1,504	-8,724²⁾	305,838
Depreciation, amortisation and impairment	-68,164	-30,470	-95	299	-98,430
Earnings before interest and taxes (EBIT)	156,943	60,489	-1,600	-8,425²⁾	207,408
Interest income					738
Interest expense					-5,018
Other net financial result					-95
Earnings before taxes (EBT)					203,033
Income taxes					-34,850
Net profit					168,183
Assets (restated)	1,687,729¹⁾	864,050	404,017	-389,994³⁾	2,565,802¹⁾
Investments in associates and joint ventures	31,015	66	-	-385	30,696
Liabilities (restated)	585,459¹⁾	515,479	641,402	-410,215⁴⁾	1,332,125¹⁾
Investments in property, plant and equipment	19,205	23,022	116	-155	42,189 ⁵⁾
Investments in intangible assets	4,267	13,989	-	-7	18,250 ⁶⁾
Employees as at 31 December (FTE)	3,927	1,395	211	-	5,533

¹⁾ Figures restated (refer to note 2)

²⁾ Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF -7.6 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 0.9 million

⁶⁾ Of which non-cash investments of CHF 0.8 million

Geographic information 2021

in thousand CHF	Switzerland	Other countries	Galenica Group
Net sales to third parties	3,804,076	30,603	3,834,679
Non-current assets ¹⁾	1,511,458	85	1,511,543

¹⁾ Without employee benefit assets, financial assets and deferred tax assets

4. Business combinations and disposals

Business combinations and disposals 2022

Acquisition of Medinform AG. On 5 July 2022, Galenica acquired 50% of the shares in the Swiss company Medinform AG and has a casting vote in the event of a disagreement, hence, Galenica has control over Medinform. Medinform is specialised in offering education and training programmes for pharmacies. The remaining 50% of the shares were retained by the previous owner. Non-controlling interests have been measured at the proportionate share of net identifiable assets. The remaining shareholders have a put option to sell their shares to Galenica which gives rise to a financial liability in the amount of CHF 3.9 million.

The purchase consideration amounted to CHF 4.4 million and was fully settled in cash. The fair value of the net identifiable assets amounted to CHF 2.8 million at the acquisition date of which CHF 1.4 million were recognised as non-controlling interests. The goodwill of CHF 3.0 million was allocated to the operating segment Products & Care and corresponds to the added value based on the synergies expected to arise from the acquisition due to offering various training and education programmes for employees internally in the future and the know-how of the employees gained. Transaction costs were not material.

Acquisition of Aquantic AG. On 11 July 2022, Galenica acquired 100% of the shares in the Swiss company Aquantic AG. The main activity of Aquantic is offering services for pharmaceutical companies and health insurance providers to simplify the reimbursement of the costs for specific medicines.

The total purchase consideration amounted to CHF 8.6 million, of which CHF 5.2 million was settled in cash. The contingent consideration in the amount of CHF 3.3 million was recognised which is due in 2027 if certain financial and operational targets are achieved. The fair value of the net identifiable assets amounted to CHF 1.0 million at the acquisition date. The goodwill of CHF 7.6 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its position for business customers and the know-how of the employees gained. Transaction costs were not material.

Acquisition of Bahnhof Apotheke Langnau AG. On 15 November 2022, Galenica acquired 100% of the shares in the Swiss company Bahnhof Apotheke Langnau AG. Apart from operating a pharmacy located in Langnau the company is a leading provider of formulations for medicinal cannabis products.

The total purchase consideration amounted to CHF 48.0 million, of which CHF 25.1 million was settled in cash. The contingent consideration in the amount of CHF 22.9 million was recognised which is due in 2025 respectively in 2028 if certain financial and operational targets are achieved. The fair value of the net identifiable assets amounted to CHF 7.9 million at the acquisition date. The goodwill of CHF 40.1 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its position as a leading fully integrated healthcare provider and the know-how of the employees gained. Transaction costs were not material.

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

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

Disposal of Careproduct AG. On 20 September 2022, Galenica disposed 100% of the shares in the Swiss company Careproduct AG to SAB Management Holding AG. The consideration amounted to CHF 2.2 million and was settled in cash. The carrying amount of the disposed net assets amounted to CHF 1.2 million including cash and cash equivalents of CHF 0.1 million. The net profit from this transaction of CHF 0.9 million has been recognised in other income including transaction costs of CHF 0.1 million.

Business combinations

in thousand CHF	Bahnhof Apotheke Langnau	Other Pharmacies	Other ¹⁾	2022 Total	2021 Total (Restated)
Cash and cash equivalents	1,980	1,967	2,710	6,657	2,146
Trade receivables	3,568	855	434	4,857	2,584
Inventories	641	475	–	1,116	6,893
Property, plant and equipment	31	–	207	238	3,879 ²⁾
Right-of-use assets	991	2,158	853	4,002	6,021
Intangible assets	3,719	–	1,191	4,910	31,138
Other current and non-current assets	307	258	788	1,353	622
Trade payables	–509	–715	–94	–1,318	–1,638
Financial liabilities	–	–	–	–	–7,005
Lease liabilities	–991	–2,158	–853	–4,002	–6,021
Net deferred tax assets/(liabilities)	–788	–24	–230	–1,043	425 ²⁾
Employee benefit liabilities	–396	–	–	–396	–2,279
Other current and non-current liabilities	–644	–326	–1,247	–2,218	–1,346
Fair value of net assets	7,910	2,491	3,757	14,158	35,419²⁾
Goodwill	40,091	7,943	10,565	58,600	65,073 ²⁾
Non-controlling interests	–	–	–1,382	–1,382	–
Purchase consideration	48,001	10,434	12,940	71,375	100,493
Cash acquired	–1,980	–1,967	–2,710	–6,657	–2,146
Fair value of pre-existing relationships	–	–	–	–	–170
Offset against loans / trade receivables	–	–	–	–	–4,752
Contingent consideration	–22,909	–	–3,348	–26,256	–24,000
Net cash flow from current business combinations	23,112	8,467	6,882	38,462	69,424
Payment of consideration due to previous business combinations				–	70
Net cash flow from business combinations				38,462	69,494

¹⁾ Including Medinform AG and Aquantic AG

²⁾ Figures restated (refer to note 2)

Pro forma figures for acquisitions made in 2022 for the full 2022 financial year

Since their inclusion in Galenica's scope of consolidation, the businesses acquired contributed net sales of CHF 15.0 million and an operating result (EBIT) of CHF 1.9 million to the Group's results. If these acquisitions had occurred on 1 January 2022, they would have contributed additional net sales of CHF 14.6 million and increased EBIT by CHF 4.7 million.

Business combinations 2021

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

The total purchase consideration amounted to CHF 10.2 million and was fully settled in cash. The fair value of the net identifiable assets amounts to CHF 0.6 million at the acquisition date. The goodwill of CHF 9.6 million was allocated to the operating segment Products & Care and corresponds to the added value of the pharmacies based on their locations. Transaction costs were not material.

Acquisition of the pharma business of Dr. Wild & Co. AG. On 27 May 2021, Galenica acquired the range of pharmaceutical products of the Swiss company Dr. Wild & Co. AG, including the well-known brands Vitamin D3 Wild Oil® and VI-DE 3®. In addition, the experienced physician field service of Dr. Wild & Co. AG was transferred to Verfora.

The total purchase consideration amounted to CHF 34.6 million and was fully settled in cash. The fair value of the net identifiable assets amounted to CHF 26.7 million at the acquisition date. The goodwill of CHF 7.9 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its leading position in the Swiss consumer healthcare (CHC) market and the know-how of the employees gained. Acquired intangible assets include trademarks with an indefinite useful life of CHF 22.8 million. Transaction costs were not material.

Acquisition of Lifestage Solutions Ltd. On 26 July 2021, Galenica acquired 100% of the shares in the Swiss company Lifestage Solutions Ltd. Lifestage Solutions is a specialised wholesaler for home care organisations and nursing homes, who simplifies daily workflows for its customers using digitalisation and state-of-the-art technology.

The total purchase consideration amounted to CHF 49.3 million, of which CHF 24.8 million was settled in cash and CHF 0.5 million was offset against loans. The contingent consideration in the amount of CHF 24.0 million is due in 2025 if certain sales targets are achieved. The fair value of the net identifiable assets amounted to CHF 3.9 million at the acquisition date. The goodwill of CHF 45.4 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its position as a leading integrated healthcare service provider in the growth markets of home care and nursing homes in Switzerland and the know-how of the employees gained. Transaction costs were not material.

Acquisition of Spagyros Ltd. On 31 August 2021, Galenica acquired the remaining 92.1% shares of the Swiss company Spagyros Ltd. The remeasuring gain to fair value of the existing 7.9% amounted to CHF 0.2 million and was recorded in the financial income. The main activity of Spagyros is the production and marketing of homoeopathy, spagyric, gemmo- and phytotherapeutic medicines.

The total purchase consideration amounted to CHF 6.4 million, of which CHF 2.0 million was settled in cash and CHF 4.3 million was offset against loans. The fair value of the pre-existing investment of 7.9% amounted to CHF 0.2 million. The purchase price allocation has now been finalised (refer to [note 2](#)). The adjusted fair value of the net identifiable assets amounted to CHF 4.3 million at the acquisition date. The adjusted goodwill of CHF 2.1 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening Verfora's leading position in the Swiss consumer healthcare (CHC) market and the know-how of the employees gained. Galenica was also able to strengthen pharmacies and drugstores with the addition of a range of products in the growing area of complementary medicine. Acquired intangible assets include trademarks with an indefinite useful life of CHF 2.9 million. Transaction costs were not material.

Accounting principles business combinations

Business combinations are accounted for using the acquisition method. Consideration transferred comprises payments in cash as well as the fair value of the assets transferred, the obligations entered into or assumed and the equity instruments transferred. Transaction costs are recognised directly in profit or loss.

Goodwill is recognised at cost at the acquisition date and corresponds to the difference between the consideration transferred and the fair value of assets, liabilities and contingent liabilities identified in the purchase price allocation and the amount of any non-controlling interest in the acquiree. Goodwill is capitalised and included in intangible assets, while negative goodwill is recognised immediately in profit or loss. After initial recognition goodwill is recognised at cost less any accumulated impairment.

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

The difference arising from the acquisition of additional non-controlling interests in fully consolidated companies (purchase consideration less proportionate carrying amount of non-controlling interests) is considered to be an equity transaction and is thus taken directly to retained earnings in shareholders' equity. Gains and losses resulting from the disposal of interests in consolidated companies without loss of control are also recognised in retained earnings. Put options granted to non-controlling interests to sell their shares to Galenica as part of a business combination represent a contractual obligation to purchase non-controlling interests and give rise to a financial liability if the option does not provide Galenica with a present ownership interest in the shares concerned. This liability is measured at the redemption amount as if the put option had been exercised at the balance sheet date. Galenica accounts for changes in the carrying amount of this financial liability as an equity transaction.

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

5. Net sales

Net sales 2022

Net sales 2022

in thousand CHF	Sale of goods	Sale of services	Total net sales	Intersegmental net sales	Total net sales to third parties	of which sale of goods to third parties	of which sale of services to third parties
Local Pharmacies	1,210,214	76,641	1,286,856	-9	1,286,846	1,210,208	76,638
Pharmacies at Home	511,317	8,622	519,939	-370	519,569	510,948	8,622
Retail (B2C)¹⁾	1,721,362	85,263	1,806,625	-209	1,806,416	1,721,156	85,260
Products & Brands	155,906	1,782	157,687	-80,460	77,227	75,446	1,781
Services for Professionals	55,857	15,236	71,093	-21,695	49,398	44,775	4,623
Professionals (B2B)¹⁾	211,802	16,979	228,780	-102,156	126,625	120,221	6,404
Products & Care¹⁾	1,929,983	99,637	2,029,620	-96,579	1,933,041	1,841,376	91,664
Wholesale	2,810,514	9,845	2,820,359	-807,935	2,012,424	2,005,836	6,588
Logistics & IT Services	359	130,353	130,712	-63,492	67,220	348	66,872
Logistics & IT¹⁾	2,810,862	122,457	2,933,318	-853,674	2,079,645	2,006,184	73,461
Group Services	-	49,138	49,138	-47,475	1,663	-	1,663
Eliminations ²⁾	-893,284	-104,444	-997,728	997,728	-	-	-
Galenica Group	3,847,560	166,788	4,014,348	-	4,014,348	3,847,560	166,788

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

Net sales 2021

Net sales 2021

in thousand CHF	Sale of goods	Sale of services	Total net sales	Intersegmental net sales	Total net sales to third parties	of which sale of goods to third parties	of which sale of services to third parties
Local Pharmacies	1,185,084	76,437	1,261,521	-45	1,261,476	1,185,039	76,437
Pharmacies at Home	450,444	8,400	458,844	-503	458,341	449,941	8,400
Retail (B2C)¹⁾	1,635,149	84,837	1,719,987	-170	1,719,816	1,634,979	84,837
Products & Brands	129,401	2,179	131,581	-61,880	69,701	67,522	2,179
Services for Professionals	49,083	13,308	62,392	-20,102	42,290	38,739	3,551
Professionals (B2B)¹⁾	178,513	15,459	193,972	-81,982	111,990	106,261	5,729
Products & Care¹⁾	1,810,182	97,948	1,908,130	-76,323	1,831,807	1,741,240	90,567
Wholesale	2,703,030	25,407	2,728,437	-793,742	1,934,695	1,927,201	7,494
Logistics & IT Services	1,485	110,380	111,865	-44,978	66,887	525	66,362
Logistics & IT¹⁾	2,704,490	126,867	2,831,358	-829,775	2,001,582	1,927,726	73,857
Group Services	-	31,844	31,844	-30,554	1,290	-	1,290
Eliminations ²⁾	-845,707	-90,946	-936,652	936,652	-	-	-
Galenica Group	3,668,966	165,713	3,834,679	-	3,834,679	3,668,966	165,713

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

Accounting principles net sales

Net sales represent revenue from contracts with customers from the sale of goods or rendering of services. Revenue is recognised in the amount that reflects the consideration to which Galenica expects to be entitled when the promised goods or services are transferred to customers. Revenue is stated net of any price, volume, cash or other types of discounts (e.g. slotting fees that do not represent a distinct performance obligation) and exclusive of VAT.

Where invoices are issued, payment terms in Switzerland usually range between 10 and 30 days, for both goods and services.

Sale of goods

Revenue from sale of goods is recognised at the point in time the Group satisfies a performance obligation by transferring control over the products to its customers. For retail pharmacy sales, this is when the customer takes possession of the products at the point-of-sale and for wholesale transactions control transfers upon shipment of the products to the customer.

Galenica has determined that its customer loyalty programs represent separate performance obligations to which revenue is allocated based on relative stand-alone selling prices, which considers historical redemption patterns. Revenue is deferred and recognised when the award credits are redeemed, which is typically 2 to 4 months after the sale of the initial products. At the end of each period, unredeemed credits are reflected as contract liabilities and included in trade and other payables in the consolidated statement of financial position.

Refund liabilities from contracts with customers are estimated based on actual sales volumes for the financial year and refund percentages as agreed with customers. These liabilities are usually settled in the subsequent financial year. Revenue from gift cards purchased by customers is deferred as contract liabilities until goods or services are transferred, which is typically within 12 months after the sale of the gift card. Any amounts not expected to be redeemed are recognised based on historical redemption patterns.

Customer returns are not material.

Sale of services

Revenue from services includes logistics services, the processing and sale of information and IT services as well as other contractually agreed services. The performance obligations are either satisfied over time or at a point in time (i.e. when volumes are handled) depending on the type of services rendered. Revenue is recognised using a pattern of transfer that depicts Galenica's performance.

6. Other income

Other income

in thousand CHF	2022	2021
Income from own work capitalised	6,757	6,726
Rental income from operating leases	1,805	1,818
Gain on disposal of property, plant and equipment	212	9,406
Gain on disposal of subsidiaries	853	–
Other operating income	3,413	3,131
Other income	13,040	21,082

In 2021, Galenica sold the property at its headquarters to a real estate fund for the selling price of CHF 40.0 million. This resulted in a gain on disposal of property, plant and equipment of CHF 8.9 million.

7. Personnel costs

Personnel costs

in thousand CHF	2022	2021
Salaries and wages	435,466	423,315
Social security costs and pension expenses	63,237	64,648
Other personnel costs	39,649	30,896
Personnel costs	538,353	518,859
Average number of employees (FTE)	5,579	5,488

Social security costs and pension expenses contain expenses for defined benefit plans of CHF 32.6 million (previous year: expenses of CHF 31.1 million) (refer to [note 23](#)). Salaries and wages includes expenses for share-based payments of CHF 7.1 million (previous year: CHF 6.7 million) (refer to [note 28](#)).

8. Other operating costs

Other operating costs

in thousand CHF	2022	2021
Maintenance and repairs	23,547	21,015
Transport and shipping costs	42,809	40,738
Other operating and production costs	18,775	17,286
Rental and other lease expenses ¹⁾	11,080	9,009
Administration costs	47,863	43,350
Marketing and sales costs	35,495	31,443
Non-income taxes	1,575	1,379
Loss on disposal of property, plant and equipment	6	19
Other operating costs	181,151	164,240

¹⁾ Of which other lease expenses (incidental expenses) of CHF 5.9 million (previous year: CHF 4.0 million)

Research and development

During the reporting period, expenses for research and development totalling CHF 13.5 million were recognised directly in other operating costs (previous year: CHF 15.2 million).

9. Financial result

Financial result

in thousand CHF	2022	2021
Interest income	727	738
Net interest income from employee benefit plans	224	–
Other financial income	1,113	533
Net gain on foreign exchange	–	30
Financial income	2,065	1,301
Interest expense	2,818	2,701
Net interest expense from employee benefit plans	–	18
Interest expense on lease liabilities	2,455	2,298
Other financial costs	235	659
Net loss on foreign exchange	241	–
Financial expenses	5,749	5,677
Net financial expenses	3,685	4,375

10. Earnings per share

When calculating diluted earnings per share, the weighted average number of outstanding shares during the reporting period is adjusted assuming conversion of all potentially dilutive effects.

Number of outstanding shares

	2022	2021
Total number of shares	50,000,000	50,000,000
Average number of treasury shares	–265,164	–430,309
Average number of outstanding shares	49,734,836	49,569,691
Effect from share-based payments	68,730	61,834
Theoretical average number of outstanding shares (diluted)	49,803,566	49,631,525

Earnings per share

	2022	2021
Net profit – attributable to shareholders of Galenica Ltd. (in thousand CHF)	165,132	167,680
Earnings per share (in CHF)	3.32	3.38
Diluted earnings per share (in CHF)	3.32	3.38

11. Income taxes

Income taxes

in thousand CHF	2022	2021
Current income taxes	35,201	36,138
Income taxes of prior periods	-391	-547
Deferred income taxes	-1,042	-740
Income taxes	33,767	34,850

Tax reconciliation

in thousand CHF	2022	2021
Earnings before taxes (EBT)	199,626	203,033
Weighted income tax rate in % of EBT	18.3%	17.3%
Expected income taxes	36,579	35,048
Effects of changes in tax rates	-101	70
Effects of unrecognised losses in the current year	271	28
Realisation of unrecognised tax losses of prior periods	-536	-361
Other items and items from prior periods	-2,446	64
Effective income taxes	33,767	34,850
Effective income tax rate in % of EBT	16.9%	17.2%

The weighted income tax rate reflects the weighted average of the tax rates across the Swiss cantons in which Galenica is active. The composition of Galenica's taxable income and changes in local tax rates cause the tax rate to vary from year to year.

Deferred taxes

in thousand CHF	2022			2021 (Restated)		
	Deferred tax assets	Deferred tax liabilities	Net carrying amount	Deferred tax assets	Deferred tax liabilities	Net carrying amount
Current assets	3,123	-24,716	-21,593	2,776	-22,788	-20,012
Property, plant and equipment	44	-2,944	-2,900	189 ¹⁾	-3,344	-3,154 ¹⁾
Right-of-use assets	-	-38,450	-38,450	-	-37,037	-37,037
Intangible assets	7,248	-22,223	-14,975	7,383	-19,831	-12,448
Investments	-	-4,823	-4,823	-	-7,201	-7,201
Financial assets	-	-4,020	-4,020	19	-5,387	-5,368
Lease liabilities	39,568	-	39,568	38,354	-	38,354
Provisions	46	-1,270	-1,224	78	-1,316	-1,238
Employee benefit plans	3,026	-33	2,993	4,674	-12,060	-7,386
Other temporary differences	110	-760	-650	370	-1,017	-647
Shareholders' equity	779	-	779	814	-	814
Deferred taxes due to temporary differences	53,944	-99,238	-45,294	54,658¹⁾	-109,981	-55,324¹⁾
Tax loss carryforwards	168	-	168	-	-	-
Gross deferred taxes	54,112	-99,238	-45,126	54,658¹⁾	-109,981	-55,324¹⁾
Netting of assets and liabilities	-50,854	50,854	-	-49,910 ¹⁾	49,910 ¹⁾	-
Net deferred taxes	3,258	-48,384	-	4,747	-60,071¹⁾	-

¹⁾ Figures restated (refer to note 2)

Analysis of net deferred taxes

in thousand CHF	2022	2021 (Restated)
1 January	-55,324	-37,415
Recognised as income taxes in profit or loss		
– Change in temporary differences	774	5,080
– Fiscal realisation of recognised tax loss carryforwards	–	-4,269
– Tax loss carryforwards taken into account for the first time	168	–
– Effects of changes in tax rates	101	-70
Recognised in other comprehensive income	10,025	-19,261
Recognised in shareholders' equity (related to share-based payments)	146	188
Addition to scope of consolidation	-1,043	425 ¹⁾
Disposal from scope of consolidation	30	–
Translation differences	-3	-1
31 December	-45,126	-55,324¹⁾

¹⁾ Figures restated (refer to note 2)

Temporary differences on which no deferred taxes have been recognised

in thousand CHF	2022	2021
Investments in subsidiaries	175,950	145,257

Tax loss carryforwards and tax credits

in thousand CHF	2022		2021	
	Tax loss carryforwards / tax credits	Tax effect	Tax loss carryforwards / tax credits	Tax effect
Tax loss carryforwards and tax credits	9,056	2,035	9,779	2,175
– of which capitalised as deferred tax assets	-844	-168	–	–
– of which netted with deferred tax liabilities	–	–	–	–
Unrecognised tax loss carryforwards and tax credits	8,212	1,868	9,779	2,175
Of which expire:				
– within 1 year	–	–	–	–
– in 2 to 5 years	2,324	458	2,012	397
– in more than 5 years	5,888	1,410	7,767	1,777

Accounting principles income taxes

The expected current income tax charge is calculated and accrued on the basis of taxable profit for the current year and is recognised in profit or loss unless the underlying transaction is recognised outside profit or loss.

Deferred taxes are taxes on temporary differences between the value of assets and liabilities in the tax accounts and the carrying amounts included in Galenica's consolidated financial statements. Deferred taxes are calculated using the liability method on the basis of enacted or substantively enacted tax rates expected to apply when the asset is realised or the liability is settled. Tax effects from losses carried forward and other deductible temporary differences are only capitalised when it is probable that they will be realised in the future. Changes in deferred tax assets and deferred tax liabilities are recognised in profit or loss except for deferred taxes on transactions that are recognised directly in comprehensive income or equity.

Deferred tax liabilities are recorded for all taxable temporary differences associated with investments in subsidiaries, except Galenica is able to control the timing of the distribution and no dividend distribution is planned or likely to occur in the foreseeable future.

Deferred tax assets, including tax loss carryforwards and expected tax credits, are only taken into account if it is probable that future profits will be available against which the underlying assets can be applied for tax purposes.

12. Inventories

Inventories

in thousand CHF	2022	2021
Gross carrying amount as at 1 January	318,315	324,743
Addition to scope of consolidation	1,116	6,893
Disposal from scope of consolidation	-549	-
Change in inventories	16,611	-13,289
Translation differences	-51	-32
Gross carrying amount as at 31 December	335,443	318,315
Allowance as at 1 January	-23,245	-18,061
Addition	-376	-8,386
Use	3,295	3,194
Disposal from scope of consolidation	30	-
Translation differences	12	9
Allowance as at 31 December	-20,283	-23,245
Net carrying amount as at 31 December	315,160	295,070

Accounting principles inventories

Inventories contains purchased merchandise carried at the lower of cost or net realisable value. The weighted average method is primarily used to determine cost.

Inventory allowances are recognised on inventories for slow moving items and excess stock.

Cost of goods mainly include costs of goods and merchandise from the operating segments Products & Care and Logistics & IT. Price discounts, rebates or supplier discounts and other payments received from suppliers that are not payment for distinct goods or services provided by Galenica and thus on the purchase of goods are directly deducted from cost of goods.

13. Trade and other receivables

Trade and other receivables

in thousand CHF	2022	2021
Trade receivables	514,868	447,588
Bad debt allowances	-9,752	-8,609
Other receivables	24,364	22,129
Trade and other receivables	529,479	461,108

Change in bad debt allowances for trade receivables

in thousand CHF	2022	2021
1 January	-8,609	-7,983
Addition	-2,147	-1,533
Use	521	243
Reversal	450	656
Disposal from scope of consolidation	23	-
Translation differences	10	8
31 December	-9,752	-8,609

Maturity profile of trade receivables

in thousand CHF	2022			2021		
	Gross trade receivables	Bad debt allowances	Net trade receivables	Gross trade receivables	Bad debt allowances	Net trade receivables
Not past due	440,662	-4,927	435,735	398,993	-3,598	395,395
Past due:						
- 1 to 30 days	48,873	-735	48,138	28,972	-722	28,249
- 31 to 60 days	9,792	-493	9,299	7,430	-416	7,014
- 61 to 90 days	5,149	-462	4,687	3,794	-346	3,449
- more than 90 days	10,392	-3,135	7,256	8,399	-3,527	4,872
Total	514,868	-9,752	505,116	447,588	-8,609	438,979

Accounting principles trade and other receivables

Trade receivables are initially measured at the transaction price determined in accordance with IFRS 15. Other receivables are carried at original invoice value. Allowances for uncollectable amounts are estimated based on expected credit losses, using life-time expected credit losses for trade receivables (simplified approach). These bad debt allowances are based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment for individual allowances or for groups with comparable credit risk profiles.

Any impairment losses are recognised in profit or loss in other operating costs.

14. Property, plant and equipment

Property, plant and equipment

in thousand CHF	Real estate	Assets under construction	Warehouse equipment	Furniture, fittings	Other property, plant and equipment	Total property, plant and equipment
Net carrying amount as at 31.12.2020	167,982	20,211	29,514	22,811	27,537	268,055
Addition	10,424	10,781	7,486	5,792	7,706	42,189
Disposal	-29,621 ¹⁾	-	-37	-	-726	-30,385
Reclassification	7,488	-9,528	623	31	1,456	70
Depreciation	-17,468	-	-6,230	-5,248	-10,314	-39,259
Addition to scope of consolidation (restated)	3,388 ²⁾	-	125	258	108	3,879 ²⁾
Net carrying amount as at 31.12.2021 (restated)	142,194²⁾	21,464	31,481	23,644	25,767	244,549²⁾
Addition	14,682	1,517	12,656	3,434	8,754	41,044
Disposal	-	-	-13	-99	-167	-280
Reclassification	16,681	-21,023	3,637	-30	736	-
Depreciation	-14,108	-	-6,241	-5,124	-10,509	-35,983
Addition to scope of consolidation	96	-	-	59	84	238
Disposal from scope of consolidation	-	-	-54	-6	-14	-74
Net carrying amount as at 31.12.2022	159,544	1,958	41,465	21,877	24,650	249,495
Overview as at 31.12.2021						
Cost (restated)	298,086 ²⁾	21,464	101,103	111,297	65,134	597,085 ²⁾
Accumulated depreciation and impairment	-155,893	-	-69,622	-87,653	-39,367	-352,535
Net carrying amount as at 31.12.2021 (restated)	142,194²⁾	21,464	31,481	23,644	25,767	244,549²⁾
Overview as at 31.12.2022						
Cost	327,442	1,958	115,959	113,542	67,192	626,094
Accumulated depreciation and impairment	-167,897	-	-74,495	-91,665	-42,542	-376,599
Net carrying amount as at 31.12.2022	159,544	1,958	41,465	21,877	24,650	249,495

¹⁾ Including CHF 28.8 million from the sale of the headquarters building

²⁾ Figures restated (refer to note 2)

Accounting principles property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Depreciation is charged on a straight-line basis over the assets' useful lives as follows:

	Years
Land	unlimited
Buildings	10 – 50
Warehouse equipment	5 – 15
Manufacturing equipment	5 – 15
Furniture, fittings	5 – 10
IT equipment	3 – 10
Vehicles	3 – 10

Other property, plant and equipment consists of manufacturing equipment, IT equipment and vehicles.

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

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

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

15. Leases

Right-of-use assets

in thousand CHF	Real estate	Vehicles	Total right-of-use assets
Net carrying amount as at 31.12.2020	210,074	251	210,325
Addition	27,954	83	28,037
Reassessment of existing lease contracts	20,341	–	20,341
Depreciation	–49,012	–190	–49,202
Impairment	–22	–	–22
Addition to scope of consolidation	5,904	117	6,021
Translation differences	–	–4	–4
Net carrying amount as at 31.12.2021	215,239	257	215,496
Addition	23,456	76	23,533
Reassessment of existing lease contracts	35,497	12	35,509
Depreciation	–51,059	–197	–51,255
Impairment	–1,644	–	–1,644
Reversal of impairment	1,492	–	1,492
Addition to scope of consolidation	3,951	52	4,002
Disposal from scope of consolidation	–444	–	–444
Translation differences	–	–4	–4
Net carrying amount as at 31.12.2022	226,489	196	226,685

Lease liabilities

in thousand CHF	2022	2021
Net carrying amount as at 1 January	223,051	218,001
Addition	23,533	28,630
Reassessment of existing lease contracts	35,509	20,341
Interest expense on lease liabilities	2,455	2,298
Repayment of lease liabilities (including interest)	–54,914	–52,237
Addition to scope of consolidation	4,002	6,021
Disposal from scope of consolidation	–455	–
Translation differences	–4	–4
Net carrying amount as at 31 December	233,178	223,051
– of which current lease liabilities	50,173	49,717
– of which non-current lease liabilities	183,005	173,334

Leases recognised in profit or loss

in thousand CHF	2022	2021
Rental income from operating leases (included in other income)	1,805	1,818
Short-term lease expense (included in other operating costs)	-1,154	-1,325
Low-value lease expense (included in other operating costs)	-17	-36
Variable lease expense (included in other operating costs)	-4,002	-3,685
Depreciation of right-of-use assets	-51,255	-49,202
Impairment of right-of-use assets	-1,644	-22
Reversal of impairment of right-of-use assets	1,492	-
Interest expense on lease liabilities	-2,455	-2,298

The total cash outflow for leases including short-term leases, leases of low-value-assets and variable lease expenses was CHF 60.1 million (previous year: CHF 57.3 million).

Maturity profile of undiscounted lease liabilities

in thousand CHF	2022	2021
Up to 3 months	13,371	13,279
In 3 to 12 months	39,339	38,441
In 2 years	45,869	45,327
In 3 years	37,945	36,024
In 4 to 5 years	54,879	49,171
In 6 to 10 years	45,534	43,103
In more than 10 years	5,303	5,782
Total future cash flows from undiscounted lease liabilities	242,240	231,127

Possible future cash outflows related to extension options in an amount of CHF 183.1 million (previous year: CHF 163.2 million) are not included in lease liabilities because it is not reasonably certain that these options will be exercised.

The cash outflows for variable lease expenses in 2023 is expected to be similar to the amount recognised in 2022.

Galenica has entered into various lease contracts that have not yet commenced as at 31 December 2022. The future lease payments for these non-cancellable lease contracts amount to CHF 38.9 million (previous year: CHF 39.6 million).

Accounting principles leases

A lease is a contract in which the right to use an asset (the underlying asset) is granted for an agreed-upon period in return for consideration. Galenica has lease contracts for vehicles and a large number of contracts for real estate, mainly store locations, which include fixed rental payments and variable sales-based components. The significant majority of these lease contracts concerns locations of the pharmacies in the operating segment Products & Care.

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

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

Galenica uses the recognition exemptions for lease contracts that have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The lease liability represents the net present value of fixed or in substance fixed lease payments over the lease term. Lease liabilities are discounted using the incremental borrowing rate if the rate implicit in the lease is not readily determinable. Non-lease components are not included in the lease liabilities and are accounted for in accordance with applicable standards. The interest charge is presented as interest expense on lease liabilities.

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

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

16. Intangible assets

Intangible assets

in thousand CHF	Intangible assets with finite useful lives ¹⁾	Trademarks with indefinite useful lives	Software	Goodwill	Total intangible assets
Net carrying amount as at 31.12.2020	5,739	57,022	61,872	791,588	916,222
Addition	151	–	18,098	–	18,250
Reclassification	–9	–	–61	–	–70
Amortisation	–1,653	–	–8,293	–	–9,946
Addition to scope of consolidation (restated)	3,440	25,698	2,000	65,073 ²⁾	96,211 ²⁾
Net carrying amount as at 31.12.2021 (restated)	7,668	82,720	73,616	856,662²⁾	1,020,666²⁾
Addition	–	–	29,676	–	29,676
Disposal	–41	–	–	–	–41
Amortisation	–2,087	–	–10,997	–	–13,084
Addition to scope of consolidation	4,910	–	–	58,600	63,510
Disposal from scope of consolidation	–28	–	–28	–558	–614
Net carrying amount as at 31.12.2022	10,422	82,720	92,267	914,703	1,100,112
Overview as at 31.12.2021					
Cost (restated)	17,690	82,720	119,000	856,662 ²⁾	1,076,073 ²⁾
Accumulated amortisation and impairment	–10,023	–	–45,384	–	–55,407
Net carrying amount as at 31.12.2021 (restated)	7,668	82,720	73,616	856,662²⁾	1,020,666²⁾
Overview as at 31.12.2022					
Cost	21,982	82,720	147,680	914,703	1,167,085
Accumulated amortisation and impairment	–11,561	–	–55,413	–	–66,973
Net carrying amount as at 31.12.2022	10,422	82,720	92,267	914,703	1,100,112

¹⁾ Including trademarks, patents, licences and customer relationships

²⁾ Figures restated (refer to note 2)

Trademarks with indefinite useful lives

This position includes trademarks that are well known nationally and internationally and actively advertised. These acquired trademarks are regarded as having indefinite useful lives for the following reasons: they were created many years ago, they do not expire, and the products sold under the trademarks have a history of strong revenue and cash flow performance. Galenica intends and has the ability to support the trademarks to maintain their values for the foreseeable future.

For impairment testing purposes the trademarks have been allocated to the cash-generating units Verfora and Spagyros in the operating segment Products & Care. The recoverable amount (higher of fair value less costs of disposal and value in use) is determined on the basis of future discounted cash flows. Cash flows beyond the three-year planning period are based on the growth rates and discount rates before tax set out below, as approved in medium-term planning by management:

Trademarks with indefinite useful lives

in thousand CHF	2022	2021
Carrying amount	82,720	82,720
Growth rate	1.0%	1.0%
Pre-tax discount rate	6.8%	6.2%

According to the results of impairment testing for 2022 and 2021 using value in use calculations, no impairment was necessary. Galenica performed a sensitivity analysis taking into account reasonable changes in the assumptions used to calculate the discounted cash flows, such as higher discount rates, lower EBITDA, lower gross margins or lower perpetual growth rates. The sensitivity analysis for 2022 and 2021 did not reveal that a reasonable possible change in assumption would lead to an impairment.

Goodwill

Goodwill

in thousand CHF	2022			2021 (Restated)		
	Carrying amount	Growth rate	Pre-tax discount rate	Carrying amount	Growth rate	Pre-tax discount rate
Products & Care	829,156	1.0%	7.0%	768,295 ¹⁾	1.0%	6.5%
Logistics & IT	85,547	1.0%	7.0%	88,366	1.0%	6.5%
Total	914,703			856,662¹⁾		

¹⁾ Figures restated (refer to note 2)

According to the results of impairment testing for 2022 and 2021 using value in use calculations, no impairment was necessary. Galenica performed a sensitivity analysis taking into account reasonable changes in the assumptions used to calculate the discounted cash flows, such as higher discount rates, lower EBITDA, lower gross margins or lower perpetual growth rates. The sensitivity analysis for 2022 and 2021 did not reveal that a reasonable possible change in assumption would lead to an impairment.

Accounting principles intangible assets

Intangible assets include acquired trademarks, patents, licences, customer relationships, purchased or internally developed software and other assets without physical substance. These items are measured at cost less accumulated amortisation and impairment. The cost of an intangible asset acquired in a business combination corresponds to its fair value determined at acquisition date.

Expenditure on internally developed software is capitalised when the capitalisation criteria are met and future economic benefits from use or sale of the software are expected. Software that is not yet available for use is tested for impairment annually or more frequently if there are indications of impairment.

Amortisation is charged on a straight-line basis over the estimated economic or legal useful life, whichever is shorter as follows:

	Years
Trademarks, patents, licences, customer relationships	5 – 20
Software	2 – 15

The amortisation period and the amortisation method are reviewed at least at each financial year-end.

With the exception of trademarks in the business area Products & Brands, all intangible assets are assessed as having a finite useful life. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if there are indications of impairment. Intangible assets with finite useful lives are tested for impairment whenever there are indications that they could be impaired. Any impairment is recognised in profit or loss in depreciation and amortisation and disclosed separately as an impairment.

Goodwill is allocated to the cash-generating unit (CGU) or group of CGUs that are expected to benefit from a business combination. Management monitors goodwill at operating segment level.

Goodwill is tested for impairment annually, or more frequently if there are indications of impairment. The impairment test is based on the discounted cash flow method. The WACC is used to determine the applicable pre-tax discount rate. The recoverable amount (higher of fair value less costs of disposal and value in use) of each CGU is determined on the basis of the medium-term plans for the next three years approved by management. Cash flows beyond the three-year planning period are extrapolated using a perpetual growth rate. If the recoverable amount is lower than the carrying amount, the carrying amount is reduced to the recoverable amount by recording an impairment charge.

Any impairment on goodwill is recognised in profit or loss and disclosed separately. An impairment loss for goodwill is not reversed.

17. Investments in associates and joint ventures

Coop Vitality is the only significant joint venture of Galenica. Coop Vitality is registered in Bern, Switzerland. Galenica owns 49% of the share capital and voting rights, Coop Cooperative owns 51% of the share capital and voting rights.

Investments in associates and joint ventures

in thousand CHF	2022	2021
Net carrying amount as at 1 January	30,696	22,949
Share of profit from associates and joint ventures	4,202	6,765
Remeasurement of net defined benefit plans from associates and joint ventures	-921	3,529
Investments ¹⁾	5,566	-
Dividends received	-6,860	-2,548
Net carrying amount as at 31 December	32,682	30,696
- of which joint ventures	29,574	30,696

¹⁾ Including contribution of previously held securities with a fair value of CHF 1.7 million

In case Coop Vitality was overindebted, Galenica has an unlimited obligation, in proportion to its equity interest, to restructure the company. At the reporting date, this joint venture is not overindebted.

Condensed financial information of Coop Vitality

in thousand CHF	2022	2021
Current assets	45,257	40,121
Non-current assets	112,697	107,022
- of which right-of-use assets	52,891	48,358
Current liabilities	49,313	40,237
- of which current lease liabilities	10,103	10,391
Non-current liabilities	50,328	42,830
- of which non-current lease liabilities	44,381	39,480
Equity before appropriation of earnings	58,312	64,076
Operating income	266,542	260,835
EBIT	13,058	18,734
Net profit	10,114	14,720
Remeasurement of net defined benefit plans recognised in other comprehensive income	-1,879	7,202
Cash flow from operating activities	21,474	30,755

The net carrying amount of the investment in Coop Vitality is CHF 28.6 million as at 31 December 2022 (previous year: CHF 31.4 million). Unrealised profits are not considered in these amounts.

Accounting principles investments in associates and joint ventures

Investments in associates where Galenica holds between 20% and 50% of the voting rights and investments in joint ventures are initially recognised at cost and subsequently accounted for using the equity method. In the accounting periods following the acquisition, the carrying amount of the investment is increased by the share in profit or reduced by the share in loss and the dividends paid from the associates and joint ventures. The corresponding amounts are recognised in profit or loss. Transactions that are recognised in comprehensive income from associates and joint ventures are recognised proportionately in comprehensive income.

18. Financial assets

Financial assets

in thousand CHF	2022	2021
Loans	9,120	8,176
Rental deposits	4,780	4,669
Other financial assets	732	874
Loans and other financial assets	14,632	13,719
Securities	9,061	5,433
Financial assets	23,692	19,152

Accounting principles financial assets

Non-current financial assets comprise loans, time deposits with a term to maturity of more than twelve months, rental deposits, securities and derivative financial instruments with a positive fair value and a residual term to maturity of more than twelve months. Other than the derivatives measured at fair value through profit or loss, the financial assets are held to collect contractual cash flows comprising solely principal and interest payments and are therefore measured at amortised cost subsequent to initial recognition. Any credit losses on financial assets recognised represent 12 month expected losses and are estimated based on the credit risk of the counterparty. Any impairment is recognised in financial expenses.

19. Financial liabilities

Financial liabilities

in thousand CHF	2022	2021
Loans	6,320	5,654
Mortgages	1,241	1,253
Liabilities to pension funds	12,099	37,503
Bonds	380,194	380,306
Contingent consideration liabilities	49,180	24,000
Other financial liabilities	4,279	880
Financial liabilities	453,312	449,596
– of which current financial liabilities	218,464	43,052
– of which non-current financial liabilities	234,848	406,544

Galenica issued two fixed-interest rate bonds for a nominal amount totalling CHF 380.0 million for the purpose of long-term financing in June 2017. One bond of CHF 200.0 million was issued with an annual coupon of 0.50% and a term of 6 years, falling due on 15 June 2023 and the other bond of CHF 180.0 million with an annual coupon of 1.00 % and a term of 9½ years, falling due on 15 December 2026. The bonds are traded on the SIX Swiss Exchange under securities no. 36720669 (ISIN CH0367206692) and 36720670 (ISIN CH0367206700) respectively. The bonds closed at 99.42% and 95.55% respectively as at 31 December 2022 (previous year: 101.17% and 103.85% respectively).

Cash flow from financial liabilities and lease liabilities 2022

in thousand CHF	1 January 2022	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Disposal from scope of consolidation	Other changes	31 December 2022
Loans	5,654	1,607	-986	-	-	45	6,320
Mortgages	1,253	-	-12	-	-	-	1,241
Liabilities to pension funds	37,503	-	-24,895	-	-	-510	12,099
Bonds	380,306	-	-	-	-	-112	380,194
Contingent consideration liabilities	24,000	-	-	-	-	25,180	49,180
Other financial liabilities	880	-	-	-	-	3,399	4,279
Financial liabilities	449,596	1,607	-25,893	-	-	28,002	453,312
Lease liabilities	223,051	-	-52,459	4,002	-455	59,038	233,178
Financial liabilities and lease liabilities	672,647	1,607	-78,351	4,002	-455	87,040	686,490

Cash flow from financial liabilities and lease liabilities 2021

in thousand CHF	1 January 2021	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Other changes	31 December 2021
Bank loans	-	110,000	-110,000	-	-	-
Loans	4,643	1,795	-6,550	5,693	72	5,654
Mortgages	-	-	-4	1,257	-	1,253
Liabilities to pension funds	36,540	902	-	56	5	37,503
Bonds	380,417	-	-	-	-111	380,306
Contingent consideration liabilities	70	-	-	-	23,930	24,000
Other financial liabilities	960	-	-80	-	-	880
Financial liabilities	422,631	112,698	-116,634	7,005	23,896	449,596
Lease liabilities	218,001	-	-49,939	6,021	48,968	223,051
Financial liabilities and lease liabilities	640,632	112,698	-166,573	13,027	72,863	672,647

20. Trade and other payables

Trade and other payables

in thousand CHF	2022	2021
Trade payables	323,345	336,201
Contract liabilities	9,137	7,975
Other payables	22,738	19,867
Trade and other payables	355,220	364,043

Contract liabilities are generally recognised in revenue within 12 months.

21. Provisions

Provisions

in thousand CHF	2022	2021
1 January	3,808	4,398
Addition	3,479	1,456
Use	-1,619	-1,380
Reversal	-984	-1,066
Addition to scope of consolidation	-	400
31 December	4,684	3,808
- of which current provisions	4,487	2,498
- of which non-current provisions	197	1,310

Provisions are recognised for the estimated cost on damage, contractual liabilities, customer complaints, litigation risk and ongoing legal proceedings.

The cash outflow from the non-current provisions is expected within the next 2 to 3 years.

Accounting principles provisions

Provisions are recorded when Galenica has a present legal or constructive obligation towards a third party as a result of a past event, when the amount of the obligation can be reliably estimated and an outflow of economic resources is probable.

Provisions are recognised for the estimated cost of liabilities related to sureties, customer complaints, litigation risks and ongoing legal proceedings.

22. Contingent liabilities and commitments

Galenica is subject to a variety of risks. These risks include, but are not limited to, risks regarding product liability, patent law, tax law, competition laws and anti-trust laws. A number of Group companies are currently involved in administrative proceedings, legal disputes and investigations relating to their business activities. The results of ongoing proceedings cannot be predicted with certainty. Management has established appropriate provisions for any expenses likely to be incurred. These projections, however, are also subject to uncertainty. Galenica does not expect the results of these proceedings to have a significant impact on the financial statements.

In March 2017, the Swiss Competition Commission (COMCO) issued a ruling, which imposed a fine of up to CHF 4.5 million on Galenica. The ruling relates to an investigation from 2012. Galenica regards the ruling issued by COMCO as incorrect in fact and in law. Galenica has taken the ruling to the Federal Administrative Court. With a decision delivered in February 2022, the Federal Administrative Court reduced the fine to around CHF 3.8 million. Galenica has taken this case to the Swiss Federal Supreme Court and does not expect the proceedings to result in a sanction against Galenica.

In September 2020, the Swiss Competition Commission (COMCO) opened an investigation against Markant Handels- und Industriewaren-Vermittlungs AG and its customers, inter alia Galexis Ltd. Galenica does not expect the proceedings to result in a sanction against Galexis Ltd., however, a fine cannot be ruled out entirely.

Galenica entered into various obligations regarding the purchase of services, goods, and equipment as part of its ordinary business operations.

Galenica signed purchase agreements to acquire property, plant and equipment and intangible assets totalling CHF 15.9 million (previous year: CHF 16.7 million). The payments under these purchase commitments become due in 2023.

Furthermore, there are guarantees of CHF 8.6 million (previous year: CHF 3.9 million) and subordinated loans of CHF 1.4 million (previous year: none) to third parties.

There are no unusual pending transactions or risks to be disclosed.

Accounting principles contingent liabilities and commitments

A contingent liability is disclosed for an obligation where it is not probable that an outflow of resources will be required or where the amount of the obligation cannot be estimated with sufficient reliability.

23. Employee benefit plans

The vast majority of the Galenica employees work in Switzerland and participate in the Galenica Pension Fund, which is financed by the employers and the employees. This plan is legally separate from Galenica and qualifies as a defined benefit plan. The pension plan covers the risks of the economic consequences of old age, disability and death in accordance with the Swiss Federal Occupational Retirement, Survivors and Disability Pension Plans Act (BVG/LPP). The pension plan is structured in the legal form of a foundation. All actuarial risks are borne by the foundation and regularly assessed by the Board of Trustees based on an annual actuarial appraisal prepared in accordance with BVG/LPP. The company's liabilities are limited to contributions that are based on a percentage of the insured salary under the Swiss law. Only in cases of a funded status that is significantly below a funded status of 100% as per the BVG/LPP law can Galenica be required to pay additional contributions. The calculations made in these appraisals do not apply the projected unit credit method required by IFRS. If the calculations made in accordance with the provisions of BVG/LPP reveal a funded status of less than 100%, suitable restructuring measures need to be introduced. The Board of Trustees consists of employee and employer representatives.

The defined benefit plan is funded. Plan assets are managed separately from Galenica's assets by the independent pension fund.

The most recent actuarial valuation was prepared as at 31 December 2022. The pension fund assets are invested in accordance with local investment guidelines. Galenica pays its contributions to the pension fund in accordance with the regulations defined by the fund.

The final funded status pursuant to BVG/LPP is not available until the first quarter of the subsequent year. The projected funded status as at 31 December 2022 for Galenica Pension Fund is 108.3% (unaudited) and as at 31 December 2021 125.1% (final).

Defined benefit plans and long-service awards

in thousand CHF	2022			2021		
	Defined benefit plans	Long-service awards ¹⁾	Total	Defined benefit plans	Long-service awards ¹⁾	Total
Plan assets measured at fair value	1,044,124	–	1,044,124	1,143,224	–	1,143,224
Present value of defined benefit obligation	–975,824	–14,988	–990,812	–1,085,962	–16,229	–1,102,191
Surplus / (deficit)	68,299	–14,988	53,311	57,262	–16,229	41,033
Effect of asset ceiling	–69,941	–	–69,941	–	–	–
Net carrying amount recognised in employee benefit liabilities	–1,642	–14,988	–16,630	57,262	–16,229	41,033
of which recognised in assets	183	–	183	67,000	–	67,000
of which recognised in liabilities	–1,825	–14,988	–16,813	–9,738	–16,229	–25,967

¹⁾ Long-service awards relate to provisions for jubilee payments

Change in present value of defined benefit obligation

in thousand CHF	2022			2021		
	Defined benefit plans	Long-service awards	Total	Defined benefit plans	Long-service awards	Total
1 January	–1,085,962	–16,229	–1,102,191	–1,060,947	–14,924	–1,075,871
Current service cost	–31,804	–1,725	–33,529	–30,995	–1,519	–32,514
Past service cost	–85	–	–85	968	–	968
Interest on defined benefit obligation	–3,709	–59	–3,768	–519	–8	–527
Actuarial gain/(loss)	169,856	1,512	171,368	1,107	–1,152	–45
Employee contributions	–19,662	–	–19,662	–16,938	–	–16,938
Benefits/awards paid	–310	1,587	1,277	30,627	1,374	32,001
Change in scope of consolidation	–4,148	–74	–4,222	–9,265	–	–9,265
31 December	–975,824	–14,988	–990,812	–1,085,962	–16,229	–1,102,191

Change in fair value of plan assets

in thousand CHF	2022	2021
1 January	1,143,224	1,018,461
Interest on plan assets	3,992	509
Remeasurement gain/(loss)	-155,683	105,896
Employee contributions	19,662	16,938
Employer contributions	29,791	26,115
Net benefits paid	310	-30,627
Administration cost	-999	-1,053
Change in scope of consolidation	3,826	6,986
31 December	1,044,124	1,143,224

Net defined benefit cost

in thousand CHF	2022	2021
Current service cost	31,804	30,995
Past service cost	85	-968
Net interest on net defined benefit liability	-283	10
Administration cost	999	1,053
Net defined benefit cost	32,605	31,090

Remeasurement of net defined benefit liability

in thousand CHF	2022	2021
Actuarial gain/(loss) due to:		
- Changes in demographic assumptions	-	-10,108
- Changes in financial assumptions	190,663	49,946
- Experience adjustments	-20,807	-38,732
Remeasurement of plan assets	-155,683	105,896
Effect in the change of asset ceiling	-69,941	-
Remeasurement of net defined benefit liability recognised in other comprehensive income	-55,768	107,003

Change in assumption and in estimate

The experience adjustments of CHF -20.8 million (previous year: CHF -38.7 million) were the result of various elements not expected in the prior year mainly a higher interest credited to the member's accounts, an overall increase of the population and other items as calculated by the external actuary.

The increase of the discount rate from 0.35% to 2.10% (previous year: from 0.05% to 0.35%) resulted in a decrease of the defined benefit obligation of CHF 190.7 million (previous year: CHF 49.9 million). The increase of the discount rate resulted in an actuarial gain (change in financial assumptions) and an asset ceiling.

Asset ceiling

in thousand CHF	2022	2021
1 January	-	-
Change in the asset ceiling (recognised in other comprehensive income)	-69,941	-
31 December	-69,941	-

Investment structure of plan assets

in thousand CHF	2022		2021	
Cash and cash equivalents	5,312	0.5%	8,503	0.7%
Debt instruments	204,473	19.6%	191,285	16.7%
Equity instruments	424,749	40.7%	517,892	45.3%
Real estate	264,509	25.3%	256,809	22.5%
Other investments	145,081	13.9%	168,735	14.8%
Fair value of plan assets	1,044,124	100.0%	1,143,224	100.0%
Current return on plan assets		-13.2%		10.4%

The Board of Trustees is responsible for investing the plan assets. It defines the investment strategy and determines the long-term target asset structure (investment policy), taking into account the legal requirements, objectives set, the benefit obligations and the foundations' risk capacity. The Board of Trustees delegates implementation of the investment policy in accordance with the investment strategy to an investment committee, which also comprises trustees from the Board of Trustees and a general manager. Plan assets are managed by external asset managers in line with the investment strategy.

Cash and cash equivalents are deposited with financial institutions with a credit rating of A or above.

Debt instruments (e.g. bonds) have a credit rating of at least BBB and quoted prices in active markets (level 1 of the fair value hierarchy). They can be investments in funds and direct investments.

Equity instruments are investments in equity funds. These generally have quoted prices in active markets (level 1 of the fair value hierarchy).

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

Other investments consist of hedge funds, insurance linked securities (ILS), infrastructures, senior loans, private equity and receivables. There are receivables from Group companies amounted to CHF 11.2 million (previous year: CHF 34.2 million). Investments in hedge funds are classified as alternative investments. They are primarily used for risk management purposes. In most cases, quoted prices in an active market are not available for hedge funds investments (level 2 or level 3 of the fair value hierarchy).

The use of derivative financial instruments is only permitted if sufficient liquidity or underlying investments are available. Leverage and short selling are not permitted.

The pension funds manage the assets of 5,629 active members (previous year: 5,377) and 950 pensioners (previous year: 896).

Galenica does not use any pension fund assets.

Basis for measurement

	2022	2021
Discount rate	2.10%	0.35%
Salary development	2.25%	1.00%
Pension development	0.00%	0.00%
Mortality (mortality tables)	BVG 2020 GT (CMI), 1.5%	BVG 2020 GT (CMI), 1.5%
Turnover	BVG 2020 (60% –100%)	BVG 2020 (60% –100%)

Sensitivity analysis

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

Sensitivity analysis

in thousand CHF	2022		2021	
	Variations in assumptions	Impact on DBO	Variations in assumptions	Impact on DBO
Discount rate	+0.25%	-28,301	+0.25%	-39,043
	-0.25%	30,258	-0.25%	41,236
Salary development	+0.25%	2,914	+0.25%	3,260
	-0.25%	-2,913	-0.25%	-3,260
Mortality	+1 year	21,281	+1 year	32,388
	-1 year	-21,921	-1 year	-32,423

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

The pension obligations have an average duration of 14.4 years (previous year: 16.5 years).

Cash outflows for pension payments and other obligations can be budgeted reliably. The benefit plans collect regular contribution payments. Furthermore, the investment strategies safeguard liquidity at all times.

The employer contributions to the pension fund are estimated at CHF 31.2 million for 2023.

Accounting principles employee benefit plans

Galenica's defined benefit obligation (DBO) is assessed annually by independent pension actuaries using the projected unit credit method. This method considers employees' service in the periods prior to the reporting date and their future expected salary development. In addition, actuaries make use of statistical data such as employee turnover and mortality to calculate the defined benefit obligation.

Any deficit or surplus in funded defined benefit plans (when the fair value of plan assets falls short of or exceeds the present value of the defined benefit obligation) is recorded as a net defined benefit liability or asset. Galenica only recognises a net defined benefit asset if it has the ability to use the surplus to generate future economic benefits that will be available to Galenica in the form of a reduction in future contributions. If Galenica does not have the ability to use the surplus or it will not generate any future economic benefit, Galenica does not recognise an asset, but instead discloses the effect of this asset ceiling in the notes.

The components of defined benefit cost are service cost, net interest on the net defined benefit asset or liability and remeasurements of the net defined benefit asset or liability.

Service cost is a component of personnel costs and comprises current service cost, past service cost (including gains and losses from plan amendments) and gains and losses from plan settlements.

Net interest is determined by multiplying the net defined benefit liability or asset by a discount rate at the beginning of the reporting period. Net interest is included in the financial result.

Actuarial gains and losses result from changes in actuarial assumptions and differences between actuarial assumptions and actual outcomes. Actuarial gains and losses resulting from remeasuring the defined benefit plans are recognised immediately in comprehensive income as remeasurements of the net defined benefit liability or asset. This includes any differences in the return on plan assets (excluding interest, based on the discount rate). Remeasurements of the net defined benefit liability or asset are not reclassified through profit or loss at any point in time.

Galenica rewards employees for long service with jubilee benefits. These long-term benefits to employees are also measured using the projected unit credit method and included in employee benefit liabilities. These obligations are unfunded. Changes in obligations are recognised in profit or loss in personnel costs and interest expense as part of the financial expense, in line with the defined benefit plans.

24. Shareholders' equity

24.1 Share capital and number of shares

Galenica has fully paid-up share capital of CHF 5,000,000, divided into 50,000,000 publicly listed shares with a par value of CHF 0.10 each, as at the reporting date. All shares have the same capital rights with the exception of the treasury shares which do not generate any dividends. Voting rights and restrictions on voting rights are described in detail in Galenica's Annual report 2022 in the chapter Corporate Governance (unaudited).

As at 31 December 2022, Galenica Ltd. has no authorised capital.

Number of shares

	Total shares Galenica Ltd.	Treasury shares	Outstanding shares
Balance as at 31.12.2020	50,000,000	-501,440	49,498,560
Transactions with treasury shares	-	139,937	139,937
Balance as at 31.12.2021	50,000,000	-361,503	49,638,497
Transactions with treasury shares	-	177,763	177,763
Balance as at 31.12.2022	50,000,000	-183,740	49,816,260

The treasury shares are reserved for share-based payments to employees.

Accounting principles shareholders' equity

When treasury shares in Galenica Ltd. are acquired, they are deducted from shareholders' equity. Gains and losses from buying and selling treasury shares in Galenica Ltd. are recognised directly in shareholders' equity.

24.2 Changes in consolidated shareholder's equity

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

In the reporting period, 7,704 treasury shares (previous year: 5,682 treasury shares) were bought at an average price of CHF 69.97 (previous year: CHF 65.59) and 185,467 treasury shares (previous year: 145,619 treasury shares) were issued as share-based payments.

The expense for share-based payment transactions, allocated over the vesting period, has been recognised in personnel costs and accrued in consolidated shareholders' equity.

The acquisition of non-controlling interests reduced consolidated shareholders' equity by CHF 4.1 million (previous year: CHF 0.1 million). As a result of business combinations CHF 1.4 million (previous year: none) were recognised as non-controlling interests. Remaining Shareholders have a put option to sell their shares to Galenica which gives rise to a financial liability. The changes in the carrying amount of this financial liability reduced consolidated shareholder's equity by CHF 3.9 million (previous year: none).

The Board of Directors will submit a proposal to the Annual General Meeting on 3 May 2023 to pay a dividend of CHF 2.20 per share entitled to receive dividend for the financial year 2022. For this purpose, CHF 1.10 is to be taken from the reserves from capital contributions and CHF 1.10 from the retained earnings. However, no dividend will be paid on treasury shares. Based on the number of treasury shares as at 31 December 2022, the total dividend would amount to CHF 109.6 million.

25. Financial instruments

25.1 Categories of financial instruments

Carrying amounts of financial instruments 2022

in thousand CHF	Financial assets at amortised costs	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Cash and cash equivalents	93,927	–	–	93,927
Trade and other receivables	529,479	–	–	529,479
Financial assets	23,693	–	–	23,692
Current financial liabilities	–	–	218,464	218,464
Current lease liabilities	–	–	50,173	50,173
Trade and other payables	–	–	346,083	346,083
Non-current financial liabilities	–	49,180	185,668 ¹⁾	234,848
Non-current lease liabilities	–	–	183,005	183,005
Total	647,098	49,180	983,393	

¹⁾ Of which CHF 3.9 million are in connection to put options for non-controlling interests. Changes in the liability amount are recognised in equity

Carrying amounts of financial instruments 2021

in thousand CHF	Financial assets at amortised costs	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Cash and cash equivalents	164,982	–	–	164,982
Trade and other receivables	461,108	–	–	461,108
Financial assets	19,152	–	–	19,152
Current financial liabilities	–	–	43,052	43,052
Current lease liabilities	–	–	49,717	49,717
Trade and other payables	–	–	356,067	356,067
Non-current financial liabilities	–	24,000	382,544	406,544
Non-current lease liabilities	–	–	173,334	173,334
Total	645,242	24,000	1,004,714	

Net gain/(loss) on financial instruments 2022

in thousand CHF	Financial assets at amortised costs	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Change in fair value of contingent consideration	–	1,077	–	1,077
Net gain/(loss) on foreign exchange	–104	–	–137	–241
Other financial result	–144	–	–55	–198
Interest income	426	–	–	426
Interest expense	–	–	–2,818	–2,818
Interest expense on lease liabilities	–	–	–2,455	–2,455
Interest income on impaired trade receivables	301	–	–	301
Expected credit losses	–1,781	–	–	–1,781
Net gain/(loss) recognised in profit or loss	–1,302	1,077	–5,466	–5,690

Net gain/(loss) on financial instruments 2021

in thousand CHF	Financial assets at amortised costs	Financial liabilities at amortised costs	Total
Net gain/(loss) on foreign exchange	304	–274	30
Other financial result	–36	–89	–125
Interest income	492	–	492
Interest expense	–	–2,701	–2,701
Interest expense on lease liabilities	–	–2,298	–2,298
Interest income on impaired trade receivables	245	–	245
Expected credit losses	–1,023	–	–1,023
Net gain/(loss) recognised in profit or loss	–17	–5,362	–5,380

Accounting principles financial instruments (measurement and categories)

Galenica classifies its financial assets and financial liabilities at initial recognition. Subsequent measurement is at amortised cost or fair value through profit or loss.

Measurement of financial assets and financial liabilities

With the exception of trade receivables, financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs, if those financial instruments are not subsequently measured at fair value through profit or loss. Trade receivables are initially measured at the transaction price resulting from the revenue transaction. All purchases and sales of financial instruments are recognised using trade date accounting.

Financial assets are generally derecognised when the contractual rights to the cash flows expire. Financial liabilities are derecognised when they have been settled.

For subsequent measurement Galenica distinguishes between the following types of financial assets and financial liabilities:

Financial assets at amortised cost

This category includes trade and other receivables as well as loans and other financial assets such as rental deposits and securities. These financial assets are subsequently measured at amortised cost using the effective interest rate method less expected credit losses. Expected credit losses are based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Changes in expected credit losses due to changes in estimated credit risk are determined at each reporting date and charged to profit or loss. Galenica uses the simplified approach to determine its bad debt allowances for trade receivables using lifetime expected credit losses. Expenses for expected credit losses comprise the change in bad debt allowance and receivables directly written off.

Uncollectible loans and receivables are only derecognised if a certificate of loss has been issued.

Financial liabilities at fair value through profit or loss

Financial liabilities classified as at fair value through profit or loss correspond to contingent consideration liabilities from business combinations.

Financial liabilities at amortised costs

Financial liabilities mainly comprise trade and other payables as well as financial liabilities and bonds and are measured at amortised cost using the effective interest rate method.

25.2 Fair value measurement

Fair value

in thousand CHF	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Bond (fair value level 1)	380,194	370,830	380,306	389,270

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

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

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

in thousand CHF	2022	2021
1 January	24,000	70
Arising from business combinations	26,256	24,000
Change in fair value (recognised in profit and loss)	-1,077	-
Payments (cash out)	-	-70
31 December	49,180	24,000

Sensitivity analysis of contingent consideration liabilities from business combinations

Determining the contingent consideration liability of the business combination of Aquantic AG EBITDA of the acquired business was identified as a key assumption. Galenica has recorded the amount of CHF 3.4 million as contingent consideration liability based on the expected future performance for 2025 and 2026 of the acquired business. The possible future cash outflows range between zero and CHF 5.5 million. An increase in the forecasted EBITDA of the acquired business 2025 and 2026 by 5% would increase the contingent consideration liability by CHF 0.4 million. In return, a decrease of the forecasted EBITDA 2025 and 2026 by 5% would reduce the contingent consideration liability by CHF 0.4 million.

Determining the contingent consideration liability of the business combination of Bahnhof Apotheke Langnau AG future net sales for 2026 and 2027 of the acquired cannaplant business was identified as a key assumption. Galenica has recorded the amount of CHF 22.9 million as contingent consideration liability based on assumed probability-adjusted net sales and the expected achievement of other operational targets. The possible future cash outflows range between zero and CHF 29.0 million. An increase in the expected net sales of the acquired business 2026 and 2027 by 5% would increase the contingent consideration liability by CHF 2.0 million. In return, a decrease of the expected net sales 2026 and 2027 by 5% would reduce the contingent consideration liability by CHF 2.0 million.

Determining the contingent consideration liability of business combinations from previous years net sales of the acquired businesses was identified as key assumption. Galenica has recorded the discounted maximum amount as contingent consideration liability, an increase in the forecasted net sales of the acquired businesses would hence have no impact on the contingent consideration liability. In return, a decrease of the forecasted net sales of the forecasted net sales 2024 by 5% would reduce the contingent consideration liability by CHF 2.2 million.

Accounting principles financial instruments (fair value measurement)

Fair value

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

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

Fair value hierarchy

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

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

26. Financial risk management

Galenica is exposed to various financial risks and liquidity requirements. Galenica's financing and financial risk management activities are centralised into Group Treasury, which manages financial exposures of Galenica on account of changes in interest rates, currency risks, credit risks and liquidity in a manner that is consistent with underlying business risks and in line with the treasury policy approved by the Board of Directors as well as internal guidelines on cash and liability management. In addition, capital management of Galenica is also mainly exercised and monitored at Group level.

It is Galenica's policy not to enter into any speculative financial arrangements and to ensure matching maturities. Together, the risk management and monitoring measures described below are designed to limit negative impact on the financial statements.

26.1 Liquidity risk

Liquidity risk management

The aim of liquidity risk management is to provide sufficient cash to meet Galenica's financial liabilities on time while maintaining the flexibility to take advantage of market opportunities and optimum investment conditions. Group Treasury is responsible for raising current and non-current loans as well as for decisions on investments. Apart from financing operations, Galenica's credit standing enables it to borrow funds at an advantageous rate. To ensure that Galenica can meet its payment obligations in good time, liquidity is monitored centrally. Group Treasury monitors the cash flows using rolling liquidity planning. This takes into account the maturities of the financial instruments as well as the cash flows from operating activities.

Maturity profile of financial liabilities 2022

in thousand CHF	Carrying amount	Total undiscounted cash flows	up to 3 months	3 to 12 months	1 to 5 years	Maturities more than 5 years
Trade and other payables	346,083	346,083	345,855	228	–	–
Current financial liabilities	18,431	18,431	18,422	9	–	–
Current lease liabilities	50,173	52,710	13,371	39,339	–	–
Non-current financial liabilities	54,688	57,366	–	–	57,366	–
Bonds	380,194	388,200	–	202,800	185,400	–
Non-current lease liabilities	183,005	189,530	–	–	138,693	50,837
Total	1,032,573	1,052,320	377,648	242,376	381,459	50,837

Maturity profile of financial liabilities 2021

in thousand CHF	Carrying amount	Total undiscounted cash flows	up to 3 months	3 to 12 months	1 to 5 years	Maturities more than 5 years
Trade and other payables	356,067	356,282	353,850	2,432	–	–
Current financial liabilities	43,052	43,052	42,500	552	–	–
Current lease liabilities	49,717	51,720	13,279	38,441	–	–
Non-current financial liabilities	26,238	26,238	–	–	26,088	150
Bonds	380,306	391,000	–	2,800	388,200	–
Non-current lease liabilities	173,334	179,407	–	–	130,522	48,885
Total	1,028,714	1,047,699	409,629	44,225	544,810	49,035

The values presented above are contractually agreed undiscounted cash flows including interest. Wherever the contractually agreed payment amount is liable to change before maturity as a result of variable interest rates, the payment amounts based on the interest rates at the reporting date are disclosed.

26.2 Credit risk

Credit risk management

Credit risk arise when a customer or a third party fails to meet its contractual obligations and causes Galenica a financial loss. Credit risk are minimised and monitored by restricting business relations to known, reliable partners.

Corporate policy ensures that credit checks are performed for customers who are supplied on credit. Trade receivables are subject to active risk management procedures. They are continually monitored and credit risk is reviewed in the process of reporting to management. Allowances for expected credit losses are made in accordance with uniform guidelines on the measurement of outstanding receivables.

In addition, credit risk arise in relation to financial assets, comprising cash and cash equivalents, securities, loans and certain derivative financial instruments. The creditworthiness of the counterparties is regularly monitored and reported to management.

Financial assets subject to credit risk

in thousand CHF	2022	2021
Cash and cash equivalents (without cash on hand)	92,377	163,336
Trade and other receivables	529,479	461,108
Loans and other financial assets	14,632	13,719
Financial assets subject to credit risk	636,488	638,164

The financial assets subject to credit risk are primarily receivables.

Galenica applies internal risk management guidelines to identify concentrations of credit risk.

Galenica's financial assets are not exposed to a concentration of credit risk.

No past due financial assets have been renegotiated. Based on past experience, Galenica considers the creditworthiness of non-past due trade receivables to be good. Trade receivables past due are analysed on an ongoing basis. These receivables are accounted for using individual bad debt allowances, adjusted for forward-looking factors specific to the debtors and the economic environment.

27. Capital management

The capital of Galenica is managed and monitored at Group level. The objective of capital management at Galenica is to ensure the continuity of operations, increase enterprise value on a sustainable basis, provide an adequate return to investors, provide the financial resources to enable investments in areas that deliver future benefits for patients and customers and further returns to investors.

Galenica defines the capital that it manages as invested interest-bearing liabilities and equity. Galenica uses a system of financial control based on various key performance indicators. Capital is monitored based on the gearing, for example, which expresses net debt as a percentage of shareholders' equity including non-controlling interests and is communicated regularly to management as part of internal reporting.

Net debt, shareholders' equity and gearing are shown in the table below.

Net debt, shareholder's equity and gearing

in thousand CHF	2022	2021
Current financial liabilities ¹⁾	218,464	43,019
Current lease liabilities	50,173	49,717
Non-current financial liabilities ¹⁾	181,389	381,697
Non-current lease liabilities	183,005	173,334
Cash and cash equivalents	-93,927	-164,982
Interest-bearing receivables	-11,347	-1,527
Net debt	527,758	481,257
Equity attributable to shareholders of Galenica Ltd.	1,245,580	1,227,538
Non-controlling interests	3,881	6,140
Shareholders' equity	1,249,461	1,233,677
Gearing	42.2%	39.0%

¹⁾ Excluding non-interest-bearing financial liabilities

Galenica has no covenants requiring a minimum level of equity, nor is Galenica subject to any externally regulated capital requirements as seen in the financial services sector.

28. Share-based payments

Remuneration for members of the Board of Directors

The members of the Board of Directors receive fixed annual remuneration and can choose whether to receive it in full or in part (50%) in shares of Galenica Ltd. The amount settled in shares is paid out with a discount of 25%. The shares may not be traded for the first five years.

The fair value of the shares granted is equivalent to the amount to be paid out in shares plus the discount of 25%.

Share plan for members of senior management

According to the participation plan, members of senior management receive their performance-related bonus partly in cash and partly in shares of Galenica Ltd. The proportion of cash to shares is set out in the regulations and is based on the salary grade of the recipient. In addition, all members of senior management are obliged to hold a number of shares of Galenica. The amount to be settled in shares is paid out in the form of shares of Galenica Ltd. with a discount of 25%. The shares may not be traded for the first five years.

The fair value of the shares granted is equivalent to the amount to be paid out in shares plus the discount of 25%.

Long-term incentive plan (LTI)

Members of the Corporate Executive Committee of Galenica and certain members of senior management participate in a LTI plan for the allocation of performance share units. The number of these performance share units is based on the extent to which defined long-term performance targets such as the Galenica Economic Profit and the relative total shareholders return (TSR) are attained. TSR is measured as a percentile ranking against a peer group of relevant companies. A LTI plan always runs for a vesting period of three years. At the beginning of each financial year a new LTI plan with a new vesting period of three years is issued. At the start of the vesting period a defined number of performance share units are individually allocated. The number of performance share units allocated is dependent on the defined percentage of the annual salary incorporated into the LTI plan as well as the effective share price at the time of the allocation. At the end of the vesting period performance share units are paid out to eligible beneficiaries in the form of shares of Galenica Ltd.

19,613 performance share units (previous year: 21,916 performance share units) were granted to beneficiaries at a fair value of CHF 58.20 (previous year: CHF 52.75) at the beginning of the reporting period for the 2022 LTI plan.

Employee share plan

Employees of Galenica are entitled to buy a fixed number of shares of Galenica Ltd. at a preferential price. All employees who, at the time of the purchase offer, are not under notice and have an employment contract of unlimited duration are entitled to acquire shares.

The purchase price for the shares is calculated at the time of the purchase offer based on the average price for the previous month less a 30% discount. The price discount is borne by the employer. The shares may not be traded for the first three years.

In the reporting period, employees purchased 75,607 shares of Galenica Ltd. (previous year: 76,461 shares) at a price of CHF 53.50 (previous year: CHF 46.80). This includes a discount of CHF 22.90 (previous year: CHF 20.06) per share.

Share-based payment expense

in thousand CHF	2022	2021
Remuneration for members of the Board of Directors	907	880
Share plan for members of senior management	3,087	3,126
Long-term incentive plan (LTI)	1,383	1,180
Employee share plan	1,731	1,534
Total	7,109	6,719

Accounting principles share-based payments

The employees of Galenica participate in share-based payment plans. These plans qualify as equity-settled share-based payment plans and are settled in shares of Galenica Ltd.

The share-based payments are measured at fair value at grant date.

Galenica estimates the number of Galenica shares which are expected to vest. The expense is recognised over the vesting period as part of personnel costs and an increase in shareholders' equity for the best estimate of the number of shares Galenica expects to vest. Expense adjustments due to changes in expectations regarding the number of Galenica shares expected to vest are recognised in personnel costs for the relevant reporting period.

If the arrangements are modified during the life of an equity-settled share-based payment plan, any incremental fair value is recognised over the remaining vesting period. If the plan is cancelled, the rights are assumed to be exercised at the date of cancellation and the expense is recognised immediately in profit or loss. If the cancelled plan is replaced by a new share-based payment plan identified as a replacement award, the expense is recognised in the same way as for modifications.

29. Related party transactions

Related parties include all companies of the Galenica Group as well as associates, joint ventures, pension funds, members of the Board of Directors and members of the Corporate Executive Committee.

Related party transactions

As at the reporting date, trade receivables and loans to associates and joint ventures amounted to CHF 21.3 million (previous year: CHF 12.2 million). The trade receivables and loans primarily relate to Coop Vitality. The trade payables and loans from associates and joint ventures amounted to CHF 5.6 million (previous year: CHF 3.8 million) and the financial liabilities to pension funds amounted to CHF 12.1 million (previous year: CHF 37.5 million).

The transactions with associates and joint ventures shown in the table below largely concern transactions with Coop Vitality and are all realised at market-based prices. The invoice payment for the sale of goods and services are due within 30 days and is payable in CHF.

Related party transactions

in thousand CHF	2022		2021	
	Associates and joint ventures	Other related parties	Associates and joint ventures	Other related parties
Sale of goods	162,134	–	156,535	2,363
Income from services	7,900	–	7,367	–
Other income	17	–	17	–
Purchase of goods	2,719	–	2,353	–
Other operating costs	–	–	67	–
Financial income	106	–	128	–
Financial expenses	203	–	7	–

Remuneration of the Board of Directors and the Corporate Executive Committee

Remuneration of the Board of Directors and the Corporate Executive Committee

in thousand CHF	2022	2021
Remuneration	4,224	3,890
Social security costs and pension expenses	1,054	899
Share-based payments	2,537	2,198
Total	7,815	6,986

30. Subsequent events

The following transactions occurred between 31 December 2022 and 2 March 2023, the date on which the consolidated financial statements 2022 were released for publication.

Acquisition of pharmacies. Galenica acquired 100 % of the interests in pharmacies at various locations in Switzerland.

The purchase consideration was CHF 9.7 million, the fair value of the provisional net assets resulting from these additions was estimated at CHF 1.0 million at the acquisition date. Since the transactions were concluded shortly before the consolidated financial statements were issued, no further information was available to disclose the additional information required by IFRS.

Acquisition of Padma AG. On 30 January 2023 Galenica acquired 100% of the shares in the Swiss company Padma AG. Padma specialises in the manufacture and distribution of herbal formulations based on Tibetan medicine.

The purchase consideration amounted to CHF 24.9 million, of which CHF 20.9 million was settled in cash. The contingent considerations in the amount of CHF 4.0 million is due in 2026 if certain financial and operational targets are achieved. Since the transactions was concluded shortly before the consolidated financial statements were issued, it was not possible to disclose the additional information required by IFRS.

There were no further significant events after the reporting date.

31. Group companies

Group companies Products & Care

Group companies	Registered office	Method of consolidation	Currency	Share capital in thousand	2022 Equity interest	2021 Equity interest
Products & Care						
Amavita Health Care Ltd.	CH-Niederbipp	full	CHF	100	100%	100%
Bahnhof Apotheke Langnau AG	CH-Langnau im Emmental	full	CHF	100	100%	-
Bahnhof Apotheken Thun AG	CH-Thun	full	CHF	200	50%	50%
Bichsel AG ²⁾	CH-Bern	full	CHF	1,000	100%	100%
Bichsel Interlaken Holding AG ¹⁾	CH-Interlaken	full	CHF	100	100%	95%
Careproduct AG ³⁾	CH-Oberwil-Lieli	-	-	-	-	100%
Coop Vitality AG	CH-Bern	at equity	CHF	5,000	49%	49%
Coop Vitality Health Care GmbH ¹⁾	CH-Niederbipp	at equity	CHF	20	49%	49%
Coop Vitality Management AG	CH-Bern	at equity	CHF	100	49%	49%
Curarex swiss AG	CH-Zuchwil	full	CHF	100	100%	100%
Dr. A.&L. Schmidgall GmbH & Co KG ¹⁾	AT-Vienna	full	EUR	145	100%	100%
Dr. U. Reinhard AG ⁴⁾	CH-Winterthur	-	-	-	-	100%
Emeda Ltd.	CH-Wangen-Brüttisellen	at equity	CHF	200	50%	-
Galenicare Ltd.	CH-Bern	full	CHF	700	100%	100%
Galenicare Management Ltd.	CH-Bern	full	CHF	500	100%	100%
G-Pharma AG	CH-Niederbipp	full	CHF	100	100%	100%
Grosse Apotheke Dr. G. Bichsel AG ¹⁾	CH-Interlaken	full	CHF	200	100%	95%
Hedoga AG	CH-Villars-sur-Glâne	full	CHF	100	100%	100%
Laboratorium Dr. G. Bichsel AG ¹⁾	CH-Unterseen	full	CHF	200	100%	95%
Lifestage Solutions Ltd.	CH-Otelfingen	full	CHF	152	100%	100%
Medifilm Ltd. ¹⁾	CH-Oensingen	full	CHF	1,300	100%	100%
Medinform AG	CH-Zürich	full	CHF	100	50%	-
MediService Ltd.	CH-Zuchwil	full	CHF	363	100%	100%
Puravita AG	CH-Speicher	at equity	CHF	130	23%	-
Puresense AG ⁵⁾	CH-Gaiserwald	-	-	-	-	40%
Schmidgall GmbH ¹⁾	AT-Vienna	full	EUR	36	100%	100%
Spagyros Ltd.	CH-Worb	full	CHF	860	100%	100%
Sun Store Health Care Ltd.	CH-Niederbipp	full	CHF	100	100%	100%
Swiss Pharma GmbH	DE-Rülzheim	full	EUR	51	100%	100%
Verfora Ltd.	CH-Villars-sur-Glâne	full	CHF	100	100%	100%
Winconcept Ltd.	CH-Bern	full	CHF	100	100%	100%
Zentral Apotheke Heerbrugg AG ⁶⁾	CH-Au	full	CHF	100	100%	100%

¹⁾ Not directly held by Galenica Ltd.

²⁾ The company was renamed "Bichsel AG" from "Galenica Investment AG"

³⁾ The company was sold as at 20 September 2022

⁴⁾ The company was merged into Galenicare Ltd.

⁵⁾ The company was sold as at 9 November 2022

⁶⁾ The company was renamed "Zentral Apotheke Heerbrugg AG" from "Pharmapool Zentralapotheke AG"

Group companies Logistics & IT and Group Services

Group companies	Registered office	Method of consolidation	Currency	Share capital in thousand	2022 Equity interest	2021 Equity interest
Logistics & IT						
1L Logistics AG	CH-Burgdorf	full	CHF	100	100%	100%
Alloga Ltd.	CH-Burgdorf	full	CHF	8,332	100%	100%
Aquantic AG	CH-Zeiningen	full	CHF	100	100%	-
Dauf SA ¹⁾	CH-Lugano	full	CHF	100	92.88%	91.60%
Galexis Ltd.	CH-Niederbipp	full	CHF	25,000	100%	100%
HCI Solutions Ltd.	CH-Bern	full	CHF	100	100%	100%
Pharma-Info AG ¹⁾	CH-Biel	at equity	CHF	100	49%	49%
PharmaBlist Ltd. ¹⁾	CH-Widnau	full	CHF	100	100%	100%
Pharmapool Ltd. ¹⁾	CH-Widnau	full	CHF	962	100%	100%
Unione Farmaceutica Distribuzione SA	CH-Lugano	full	CHF	2,000	92.88%	91.60%
Group Services						
Galenica Finanz Ltd.	CH-Bern	full	CHF	100	100%	100%

¹⁾ Not directly held by Galenica Ltd.



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To the General Meeting of
Galenica Ltd., Berne

Berne, 2 March 2023

Report of the statutory auditor

Report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of Galenica Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position as at 31 December 2022, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.



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Impairment risk of goodwill and other intangibles

Risk	<p>As disclosed in note 16, goodwill amounts to CHF 914.7 million as at 31 December 2022 and represents a major asset of Galenica. In addition, Galenica recorded intangible assets with indefinite useful lives with a carrying amount of CHF 82.7 million. Both goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually.</p> <p>Auditing management's annual impairment test is considered important to our audit as it depends on various estimates made by management and therefore includes judgmental elements. In particular, the assessment is sensitive to significant assumptions made about future market and economic conditions, such as economic growth, expected market share, revenue and margin development. Moreover, the terminal growth and the discount rate used have an impact on the net present value of the underlying cash generating unit.</p>
Our audit response	<p>We performed audit procedures that included, among others, assessing the methodology and testing the assumptions discussed above, the weighted average cost of capital (WACC), and technical input parameters used by Galenica. We involved our internal valuation specialists to assist us with these audit procedures. In addition, we assessed the cash flow projections for all cash generating units (CGUs) including the terminal growth. These procedures included an assessment of the historical accuracy of management's estimates and evaluation of business plans. In particular, we considered the available headroom of CGUs and performed sensitivity analyses of assumptions to evaluate whether changes in assumptions as described in note 16 could cause the carrying amount to exceed its recoverable amount. Our audit procedures did not lead to any reservations regarding the impairment tests of goodwill and other intangibles.</p>



Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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**Board of Directors' responsibilities for the consolidated financial statements**

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Simone Wittwer
Licensed audit expert

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Statement of income of Galenica Ltd.

in thousand CHF	2022	2021
Investment income	121,243	87,273
Financial income	52,223	142,694
Other income	132,917	71,391
Income	306,383	301,358
Personnel costs	-72,243	-41,004
Financial expenses	-10,881	-4,333
Depreciation and amortisation	-16,156	-6,355
Other expenses	-33,842	-14,973
Expenses	-133,122	-66,665
Profit for the year before taxes	173,261	234,693
Direct taxes	-5,162	-6,017
Profit for the year	168,099	228,676

Statement of financial position of Galenica Ltd.

in thousand CHF		2022		2021
Cash and cash equivalents		32,607		49,816
Receivables				
– Third parties		585		3,546
– Group companies		82		62
Prepaid expenses and accrued income				
– Third parties		5,322		4,023
– Group companies		500		1,430
Current assets	3.1%	39,096	5.1%	58,877
Financial assets		85,713		81,614
Investments		1,064,752		949,967
Property, plant and equipment		14,023		12,019
Intangible assets		49,197		43,396
Non-current assets	96.9%	1,213,685	94.9%	1,086,996
Assets	100.0%	1,252,781	100.0%	1,145,873
Current interest-bearing liabilities		200,000		–
Other current liabilities				
– Third parties		16,761		16,468
– Group companies		41,074		21,834
Accrued expenses and deferred income				
– Third parties		13,787		13,817
– Group companies		–		1,430
Current liabilities	21.7%	271,622	4.7%	53,549
Non-current interest-bearing liabilities		180,000		380,000
Other non-current liabilities		49,179		24,000
Non-current liabilities	18.3%	229,179	35.3%	404,000
Liabilities	40.0%	500,801	39.9%	457,549
Share capital		5,000		5,000
Legal capital reserves				
– Reserves from capital contributions		254,788		307,010
Legal retained earnings				
– General legal retained earnings		1,000		1,000
– Reserves for treasury shares		8,000		3,000
Voluntary retained earnings				
– Free reserve		314,000		143,000
– Profit brought forward from the previous year		1,093		638
– Profit for the year		168,099		228,676
Shareholders' equity	60.0%	751,980	60.1%	688,324
Liabilities and shareholders' equity	100.0%	1,252,781	100.0%	1,145,873

Notes to the financial statements of Galenica Ltd.

Galenica Ltd.

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

With the changed organisational and management structure of Galenica valid as at 1 January 2021, Galenica centralised its Corporate functions such as Finance, Human Resources, Legal & Board Services, Communications and Transformation as well as the internal IT Services on 1 July 2021. The transfer of these business activities from other Group companies to Galenica Ltd. also resulted in a transfer of employees as well as related assets and liabilities. A «like-for-like» comparison with the previous year's period is therefore not possible.

Principles

The financial statements of Galenica Ltd. have been prepared in accordance with Article 957 et seqq. of Title 32 of the Accounting law based on the Swiss Code of Obligations (CO). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Financial income

Financial income includes the reversal of a bad debt allowance on non-current intercompany loans of CHF 15.0 million (previous year: CHF 30.0 million) and a reversal of an impairment on investments of CHF 35.5 million (previous year: none). In 2021, financial income includes also a non-taxable gain of CHF 109.5 million due to the merger with GaleniCare Holding Ltd.

Other income

Other income includes group-internal management fees of CHF 50.5 million (previous year: CHF 34.6 million) and IT services of CHF 66.4 million (previous year: CHF 28.4 million). Revenue is recognised when the service is provided.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Depreciation is charged on a straight-line basis over the assets' useful lives.

Property, plant and equipment

in thousand CHF	2022	2021
Furniture, fittings	66	35
IT equipment	9,379	11,305
Vehicles	4,578	679
Total net carrying amount	14,023	12,019

Intangible assets

Intangible assets include purchased or internally developed software. These items are measured at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated economic useful life.

Financial assets

Financial assets include non-current loans to Group companies of CHF 74.7 million (previous year: CHF 74.7 million) and joint ventures of CHF 4.9 million (previous year: CHF 4.9 million).

Subordinated loans

As at 31 December 2022, subordinated loans to Group companies amounted to CHF 1.9 million (previous year: none) and to other companies amounted to CHF 1.4 million (previous year: none).

Investments

An overview of the investments that are directly or indirectly controlled by Galenica Ltd. is provided in [note 31](#) to the Consolidated financial statements 2022 of the Galenica Group.

Interest-bearing liabilities

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

Interest-bearing liabilities

in thousand CHF	2022	2021
Bond 0.5 % (15 June 2017–15 June 2023) ISIN CH0367206692	200,000	200,000
Bond 1.0 % (15 June 2017–15 December 2026) ISIN CH0367206700	180,000	180,000
Interest-bearing liabilities	380,000	380,000
– of which current interest-bearing liabilities	200,000	–
– of which non-current interest-bearing liabilities	180,000	380,000

Lease obligations

The lease obligations, which do not expire or cannot be terminated within 12 months, have the following maturity structure. These amounts include the payments owed from rental and leasing agreements up to the end of the contract or the expiry of the notice period.

Lease obligations

in thousand CHF	2022	2021
Within 1 year	1,223	1,200
In 2 to 5 years	1,854	1,200
In more than 5 years	25,600	27,428
Total	28,677	29,828

Share capital

As at 31 December 2022, the share capital of Galenica amounted to CHF 5,000,000, divided into 50,000,000 fully paid-up and publicly listed shares with nominal value of CHF 0.10 each.

Authorised capital

As at 31 December 2022, Galenica Ltd. has no authorised capital.

Reserves from capital contributions

The reserves from capital contributions have been reduced to CHF 254.8 million (previous year: CHF 307.0 million) due to the dividend paid out to the shareholders on 17 May 2022 taken from the reserves from capital contributions in the amount of CHF 52.2 million (previous year: CHF 44.6 million).

Release of hidden reserves

In 2022, hidden reserves of CHF 15.0 million were released (previous year: CHF 30.0 million).

Contingent liabilities

As at 31 December 2022, total contingent liabilities amounted to CHF 347.4 million (previous year: CHF 325.8 million), including issued guarantees to Group companies of CHF 217.2 million (previous year: CHF 195.6 million) as well as CHF 130.0 million (previous year: CHF 130.0 million) for guarantees to secure intraday transactions for Group companies in connection with the zero balance cash pooling.

Full-time equivalents

The average number of full-time equivalents for the reporting period amounted to 413 (previous year: 218).

Treasury shares

Galenica shares owned by subsidiaries:

Treasury shares

	Number	2022 in CHF	Number	2021 in CHF
1 January	361,503		501,440	
1st quarter				
– Bought	2,161	141,737	392	23,223
– Sold	–59,930	–3,874,139	–41,676	–2,436,140
2nd quarter				
– Bought	1,288	93,873	1,584	100,175
– Sold	–39,680	–2,597,453	–18,087	–1,061,888
3rd quarter				
– Bought	1,630	116,782	1,415	98,068
– Sold	–85,857	–6,559,475	–85,856	–5,740,332
4th quarter				
– Bought	2,625	186,644	2,291	151,210
– Sold	–	–	–	–
31 December	183,740		361,503	

The treasury shares are reserved for share-based payments to employees.

Major shareholders

According to the Galenica Share Register, shareholders who owned 3% or more of the Company's capital shown in the table below. No other shareholder has announced a crossing of the 3% threshold of shares.

Major shareholders

	31.12.2022		31.12.2021	
	Number of shares	% of share capital	Number of shares	% of share capital
UBS Fund Management (Switzerland) AG, Switzerland	2,671,158	5.3	2,671,158	5.3
Credit Suisse Funds AG, Switzerland	2,495,385	5.0	1,626,752	3.3
Alecta Pensionsförsäkring, Sweden	2,000,000	4.0	2,000,000	4.0
BlackRock, Inc., USA	1,579,198	3.2	–	–
Swisscanto Fondsleitung AG, Switzerland	1,533,324	3.1	1,533,324	3.1
Vontobel Fonds Services AG, Switzerland	1,502,395	3.0	–	–

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

Shareholdings of the members of the Board of Directors

Shareholdings of the members of the Board of Directors

Number of shares	Held as at 31.12.2022	Shares allocated for 2022	Held as at 31.12.2021	Shares allocated for 2021
Daniela Bosshardt	25,695	3,167	22,131	3,564
Pascale Bruderer	2,963	1,086	1,703	1,260
Michel Burnier	9,487	1,086	8,265	1,222
Bertrand Jungo	8,248	1,357	4,964	3,284
Judith Meier	–	1,448	–	–
Markus R. Neuhaus	9,084	1,448	7,416	1,668
Philippe Nussbaumer	–	–	–	916
Andreas Walde	13,509	2,715	11,982	1,527
Shares of the members of the Board of Directors	68,986	12,307	56,461	13,441

Shares held by related parties to members of the Board of Directors are included in the declaration of the number of shares they hold.

Shareholdings of the members of the Corporate Executive Committee

Shareholdings of the members of the Corporate Executive Committee

Number of shares	Held as at 31.12.2022	Held as at 31.12.2021
Marc Werner	4,625	1,390
Lukas Ackermann	1,012	–
Felix Burkhard	17,700	14,674
Andreas Koch	5,545	2,719
Daniele Madonna	13,164	8,325
Virginie Pache Jeschka	2,738	1,072
Thomas Szuran	8,083	2,315

Shares held by related parties to members of the Corporate Executive Committee are included in the disclosed numbers.

Information relating to the number and value of participations rights of the members of the Board of Directors and the members of the Corporate Executive Committee are disclosed in the Remuneration Report.

In 2022, 11,957 performance share units (previous year: 11,880 performance share units) with fair value at grant date of CHF 689,956 (previous year: CHF 621,300) have been allocated to the members of the Corporate Executive Committee. In 2022, 3,857 performance share units (previous year: 5,188 performance share units) with fair value at grant date of CHF 222,585 (previous year: CHF 271,327) have been allocated to other employees of Galenica Ltd.

Shareholders' equity

Shareholders' equity developed as follows:

Shareholders' equity

in thousand CHF	Share capital	Reserves from capital contributions	General legal retained earnings	Reserves for treasury shares ¹⁾	Free reserve	Available earnings	Shareholders' equity
Balance as at 31 December 2019	5,000	396,094	1,000	22,000	76,000	61,514	561,608
Allocation to free reserve					16,000	-16,000	-
Adjustment to the reserves for treasury shares				-10,400	10,400		-
Dividends		-44,482				-44,482	-88,964
Profit for the year						76,208	76,208
Balance as at 31 December 2020	5,000	351,612	1,000	11,600	102,400	77,240	548,852
Allocation to free reserve					32,000	-32,000	-
Adjustment to the reserves for treasury shares				-8,600	8,600		-
Dividends		-44,602				-44,602	-89,204
Profit for the year						228,676	228,676
Balance as at 31 December 2021	5,000	307,010	1,000	3,000	143,000	229,314	688,324
Allocation to free reserve					176,000	-176,000	-
Adjustment to the reserves for treasury shares				5,000	-5,000		-
Dividends		-52,222				-52,222	-104,443
Profit for the year						168,099	168,099
Balance as at 31 December 2022	5,000	254,789	1,000	8,000	314,000	169,192	751,980

¹⁾ Owned by subsidiaries

Proposal of the Board of Directors for the appropriation of available earnings and reserves from capital contributions

At the Annual General Meeting as at 3 May 2023, the Board of Directors will propose the following allocation of available earnings and reserves from capital contributions:

in CHF	2022	2021
Appropriation of available earnings		
Balance brought forward	1,092,850	638,387
Profit for the year	168,098,939	228,676,151
Available earnings at the disposal of the Annual General Meeting	169,191,789	229,314,538
Dividend per share CHF 1.10 (2021: CHF 1.05)	-55,000,000 ¹⁾	-52,221,688
Allocation to free reserve	-114,000,000	-176,000,000
Balance to be carried forward	191,789	1,092,850
Appropriation of reserves from capital contributions		
Reserves from capital contributions	254,788,518	307,010,206
Dividend per share CHF 1.10 (2021: CHF 1.05) paid out of reserves from capital contributions	-55,000,000 ¹⁾	-52,221,688
Balance to be carried forward	199,788,518	254,788,518

¹⁾ The proposed dividend payment and appropriation of reserves from capital contributions covers all issued shares. However, no dividend will be paid on treasury shares. As a result, the total dividend amount payable depends on the number of treasury shares held on the distribution date. Based on the number of treasury shares held as at 31 December 2022, the total dividend would amount to CHF 109.6 million

The Board of Directors proposes to issue a dividend for fiscal year 2022 of CHF 2.20 per registered share. For this purpose, CHF 1.10 is to be taken from the reserves from capital contributions and CHF 1.10 from retained earnings. On the part taken from the reserves from capital contributions, the dividend can be distributed without deduction of Swiss withholding tax of 35%. Natural persons living in Switzerland are not liable for income tax on the dividend paid from the reserves from capital contributions.

Assuming the Annual General Meeting approves the dividend, payments will be made on 9 May 2023.



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To the General Meeting of
Galenica Ltd., Berne

Berne, 2 March 2023

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of Galenica Ltd. (the Company), which comprise the statement of income for the year then ended, the statement of financial position as at 31 December 2022 and notes to the financial statements.

In our opinion, the financial statements comply with Swiss law and the Company's articles of incorporation.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

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



Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



2



Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



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

We further confirm that the proposed appropriation of available earnings and the proposed repayment of legal capital reserve comply with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Simone Wittwer
Licensed audit expert