

# 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 Accounting Standards. In addition to information based on IFRS Accounting Standards, 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 Accounting Standards measures in this section.

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

The alternative performance measures are unaudited.

### IAS 19 – Employee benefits

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

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

### IFRS 16 – Leases

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

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

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

## Organic growth of net sales

Organic growth of net sales shows the development of net sales for the operating segments Products & Care and Logistics & IT excluding the effects of acquisitions, new license agreements, openings and closures of pharmacies (effect of net expansion). It provides a "like-for-like" comparison with previous periods. In the business area 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 2023

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care <sup>1)</sup>	Wholesale	Logistics & IT Services	Logistics & IT <sup>1)</sup>
Net sales	1,385,564	256,064	<b>1,635,633</b>	2,952,732	143,965	<b>3,076,988</b>
Change to previous period	1.8%	11.9%	<b>3.3%</b>	4.7%	10.1%	<b>4.9%</b>
Effect of net expansion	3,979 <sup>2)</sup>	12,686 <sup>3)</sup>	<b>16,666</b>	–	928 <sup>3)</sup>	<b>928</b>
In % of net sales of previous period	0.3%	5.5%	<b>1.1%</b>	0.0%	0.7%	<b>0.0%</b>
<b>Net sales excluding effect of net expansion</b>	<b>1,381,584</b>	<b>243,378</b>	<b>1,618,967</b>	<b>2,952,732</b>	<b>143,037</b>	<b>3,076,059</b>
<b>Organic growth of net sales</b>	<b>1.5%</b>	<b>6.4%</b>	<b>2.2%</b>	<b>4.7%</b>	<b>9.4%</b>	<b>4.9%</b>
Mandatory price reductions <sup>4)</sup>	18,069			51,300		
In % of net sales of previous period	1.3%			1.8%		
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,399,653</b>			<b>3,004,032</b>		
<b>Organic growth of net sales excluding price reductions</b>	<b>2.8%</b>			<b>6.5%</b>		

<sup>1)</sup> Including eliminations of intercompany net sales

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

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

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

## Organic growth of net sales 2023 Products &amp; Care

in thousand CHF	Local Pharmacies	Pharmacies at Home	Retail (B2C) <sup>1)</sup>	Products & Brands	Services for Professionals	Professionals (B2B) <sup>1)</sup>
Net sales	1,306,931	78,918	<b>1,385,564</b>	177,132	78,934	<b>256,064</b>
Change to previous period	1.6%	6.6%	<b>1.8%</b>	12.3%	11.0%	<b>11.9%</b>
Effect of net expansion	2,069 <sup>2)</sup>	1,911 <sup>2)</sup>	<b>3,979 <sup>2)</sup></b>	11,449 <sup>3)</sup>	1,237 <sup>3)</sup>	<b>12,686 <sup>3)</sup></b>
In % of net sales of previous period	0.2%	2.6%	<b>0.3%</b>	7.3%	1.7%	<b>5.5%</b>
<b>Net sales excluding effect of net expansion</b>	<b>1,304,862</b>	<b>77,008</b>	<b>1,381,584</b>	<b>165,683</b>	<b>77,697</b>	<b>243,378</b>
<b>Organic growth of net sales</b>	<b>1.4%</b>	<b>4.0%</b>	<b>1.5%</b>	<b>5.0%</b>	<b>9.3%</b>	<b>6.4%</b>
Mandatory price reductions <sup>4)</sup>	18,069		<b>18,069</b>			
In % of net sales of previous period	1.4%		<b>1.3%</b>			
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,322,931</b>		<b>1,399,653</b>			
<b>Organic growth of net sales excluding price reductions</b>	<b>2.8%</b>		<b>2.8%</b>			

<sup>1)</sup> Including eliminations of intercompany net sales

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

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

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

## Organic growth of net sales 2022

in thousand CHF	Retail (B2C) <sup>1)</sup>	Professionals (B2B)	Products & Care <sup>1) 2)</sup>	Wholesale	Logistics & IT Services	Logistics & IT <sup>2)</sup>
Net sales	1,360,718	228,780	1,583,959	2,820,359	130,712	2,933,318
Change to previous period <sup>3)</sup>	2.7%	17.9%	4.7%	3.4%	16.8%	3.6%
Effect of net expansion	7,498 <sup>4)</sup>	17,972 <sup>5)</sup>	25,469	–	682	682
In % of net sales of previous period	0.6%	9.3%	1.7%	0.0%	0.6%	0.0%
<b>Net sales excluding effect of net expansion</b>	<b>1,353,221</b>	<b>210,809</b>	<b>1,558,490</b>	<b>2,820,359</b>	<b>130,030</b>	<b>2,932,636</b>
<b>Organic growth of net sales<sup>3)</sup></b>	<b>2.1%</b>	<b>8.6%</b>	<b>3.0%</b>	<b>3.4%</b>	<b>16.2%</b>	<b>3.6%</b>
Mandatory price reductions <sup>6)</sup>	16,672			57,520		
In % of net sales of previous period	1.3%			2.1%		
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,369,893</b>			<b>2,877,879</b>		
<b>Organic growth of net sales excluding price reductions<sup>3)</sup></b>	<b>3.3%</b>			<b>5.5%</b>		

<sup>1)</sup> Figures restated (refer to note 4 of the Consolidated financial statements 2023 of the Galenica Group)

<sup>2)</sup> Including eliminations of intercompany net sales

<sup>3)</sup> Growth rate includes minor change in segment reporting structure: adjusted growth rate on a comparable basis would be 1.6% lower for Retail (B2C), 1.4% lower for Products & Care and 0.6% higher for Wholesale and Logistics & IT

<sup>4)</sup> The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

<sup>5)</sup> The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

<sup>6)</sup> Mandatory price reductions of medications reimbursed by health insurers of the specialities list (SL/LS) released by the Federal Office of Public Health (FOPH), calculated based on volumes of previous period

## Organic growth of net sales 2022 Products &amp; Care

in thousand CHF	Local Pharmacies	Pharmacies at Home <sup>1)</sup>	Retail (B2C) <sup>1) 2)</sup>	Products & Brands	Services for Professionals	Professionals (B2B) <sup>2)</sup>
Net sales	1,286,856	74,032	1,360,718	157,687	71,093	228,780
Change to previous period <sup>3)</sup>	2.0%	16.2%	2.7%	19.8%	13.9%	17.9%
Effect of net expansion	7,835 <sup>4)</sup>	–337 <sup>4)</sup>	7,498 <sup>4)</sup>	8,771 <sup>5)</sup>	9,200 <sup>5)</sup>	17,972 <sup>5)</sup>
In % of net sales of previous period	0.6%	–0.5%	0.6%	6.7%	14.7%	9.3%
<b>Net sales excluding effect of net expansion</b>	<b>1,279,021</b>	<b>74,369</b>	<b>1,353,221</b>	<b>148,916</b>	<b>61,893</b>	<b>210,809</b>
<b>Organic growth of net sales<sup>3)</sup></b>	<b>1.4%</b>	<b>16.7%</b>	<b>2.1%</b>	<b>13.1%</b>	<b>–0.8%</b>	<b>8.6%</b>
Mandatory price reductions <sup>6)</sup>	16,672		16,672			
In % of net sales of previous period	1.3%		1.3%			
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>1,295,693</b>		<b>1,369,893</b>			
<b>Organic growth of net sales excluding price reductions<sup>3)</sup></b>	<b>2.7%</b>		<b>3.3%</b>			

<sup>1)</sup> Figures restated (refer to note 4 of the Consolidated financial statements 2023 of the Galenica Group)

<sup>2)</sup> Including eliminations of intercompany net sales

<sup>3)</sup> Growth rate includes minor change in segment reporting structure: adjusted growth rate on a comparable basis would be 24.5% lower for Pharmacies at Home and 1.6% lower for Retail (B2C)

<sup>4)</sup> The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

<sup>5)</sup> The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

<sup>6)</sup> Mandatory price reductions of medications reimbursed by health insurers of the specialities list (SL/LS) released by the Federal Office of Public Health (FOPH), calculated based on volumes of previous period

## 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 2023

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
<b>Net sales</b>	<b>3,746,011</b>	–	–	<b>3,746,011</b>
Products & Care <sup>1)</sup>	1,635,633	–	–	1,635,633
Logistics & IT <sup>1)</sup>	3,076,988	–	–	3,076,988
Other income	17,040	–	–	17,040
<b>Operating income</b>	<b>3,763,051</b>	–	–	<b>3,763,051</b>
Cost of goods	–2,714,443	–	–	–2,714,443
Personnel costs	–550,984	–5,441	–	–556,425
Other operating costs	–202,328	–	–54,155	–256,483
Share of profit from associates and joint ventures	6,838	–339	9	6,508
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>302,135</b>	<b>–5,780</b>	<b>–54,145</b>	<b>242,210</b>
Products & Care <sup>1)</sup>	222,200	–	–50,489	171,711
Logistics & IT <sup>1)</sup>	74,313	–	–2,433	71,880
Depreciation, amortisation and impairment	–103,000	–	52,108	–50,892
<b>Earnings before interest and taxes (EBIT)</b>	<b>199,135</b>	<b>–5,780</b>	<b>–2,037</b>	<b>191,318</b>
Return on sales (ROS) <sup>2)</sup>	5.3%	–0.2%	–0.1%	5.1%
Products & Care <sup>1)</sup>	153,772	–	–1,424	152,348
Return on sales (ROS) <sup>2)</sup>	9.4%	0.0%	–0.1%	9.3%
Logistics & IT <sup>1)</sup>	42,563	–	–287	42,276
Return on sales (ROS) <sup>2)</sup>	1.4%	0.0%	0.0%	1.4%
Net financial expenses	–4,186	–129	2,951	–1,364
<b>Earnings before taxes (EBT)</b>	<b>194,949</b>	<b>–5,909</b>	<b>914</b>	<b>189,954</b>
Income taxes	–29,245	1,009	–136	–28,373
<b>Profit from continuing operations</b>	<b>165,704</b>	<b>–4,900</b>	<b>778</b>	<b>161,581</b>
Profit from discontinued operations	120,448	–64	–2	120,382
<b>Net Profit</b>	<b>286,152</b>	<b>–4,964</b>	<b>775</b>	<b>281,963</b>
Attributable to:				
– Shareholders of Galenica Ltd.	285,367	–4,964	776	281,179
– Non-controlling interests	785	–	–1	784

<sup>1)</sup> Reported for each operating segment not taking into account Group Services and Eliminations

<sup>2)</sup> Calculated as EBIT divided by net sales

in CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Earnings per share from continuing operations	3.31	–0.10	0.02	3.23
Diluted earnings per share from continuing operations	3.31	–0.10	0.02	3.22

## Adjusted consolidated statement of income 2022

in thousand CHF	As reported (Restated) <sup>1)</sup>	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
<b>Net sales</b>	<b>3,588,456</b>	–	–	<b>3,588,456</b>
Products & Care <sup>2)</sup>	1,583,959	–	–	1,583,959
Logistics & IT <sup>2)</sup>	2,933,318	–	–	2,933,318
Other income	12,996	–	–	12,996
<b>Operating income</b>	<b>3,601,451</b>	–	–	<b>3,601,451</b>
Cost of goods	–2,609,915	–	–	–2,609,915
Personnel costs	–525,682	629	–	–525,053
Other operating costs	–177,432	–	–53,802	–231,235
Share of profit from associates and joint ventures	4,202	22	–50	4,173
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>292,624</b>	<b>651</b>	<b>–53,853</b>	<b>239,422</b>
Products & Care <sup>2)</sup>	212,141	–	–50,179	161,962
Logistics & IT <sup>2)</sup>	80,518	–	–2,469	78,049
Depreciation, amortisation and impairment	–99,572	–	50,771	–48,801
<b>Earnings before interest and taxes (EBIT)</b>	<b>193,052</b>	<b>651</b>	<b>–3,081</b>	<b>190,622</b>
Return on sales (ROS) <sup>3)</sup>	5.4%	0.0%	–0.1%	5.3%
Products & Care <sup>2)</sup>	146,027	–	–2,696	143,331
Return on sales (ROS) <sup>3)</sup>	9.2%	0.0%	–0.2%	9.0%
Logistics & IT <sup>2)</sup>	49,306	–	–60	49,246
Return on sales (ROS) <sup>3)</sup>	1.7%	0.0%	0.0%	1.7%
Net financial expenses	–3,438	–220	2,400	–1,258
<b>Earnings before taxes (EBT)</b>	<b>189,614</b>	<b>431</b>	<b>–682</b>	<b>189,364</b>
Income taxes	–32,267	–36	124	–32,179
<b>Profit from continuing operations</b>	<b>157,347</b>	<b>396</b>	<b>–558</b>	<b>157,185</b>
Profit from discontinued operations	8,512	–13	1	8,500
<b>Net Profit</b>	<b>165,859</b>	<b>383</b>	<b>–557</b>	<b>165,684</b>
Attributable to:				
– Shareholders of Galenica Ltd.	165,132	383	–558	164,956
– Non-controlling interests	727	–	1	728

<sup>1)</sup> Figures restated (refer to note 4 of the Consolidated financial statements 2023 of the Galenica Group)

<sup>2)</sup> Reported for each operating segment not taking into account Group Services and Eliminations

<sup>3)</sup> Calculated as EBIT divided by net sales

in CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Earnings per share from continuing operations	3.15	0.01	–0.01	3.15
Diluted earnings per share from continuing operations	3.14	0.01	–0.01	3.14

## 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	2023	2022 (Restated) <sup>1)</sup>
Cash flow from operating activities before working capital changes	253,283	272,247
Payment of lease liabilities	-51,934	-51,822
<b>Cash flow from operating activities before working capital changes adjusted</b>	<b>201,350</b>	<b>220,425</b>
Working capital changes	-28,759	-29,194
Cash flow from discontinued operations (operating activities) incl. payment of lease liabilities	918	-6,817
<b>Cash flow from operating activities adjusted</b>	<b>173,509</b>	<b>184,414</b>
Cash flow from investing activities without M&A <sup>2)</sup>	-93,606	-89,435
Cash flow from discontinued operations (investing activities)	-150	-569
<b>Free cash flow before M&amp;A</b>	<b>79,752</b>	<b>94,411</b>
Cash flow from M&A <sup>3)</sup>	-30,411	-36,549
<b>Free cash flow</b>	<b>49,341</b>	<b>57,862</b>

<sup>1)</sup> Figures restated (refer to note 4 of the Consolidated financial statements 2023 of the Galenica Group)

<sup>2)</sup> Cash flow from investing activities without net cash flow from business combinations and net cash flow from sale of subsidiaries

<sup>3)</sup> Net cash flow from business combinations and net cash flow from sale of subsidiaries

### CAPEX

in thousand CHF	2023	2022
Investments in property, plant and equipment	46,119	41,044
Investments in intangible assets	32,699	29,676
<b>CAPEX</b>	<b>78,818</b>	<b>70,720</b>

### Cash conversion

	2023	2022 (Restated) <sup>1)</sup>
Cash conversion <sup>2)</sup>	67.5%	70.5%

<sup>1)</sup> Figures restated (refer to note 4 of the Consolidated financial statements 2023 of the Galenica Group)

<sup>2)</sup> Calculated as EBITDA adjusted less CAPEX divided by EBITDA adjusted

## Capital management

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

Galenica defines the capital that it manages as invested interest-bearing liabilities and equity. Galenica uses a system of financial control based on various key performance indicators. Capital is monitored based on the gearing, for example, which expresses net debt as a percentage of shareholders' equity including non-controlling interests and is communicated regularly to management as part of internal reporting. The debt coverage expresses net debt as a multiple of earnings before interest, taxes, depreciation and amortisation (EBITDA). Debt coverage ratio provide information about the creditworthiness of the Group. Galenica has no covenants requiring a minimum level of debt coverage.

Total assets and shareholders' equity are adjusted for the cumulative effects of the IAS 19 and IFRS 16 adjustments and net debt is adjusted for lease liabilities.

### Total assets

in thousand CHF	2023	2022
<b>Total assets</b>	<b>2,990,952</b>	<b>2,612,825</b>
Cumulative effects of IAS 19 adjustments	-21,944	-2,466
Cumulative effects of IFRS 16 adjustments	-229,056	-226,168
<b>Total assets adjusted</b>	<b>2,739,952</b>	<b>2,384,191</b>

### Net debt

in thousand CHF	2023	2022
Current financial liabilities <sup>1)</sup>	69,990	218,464
Current lease liabilities	50,484	50,173
Non-current financial liabilities <sup>1)</sup>	419,871	181,389
Non-current lease liabilities	185,557	183,005
Cash and cash equivalents	-116,159	-93,927
Interest-bearing receivables	-11,607	-11,347
<b>Net debt</b>	<b>598,137</b>	<b>527,758</b>
Lease liabilities (current and non-current)	-236,041	-233,178
<b>Net debt adjusted</b>	<b>362,096</b>	<b>294,580</b>

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

### Shareholders' equity

in thousand CHF	2023	2022
<b>Shareholders' equity</b>	<b>1,475,196</b>	<b>1,249,461</b>
Cumulative effects of IAS 19 adjustments	955	14,340
Cumulative effects of IFRS 16 adjustments	5,583	4,982
<b>Shareholders' equity adjusted</b>	<b>1,481,734</b>	<b>1,268,783</b>

**Equity ratio**

	2023	2022
Equity ratio <sup>1)</sup>	49.3%	47.8%
Equity ratio adjusted <sup>2)</sup>	54.1%	53.2%

<sup>1)</sup> Calculated as shareholders' equity divided by total assets

<sup>2)</sup> Calculated as shareholders' equity adjusted divided by total assets adjusted

**Gearing**

	2023	2022
Gearing <sup>1)</sup>	40.5%	42.2%
Gearing adjusted <sup>2)</sup>	24.4%	23.2%

<sup>1)</sup> Calculated as net debt divided by shareholders' equity

<sup>2)</sup> Calculated as net debt adjusted divided by shareholders' equity adjusted

**Debt coverage**

	2023	2022 (Restated) <sup>1)</sup>
Debt coverage <sup>2)</sup>	2.0 x	1.8 x
Debt coverage adjusted <sup>3)</sup>	1.5 x	1.2 x

<sup>1)</sup> Figures restated (refer to note 4 of the Consolidated financial statements 2023 of the Galenica Group)

<sup>2)</sup> Calculated as net debt divided by EBITDA

<sup>3)</sup> Calculated as net debt adjusted divided by EBITDA adjusted

## Value based management

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

### Invested capital

Invested capital corresponds to current and fixed operating assets less cash and cash equivalents, equity instruments held for strategic purposes and designated as fair value through other comprehensive income according to IFRS Accounting Standards and non-interest-bearing current liabilities. In the following, invested capital is calculated indirectly via equity and net debt.

#### Invested capital

in thousand CHF	2023	2022
Shareholders' equity adjusted	1,481,734	1,268,783
Net debt adjusted	362,096	294,580
Equity instruments at fair value through other comprehensive income	-200,030	-4,561 <sup>1)</sup>
Deferred tax assets <sup>2)</sup>	-1,486	-231
Deferred tax liabilities <sup>2)</sup>	66,822	49,325
<b>Invested capital</b>	<b>1,709,137</b>	<b>1,607,895<sup>1)</sup></b>
<b>Average invested capital</b>	<b>1,658,516</b>	<b>1,560,793<sup>1)</sup></b>

<sup>1)</sup> Figures adjusted, equity instruments at fair value through other comprehensive income held for strategic purposes are not part of the invested capital

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

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

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

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

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

in thousand CHF	2023	2022 (Restated) <sup>1)</sup>
EBIT adjusted	191,318	190,622
Net financial income from financial assets	-5,178	489
<b>Net operating profit before taxes</b>	<b>186,140</b>	<b>191,111</b>
Calculatory tax rate (18%)	-33,505	-34,400
<b>Net operating profit after taxes (NOPAT)</b>	<b>152,634</b>	<b>156,711</b>
<b>Return on invested capital (ROIC)<sup>2)</sup></b>	<b>9.2%</b>	<b>10.0%</b>

<sup>1)</sup> Figures restated (refer to note 4 of the Consolidated financial statements 2023 of the Galenica Group)

<sup>2)</sup> Calculated as NOPAT in % of average invested capital

## Galenica economic profit (GEP)

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

### Galenica economic profit (GEP)

in thousand CHF	2023	2022 (Restated) <sup>1)</sup>
Net operating profit after taxes (NOPAT)	152,634	156,711
Cost of capital <sup>2)</sup>	-103,657	-97,550
<b>Galenica economic profit (GEP)</b>	<b>48,977</b>	<b>59,161</b>

<sup>1)</sup> Figures restated (refer to note 4 of the Consolidated financial statements 2023 of the Galenica Group)

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

# Consolidated financial statements 2023 of the Galenica Group

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## Consolidated statement of income

in thousand CHF	Note	2023	2022 (Restated) <sup>1)</sup>
Net sales	6	3,746,011	3,588,456
Other income	7	17,040	12,996
<b>Operating income</b>		<b>3,763,051</b>	<b>3,601,451</b>
Cost of goods		-2,714,443	-2,609,915
Personnel costs	8, 24	-550,984	-525,682
Other operating costs	9	-202,328	-177,432
Share of profit from associates and joint ventures	18	6,838	4,202
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>302,135</b>	<b>292,624</b>
Depreciation, amortisation and impairment	15,16,17	-103,000	-99,572
<b>Earnings before interest and taxes (EBIT)</b>		<b>199,135</b>	<b>193,052</b>
Financial income	10	12,012	2,274
Financial expenses	10	-16,198	-5,711
<b>Earnings before taxes (EBT)</b>		<b>194,949</b>	<b>189,614</b>
Income taxes	12	-29,245	-32,267
<b>Profit from continuing operations</b>		<b>165,704</b>	<b>157,347</b>
Profit from discontinued operations	4	120,448	8,512
<b>Net profit</b>		<b>286,152</b>	<b>165,859</b>
Attributable to:			
– Shareholders of Galenica Ltd.		285,367	165,132
– Non-controlling interests		785	727

<sup>1)</sup> Figures restated (refer to note 4, Discontinued operations)

in CHF	Note	2023	2022
<b>Earnings per share</b>			
Earnings per share	11	5.72	3.32
Diluted earnings per share	11	5.72	3.32
<b>Earnings per share from continuing operations</b>			
Earnings per share from continuing operations	11	3.31	3.15
Diluted earnings per share from continuing operations	11	3.31	3.14
<b>Earnings per share from discontinued operations</b>			
Earnings per share from discontinued operations	11	2.42	0.17
Diluted earnings per share from discontinued operations	11	2.41	0.17

## Consolidated statement of comprehensive income

in thousand CHF	Note	2023	2022 (Restated) <sup>1)</sup>
<b>Net profit</b>		<b>286,152</b>	<b>165,859</b>
Translation differences		-274	-64
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>-274</b>	<b>-64</b>
Remeasurement of net defined benefit plans	24	12,512	-55,768
Income taxes from remeasurement of net defined benefit plans		-2,259	10,025
Share of other comprehensive income from associates and joint ventures	18	-1,628	-921
Gain on equity instruments at fair value through other comprehensive income		55,530	-
Income taxes from fair value measurement on equity instruments at fair value through other comprehensive income		-11,138	-
<b>Items that will not be reclassified to profit or loss</b>		<b>53,016</b>	<b>-46,663</b>
<b>Other comprehensive income/(loss)</b>		<b>52,742</b>	<b>-46,727</b>
<b>Comprehensive income</b>		<b>338,893</b>	<b>119,132</b>
Attributable to:			
- Shareholders of Galenica Ltd.		338,108	118,405
- Non-controlling interests		785	727

<sup>1)</sup> Figures restated (refer to note 4, Discontinued operations)

## Consolidated statement of financial position

in thousand CHF	Note	2023	2022
Cash and cash equivalents		116,159	93,927
Trade and other receivables	13	518,293	529,479
Inventories	14	357,096	315,160
Prepaid expenses and accrued income		42,042	38,152
<b>Current assets</b>		<b>34.6%</b> <b>1,033,590</b>	<b>37.4%</b> <b>976,718</b>
Property, plant and equipment	15	259,702	249,495
Right-of-use assets	16	229,583	226,685
Intangible assets	17	1,078,503	1,100,112
Investments in associates and joint ventures	18	143,985	32,682
Financial assets	19	220,214	23,692
Deferred tax assets	12	4,946	3,258
Employee benefit assets	24	20,429	183
<b>Non-current assets</b>		<b>65.4%</b> <b>1,957,361</b>	<b>62.6%</b> <b>1,636,107</b>
<b>Assets</b>		<b>100.0%</b> <b>2,990,952</b>	<b>100.0%</b> <b>2,612,825</b>
Financial liabilities	20	70,231	218,464
Lease liabilities	16	50,484	50,173
Trade and other payables	21	417,442	355,220
Income tax payables		33,585	40,358
Accrued expenses and deferred income		195,648	211,417
Provisions	22	4,880	4,487
<b>Current liabilities</b>		<b>25.8%</b> <b>772,269</b>	<b>33.7%</b> <b>880,119</b>
Financial liabilities	20	468,569	234,848
Lease liabilities	16	185,557	183,005
Deferred tax liabilities	12	69,461	48,384
Employee benefit liabilities	24	19,221	16,813
Provisions	22	678	197
<b>Non-current liabilities</b>		<b>24.9%</b> <b>743,486</b>	<b>18.5%</b> <b>483,245</b>
<b>Liabilities</b>		<b>50.7%</b> <b>1,515,755</b>	<b>52.2%</b> <b>1,363,364</b>
Share capital	25	5,000	5,000
Reserves		1,466,419	1,240,580
<b>Equity attributable to shareholders of Galenica Ltd.</b>		<b>1,471,419</b>	<b>1,245,580</b>
Non-controlling interests		3,777	3,881
<b>Shareholders' equity</b>	25	<b>49.3%</b> <b>1,475,196</b>	<b>47.8%</b> <b>1,249,461</b>
<b>Liabilities and shareholders' equity</b>		<b>100.0%</b> <b>2,990,952</b>	<b>100.0%</b> <b>2,612,825</b>

# Consolidated statement of cash flows

in thousand CHF	Note	2023	2022 (Restated) <sup>1)</sup>
Profit from continuing operations		165,704	157,347
Income taxes	12	29,245	32,267
Depreciation, amortisation and impairment	15,16,17	103,000	99,572
Net gain on disposal of non-current assets	7,9	-670	-205
(Gain)/loss on disposal of subsidiaries	5	-	-853
Increase/(decrease) in provisions and employee benefit assets and liabilities		-5,205	2,594
Net financial result	10	4,186	3,438
Share of profit from associates and joint ventures	18	-6,838	-4,202
Share-based payments	29	4,318	7,109
Interest received		970	755
Interest paid		-9,369	-5,578
Other net financial payments		-230	-149
Dividends received	18	4,410	6,860
Income taxes paid		-36,236	-26,707
<b>Cash flow from operating activities before working capital changes</b>		<b>253,283</b>	<b>272,247</b>
Change in trade and other receivables		-37,817	-33,171
Change in inventories		-53,278	-16,773
Change in trade and other payables		80,845	-17,113
Change in other net current assets		-18,508	37,864
<b>Working capital changes</b>		<b>-28,759</b>	<b>-29,194</b>
Cash flow from discontinued operations		1,186	-6,180
<b>Cash flow from operating activities</b>		<b>225,710</b>	<b>236,873</b>
Investments in property, plant and equipment		-44,541	-40,948
Investments in intangible assets		-31,833	-28,850
Investments in associates and joint ventures	18	-4,491	-3,833
Investments in financial assets		-129,092	-18,592
Proceeds from sale of property, plant and equipment and intangible assets		1,042	524
Proceeds from sale of financial assets		115,309	2,264
Net cash flow from business combinations	5	-28,268	-38,462
Net cash flow from sale of subsidiaries	4,5	-2,142	1,913
Cash flow from discontinued operations		-150	-569
<b>Cash flow from investing activities</b>		<b>-124,167</b>	<b>-126,552</b>
Dividends paid		-110,266	-104,810
Purchase of treasury shares		-11,010	-539
Proceeds from sale of treasury shares		4,947	4,886
Proceeds from financial liabilities	20	377,051	1,607
Repayment of financial liabilities	20	-287,565	-25,893
Payment of lease liabilities		-51,934	-51,822
Purchase of non-controlling interests		-8	-4,069
Cash flow from discontinued operations		-267	-637
<b>Cash flow from financing activities</b>		<b>-79,053</b>	<b>-181,276</b>
Effects of exchange rate changes on cash and cash equivalents		-258	-101
<b>Increase in cash and cash equivalents</b>		<b>22,232</b>	<b>-71,055</b>
Cash and cash equivalents as at 1 January <sup>2)</sup>		93,927	164,982
<b>Cash and cash equivalents as at 31 December<sup>2)</sup></b>		<b>116,159</b>	<b>93,927</b>

<sup>1)</sup> Figures restated (refer to note 4, Discontinued operations)

<sup>2)</sup> Cash and cash equivalents include cash, sight deposits at financial institutions and time deposits with an original term of three months or less. Cash and cash equivalents are measured at nominal value.

## Consolidated statement of changes in equity

in thousand CHF	Share capital	Treasury shares	Retained earnings	Equity attributable to shareholders of Galenica Ltd.	Non-controlling interests	Equity
<b>Balance as at 31 December 2021</b>	<b>5,000</b>	<b>-14,511</b>	<b>1,237,049</b>	<b>1,227,538</b>	<b>6,140</b>	<b>1,233,677</b>
Net profit			165,132	165,132	727	165,859
Other comprehensive loss			-46,727	-46,727	-	-46,727
<b>Comprehensive income</b>			<b>118,405</b>	<b>118,405</b>	<b>727</b>	<b>119,132</b>
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
<b>Balance as at 31 December 2022</b>	<b>5,000</b>	<b>-7,817</b>	<b>1,248,397</b>	<b>1,245,580</b>	<b>3,881</b>	<b>1,249,461</b>
Net profit			285,367	285,367	785	286,152
Other comprehensive income			52,742	52,742	-	52,742
<b>Comprehensive income</b>			<b>338,108</b>	<b>338,108</b>	<b>785</b>	<b>338,893</b>
Dividends			-109,761	-109,761	-542	-110,304
Transactions on treasury shares		-3,999	-2,991	-6,990	-	-6,990
Share-based payments			4,464	4,464	-	4,464
Change in non-controlling interests			19	19	-347	-327
<b>Balance as at 31 December 2023</b>	<b>5,000</b>	<b>-11,816</b>	<b>1,478,235</b>	<b>1,471,419</b>	<b>3,777</b>	<b>1,475,196</b>

# Notes to the consolidated financial statements of the Galenica Group

## 1. Group organisation

### General information

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

The parent company is Galenica Ltd., a Swiss public limited company 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 2023 for publication on 7 March 2024. The 2023 consolidated financial statements will be submitted for approval to the Annual General Meeting on 10 April 2024.

## 2. Accounting principles

### Basis of preparation

The consolidated financial statements of Galenica have been prepared in accordance with IFRS Accounting Standards 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.

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.

### 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 16)

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 17)**

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 24)**

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 26)**

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.

## **Amendments to IFRS Accounting Standards**

As at 1 January 2023 Galenica adopted the following amended IFRS Accounting Standards:

- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies
- Amendments to IAS 8 - Definition of accounting estimates
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 12 - International tax reform - Pillar Two rules

These changes have no or no material impact on the financial position, financial performance and cash flows of Galenica. The amendments to IAS 1 and IFRS Practice Statement 2 affected the disclosures of the accounting principles 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 Accounting Standards**

The IASB has issued various new and amended standards and interpretations with effective dates in the financial year 2024 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 the date shown below:

- Amendments to IAS 1 – Classification of liabilities as current or non-current (1 January 2024)
- Amendments to IAS 7 and IFRS 7 - Supplier finance arrangements (1 January 2024)
- Amendments to IFRS 16 - Lease liability in a sale and leaseback (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

Galenica operates mainly in Switzerland within two operating segments Products & Care and Logistics & IT. The CEO of Galenica acting as chief operating decision maker (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 Accounting Standards 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.

With the creation of the strategic partnership with Redcare Pharmacy N.V., the business unit Mediservice Ltd. (including Curarex swiss AG) which was part of the Products & Care segment, is presented as discontinued operations. Operating segment information for the previous period has been restated to conform to the new presentation and is in line with the internal reporting. As a result, net sales to third parties has decreased by CHF 425.9 million and EBIT by CHF 10.3 million in 2022. Further information of the discontinued operation can be found in [note 4, Discontinued operations](#).

#### 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 538 locations Galenica's pharmacy network, the largest in Switzerland. With 369 pharmacies of its own and 169 partner pharmacies, Retail has outlets throughout the country. Galenica's own pharmacies comprise the Amavita brand with 188 branches and the Sun Store brand with 85 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 in partnership with Redcare Pharmacy N.V., which is focused on medication for treatment of patients at home, 6 majority interests in pharmacies and 169 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 2023

### Operating segment information 2023

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	1,635,633	3,076,988	50,051	-1,016,661	3,746,011
Intersegmental net sales	-106,467	-863,775	-46,418	1,016,661	-
<b>Net sales to third parties</b>	<b>1,529,166</b>	<b>2,213,213</b>	<b>3,633</b>	<b>-</b>	<b>3,746,011</b>
Other income	7,869	7,896	3,736	-2,460	17,040
Share of profit from associates and joint ventures	6,554	17	-	268	6,838
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>222,200</b>	<b>74,313</b>	<b>3,236</b>	<b>2,386<sup>1)</sup></b>	<b>302,135</b>
Depreciation, amortisation and impairment	-68,429	-31,750	-3,058	237	-103,000
<b>Earnings before interest and taxes (EBIT)</b>	<b>153,772</b>	<b>42,563</b>	<b>178</b>	<b>2,623<sup>1)</sup></b>	<b>199,135</b>
Interest income					1,878
Interest expense					-9,466
Other net financial result					3,402
<b>Earnings before taxes (EBT)</b>					<b>194,949</b>
Income taxes					-29,245
<b>Profit from continuing operations</b>					<b>165,704</b>
<b>Assets</b>	<b>1,832,129</b>	<b>1,029,042</b>	<b>600,327</b>	<b>-470,546<sup>2)</sup></b>	<b>2,990,952</b>
Investments in associates and joint ventures	146,718	99	-	-2,832	143,985
<b>Liabilities</b>	<b>591,285</b>	<b>630,139</b>	<b>747,648</b>	<b>-453,317<sup>3)</sup></b>	<b>1,515,755</b>
Investments in property, plant and equipment	27,800	15,070	3,249	-	46,119 <sup>4)</sup>
Investments in intangible assets	1,483	31,337	-	-121	32,699 <sup>5)</sup>
Employees as at 31 December (FTE)	4,167	1,498	242	-	5,907

<sup>1)</sup> Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF 5.8 million

<sup>2)</sup> Of which elimination of intercompany positions of CHF -472.3 million and other unallocated amounts of CHF 1.7 million

<sup>3)</sup> Of which elimination of intercompany positions of CHF -472.3 million and other unallocated amounts of CHF 19.0 million

<sup>4)</sup> Of which non-cash investments of CHF 2.5 million

<sup>5)</sup> Of which non-cash investments of CHF 2.6 million

### Geographic information 2023

in thousand CHF	Switzerland	Other countries	Galenica Group
Net sales to third parties	3,705,756	40,255	3,746,011
Non-current assets <sup>1)</sup>	1,711,285	488	1,711,773

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

## Operating segment information 2022

### Operating segment information 2022 (restated)

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	1,583,959	2,933,318	49,138	-977,960	3,588,456
Intersegmental net sales	-96,579	-834,935	-46,445	977,960	-
<b>Net sales to third parties</b>	<b>1,487,380</b>	<b>2,098,383</b>	<b>2,693</b>	<b>-</b>	<b>3,588,456</b>
Other income	7,112	6,265	3,123	-3,503	12,996
Share of profit from associates and joint ventures	4,255	17	-	-70	4,202
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>212,141</b>	<b>80,518</b>	<b>1,759</b>	<b>-1,794<sup>1)</sup></b>	<b>292,624</b>
Depreciation, amortisation and impairment	-66,114	-31,212	-2,541	294	-99,572
<b>Earnings before interest and taxes (EBIT)</b>	<b>146,027</b>	<b>49,306</b>	<b>-782</b>	<b>-1,500<sup>1)</sup></b>	<b>193,052</b>
Interest income					1,160
Interest expense					-5,239
Other net financial result					641
<b>Earnings before taxes (EBT)</b>					<b>189,614</b>
Income taxes					-32,267
<b>Profit from continuing operations</b>					<b>157,347</b>
<b>Assets</b>	<b>1,784,254</b>	<b>921,458</b>	<b>320,811</b>	<b>-413,699<sup>2)</sup></b>	<b>2,612,825</b>
Investments in associates and joint ventures	33,975	82	-	-1,375	32,682
<b>Liabilities</b>	<b>604,571</b>	<b>524,903</b>	<b>619,655</b>	<b>-385,765<sup>3)</sup></b>	<b>1,363,364</b>
Investments in property, plant and equipment	14,183	24,354	2,507	-	41,044 <sup>4)</sup>
Investments in intangible assets	1,276	28,469	-	-69	29,676 <sup>5)</sup>
Employees as at 31 December (FTE)	4,007	1,399	225	-	5,631

<sup>1)</sup> Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF -0.7 million

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

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

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

<sup>5)</sup> Of which non-cash investments of CHF 1.7 million

### Geographic information 2022 (restated)

in thousand CHF	Switzerland	Other countries	Galenica Group
Net sales to third parties	3,553,565	34,890	3,588,456
Non-current assets <sup>1)</sup>	1,608,886	88	1,608,974

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

## 4. Discontinued operations

On 30 March 2023 Galenica announced the combination of the business activities of the specialty pharmacy Mediservice Ltd. (including Curarex swiss AG) and the online pharmacy shop-apotheke.ch in a strategic partnership with Redcare Pharmacy N.V. The closing of the transaction occurred on 16 May 2023.

Through the transaction, Galenica sold 51% of the shares of Mediservice Ltd. to Redcare Pharmacy N.V. The total purchase consideration amounted to CHF 215.5 million, consisting of a 6.1% investment in the listed company Redcare Pharmacy N.V., Netherlands with a fair value of CHF 109.5 million and the retained 49% participation in Mediservice Ltd. (including the online pharmacy shop-apotheke.ch) with a fair value of CHF 106.0 million. The remaining 49% participation in Mediservice Ltd. is accounted for as an investment in an associate.

At the date of disposal, the purchase consideration was reduced by an estimated amount of CHF 10.6 million which is contingent on net working capital developments as well as certain market developments and will become due between 2024 and 2026. At year end the remeasurement of the contingent consideration liability resulted in a change in fair value of CHF 7.7 million which was allocated to the net profit from discontinued operations. The transaction resulted in a gain on sale of CHF 119.4 million. As the purchase consideration received are non-cash items, the net cash flow from the disposal amounted to minus CHF 2.1 million which includes CHF 1.3 million cash disposed and CHF 0.8 million transaction costs and is shown as net cash flow from sale of subsidiaries in the consolidated statement of cash flows.

With the transaction Galenica lost control over Mediservice Ltd. (including Curarex swiss AG) and therefore derecognised the assets and liabilities of the business unit. The business of Mediservice Ltd. (including Curarex swiss AG) represented a separate major line of business for Galenica and was therefore classified as discontinued operations and the prior period was restated accordingly.

### Gain on sale of discontinued operations

in thousand CHF	2023
Fair value of received equity instruments	109,456
Fair value of retained at equity investment in former subsidiary	106,011
Contingent considerations	-10,594
<b>Total considerations received / interest retained</b>	<b>204,873</b>
Carrying amount of net assets disposed	-86,776
Transaction costs	-813
Income taxes related to the sale of the discontinued operations	-5,515
<b>Gain on sale of discontinued operations as per date of disposal</b>	<b>111,769</b>
Net remeasurement of change in fair value of contingent consideration liabilities related to sale of discontinued operations	7,663
<b>Gain on sale of discontinued operations</b>	<b>119,432</b>

The table below shows the financial performance of the discontinued operations.

#### Statement of income of discontinued operations

in thousand CHF	1.1.– 16.5.2023	1.1.– 31.12.2022
Net sales	164,487	445,907
Other income	18	44
Expenses	-163,238	-435,939
<b>Earnings before tax (EBT) from discontinued operations</b>	<b>1,266</b>	<b>10,012</b>
Income taxes	-251	-1,500
<b>Net profit from discontinued operations</b>	<b>1,015</b>	<b>8,512</b>

The table below shows the financial position of the discontinued operations at the date of disposal.

#### Financial position of the discontinued operations at the time of disposal

in thousand CHF	16.5.2023
Cash and cash equivalents	1,330
Trade and other receivables	49,444
Inventories	18,168
Other current assets	2,583
<b>Current Assets</b>	<b>71,525</b>
Property, plant and equipment	681
Right-of-use assets	4,025
Intangible assets	67,517
Other non-current assets	93
<b>Non-current assets</b>	<b>72,316</b>
<b>Total disposed assets</b>	<b>143,841</b>
Financial liabilities	24,143
Lease liabilities	647
Trade and other payables	24,817
Other liabilities	1,999
<b>Current liabilities</b>	<b>51,607</b>
Lease liabilities	3,581
Deferred tax liabilities	1,637
Employee benefit liabilities	240
<b>Non-current liabilities</b>	<b>5,458</b>
<b>Total disposed liabilities</b>	<b>57,065</b>
<b>Disposed net assets</b>	<b>86,776</b>

**Accounting principles discontinued operations**

A disposal group is classified as a discontinued operation if it represents a separate major line of business or geographical business unit. Discontinued operations are not included in the result from continuing operations and are reported separately in the consolidated statement of income as profit from discontinued operations. The prior period amounts in the income statement and in the consolidated statement of cash flows are adjusted for comparison purposes. The elimination of intercompany transactions between continuing and discontinued operations is adjusted in order to reflect the impact of these transactions in continuing operations going forward. Therefore, intercompany transactions with the discontinued operations are treated as third parties transaction in the continuing operation.

## 5. Business combinations and disposals

### Business combinations 2023

**Acquisition of Padma AG.** On 30 January 2023, Galenica acquired 100% of the shares in the Swiss company Padma AG. Padma AG is the parent company of the Padma Group with its two operating companies Padma Europe GmbH (Austria based) and Padma Deutschland GmbH (Germany based). Padma specialises in the manufacture and distribution of herbal formulations derived from Tibetan medicine.

The total purchase considerations amounted to CHF 23.3 million, of which CHF 20.9 million was settled in cash. A contingent consideration in the amount of CHF 2.4 million was recognised, which is due in 2026 if certain financial and operational targets are achieved. The fair value of the net identifiable asset amounted to CHF 14.2 million at the acquisition date. The goodwill of CHF 9.1 million was allocated to the operating segment Products & Care and corresponds to added value based on the acquirer-specific synergies expected to arise from the acquisition in expanding its complementary medicine portfolio and expanding its range of reimbursable medicines 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 11.4 million, of which CHF 11.3 million was settled in cash and CHF 0.1 million were recognised as deferred consideration. The fair value of the net identifiable assets amounts to CHF 0.8 million at the acquisition date. The goodwill of CHF 10.6 million was allocated to the operating segment Products & Care and corresponds to the added value of the pharmacies based on their locations and the know-how of the employees gained. Transaction costs were not material.

#### Business combinations

in thousand CHF	Padma	Pharmacies	2023 Total	2022 Total
Cash and cash equivalents	3,170	791	3,961	6,657
Trade receivables	1,156	251	1,407	4,857
Inventories	3,362	799	4,161	1,116
Property, plant and equipment	177	210	387	238
Right-of-use assets	3,815	1,942	5,756	4,002
Intangible assets	9,333	–	9,333	4,910
Other current and non-current assets	275	92	367	1,353
Trade payables	–418	–19	–437	–1,318
Lease liabilities	–3,815	–1,942	–5,756	–4,002
Net deferred tax liabilities	–1,871	12	–1,859	–1,043
Employee benefit liabilities	–378	–	–378	–396
Other current and non-current liabilities	–596	–1,318	–1,914	–2,218
<b>Fair value of net assets</b>	<b>14,211</b>	<b>818</b>	<b>15,029</b>	<b>14,158</b>
Goodwill	9,074	10,576	19,650	58,600
Non-controlling interests	–	–	–	–1,382
<b>Purchase consideration</b>	<b>23,285</b>	<b>11,394</b>	<b>34,679</b>	<b>71,375</b>
Cash acquired	–3,170	–791	–3,961	–6,657
Deferred consideration	–	–64	–64	–
Contingent consideration	–2,385	–	–2,385	–26,256
<b>Net cash flow from current business combinations</b>	<b>17,730</b>	<b>10,538</b>	<b>28,268</b>	<b>38,462</b>

#### Pro forma figures for acquisitions made in 2023 for the full 2023 financial year

Since their inclusion in Galenica's scope of consolidation, the businesses acquired contributed net sales of CHF 15.3 million and an operating result (EBIT) of CHF 1.4 million to the Group's results. If these acquisitions had occurred on 1 January 2023, they would have contributed additional net sales of CHF 4.1 million and increased EBIT by CHF 0.1 million.

## 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 gave rise to a financial liability in the amount of CHF 3.9 million at acquisition date.

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.

**Accounting principles business combinations**

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. The profit or loss on deconsolidation is recognised in operating income or other operating costs.

Contingent consideration is measured at fair value at the acquisition date and 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 arise 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.

## 6. Net sales

Based on the classification of the business unit Mediservice Ltd. (including Curarex swiss AG) as discontinued operation, the disaggregation of net sales has been adjusted accordingly. Net sales information for the previous period has been restated to conform to the new presentation. Further information of the discontinued operation can be found in [note 4, Discontinued operations](#).

### Net sales 2023

#### Net sales 2023

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	1,223,601	83,330	1,306,931	672	1,307,603	1,224,273	83,330
Pharmacies at Home	74,410	4,509	78,918	-283	78,635	74,126	4,509
<b>Retail (B2C)<sup>1)</sup></b>	<b>1,297,725</b>	<b>87,838</b>	<b>1,385,564</b>	<b>674</b>	<b>1,386,237</b>	<b>1,298,399</b>	<b>87,838</b>
Products & Brands	175,674	1,458	177,132	-87,205	89,927	88,522	1,405
Services for Professionals	63,116	15,819	78,934	-25,950	52,984	49,781	3,203
<b>Professionals (B2B)<sup>1)</sup></b>	<b>238,815</b>	<b>17,248</b>	<b>256,064</b>	<b>-113,153</b>	<b>142,911</b>	<b>138,303</b>	<b>4,607</b>
<b>Products &amp; Care<sup>1)</sup></b>	<b>1,534,129</b>	<b>101,504</b>	<b>1,635,633</b>	<b>-106,467</b>	<b>1,529,166</b>	<b>1,436,719</b>	<b>92,446</b>
Wholesale	2,942,635	10,097	2,952,732	-812,965	2,139,767	2,132,506	7,260
Logistics & IT Services	390	143,575	143,965	-70,519	73,446	390	73,056
<b>Logistics &amp; IT<sup>1)</sup></b>	<b>2,943,019</b>	<b>133,968</b>	<b>3,076,988</b>	<b>-863,775</b>	<b>2,213,213</b>	<b>2,132,896</b>	<b>80,316</b>
Group Services	-	50,051	50,051	-46,418	3,633	-	3,633
Eliminations <sup>2)</sup>	-907,536	-109,124	-1,016,661	1,016,661	-	-	-
<b>Galenica Group</b>	<b>3,569,612</b>	<b>176,399</b>	<b>3,746,011</b>	<b>-</b>	<b>3,746,011</b>	<b>3,569,612</b>	<b>176,399</b>

<sup>1)</sup> Including eliminations of intercompany net sales

<sup>2)</sup> Eliminations of intersegmental net sales

## Net sales 2022 (restated)

### Net sales 2022 (restated)

in thousand CHF	Sale of goods	Sale of services	Total net sales	Intersegmental net sales	Total net sales to third parties	of which sale of goods to third parties	of which sale of services to third parties
Local Pharmacies	1,210,214	76,641	<b>1,286,856</b>	-9	<b>1,286,846</b>	1,210,208	76,638
Pharmacies at Home	69,471	4,562	<b>74,032</b>	-370	<b>73,663</b>	69,101	4,561
<b>Retail (B2C)<sup>1)</sup></b>	<b>1,279,516</b>	<b>81,203</b>	<b>1,360,718</b>	<b>-209</b>	<b>1,360,509</b>	<b>1,279,309</b>	<b>81,200</b>
Products & Brands	155,906	1,782	<b>157,687</b>	-80,460	<b>77,227</b>	75,446	1,781
Services for Professionals	55,857	15,236	<b>71,093</b>	-21,695	<b>49,398</b>	44,775	4,623
<b>Professionals (B2B)<sup>1)</sup></b>	<b>211,802</b>	<b>16,979</b>	<b>228,780</b>	<b>-102,156</b>	<b>126,625</b>	<b>120,221</b>	<b>6,404</b>
<b>Products &amp; Care<sup>1)</sup></b>	<b>1,488,181</b>	<b>95,778</b>	<b>1,583,959</b>	<b>-96,579</b>	<b>1,487,380</b>	<b>1,399,575</b>	<b>87,805</b>
Wholesale	2,810,514	9,845	<b>2,820,359</b>	-791,079	<b>2,029,280</b>	2,022,691	6,588
Logistics & IT Services	359	130,353	<b>130,712</b>	-61,609	<b>69,103</b>	348	68,755
<b>Logistics &amp; IT<sup>1)</sup></b>	<b>2,810,862</b>	<b>122,457</b>	<b>2,933,318</b>	<b>-834,935</b>	<b>2,098,383</b>	<b>2,023,040</b>	<b>75,344</b>
Group Services	-	49,138	<b>49,138</b>	-46,445	<b>2,693</b>	-	2,693
Eliminations <sup>2)</sup>	-876,428	-101,531	<b>-977,960</b>	977,960	-	-	-
<b>Galenica Group</b>	<b>3,422,614</b>	<b>165,841</b>	<b>3,588,456</b>	<b>-</b>	<b>3,588,456</b>	<b>3,422,614</b>	<b>165,841</b>

<sup>1)</sup> Including eliminations of intercompany net sales

<sup>2)</sup> Eliminations of intersegmental net sales

### Accounting principles net sales

Net sales represent revenue from contracts with customers from the sale of goods or 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.

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

#### Sale of goods

For retail pharmacy sales, revenue is recognised at the point in time when the customer takes possession of the products at the point-of-sale and for wholesale transactions 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, healthcare and consultation services, the processing and sale of information and IT services as well as other contractually agreed services.

In the business area "Retail (B2C)" sale of services mainly includes healthcare services and consultations sales. Most of sale of service in the business area "Professionals (B2B)" are in connection with marketing, purchase and other services for independent pharmacies or associates and joint ventures as well as providing education services for staff in pharmacies and drugstores. Depending on the service the performance obligations are either satisfied over time or at a point in time (i.e. when consultation took place).

In the business area "Logistics & IT Services" sale of services mainly includes pre-wholesale services and group external as well as group internal IT services and in the business area "Wholesale" sale of service mainly includes various logistic services. Depending on the service the performance obligations are either satisfied over time or at a point in time (i.e. when volumes are handled).

## 7. Other income

### Other income

in thousand CHF	2023	2022 (Restated) <sup>1)</sup>
Income from own work capitalised	10,011	6,757
Rental income from operating leases	1,690	1,762
Gain on disposal of property, plant and equipment	703	212
Gain on disposal of subsidiaries	–	853
Other operating income	4,636	3,413
<b>Other income</b>	<b>17,040</b>	<b>12,996</b>

<sup>1)</sup> Figures restated (refer to note 4, Discontinued operations)

## 8. Personnel costs

### Personnel costs

in thousand CHF	2023	2022 (Restated) <sup>1)</sup>
Salaries and wages	449,756	425,305
Social security costs and pension expenses	60,040	61,495
Other personnel costs	41,188	38,882
<b>Personnel costs</b>	<b>550,984</b>	<b>525,682</b>
Average number of employees (FTE)	5,770	5,485

<sup>1)</sup> Figures restated (refer to note 4, Discontinued operations)

Social security costs and pension expenses contain expenses for defined benefit plans of CHF 26.6 million (previous year: expenses of CHF 32.0 million) (refer to [note 24](#)). Salaries and wages includes expenses for share-based payments of CHF 4.3 million (previous year: CHF 7.1 million) (refer to [note 29](#)).

## 9. Other operating costs

### Other operating costs

in thousand CHF	2023	2022 (Restated) <sup>1)</sup>
Maintenance and repairs	29,380	23,315
Transport and shipping costs	42,158	40,846
Other operating and production costs	19,119	18,542
Rental and other lease expenses <sup>2)</sup>	10,997	10,998
Administration costs	57,514	47,330
Marketing and sales costs	42,038	34,819
Non-income taxes	1,088	1,575
Loss on disposal of property, plant and equipment	34	6
<b>Other operating costs</b>	<b>202,328</b>	<b>177,432</b>

<sup>1)</sup> Figures restated (refer to note 4, Discontinued operations)

<sup>2)</sup> Of which other lease expenses (incidental expenses) of CHF 5.6 million (previous year: CHF 5.8 million)

### Research and development

During the reporting period, expenses for research and development totalling CHF 12.7 million were recognised directly in other operating costs (previous year: CHF 13.5 million).

## 10. Financial result

### Financial result

in thousand CHF	2023	2022 (Restated) <sup>1)</sup>
Interest income	1,749	940
Net interest income from employee benefit plans	129	220
Net remeasurement of change in fair value of contingent consideration liabilities	10,057	1,077
Other financial income	76	36
<b>Financial income</b>	<b>12,012</b>	<b>2,274</b>
Interest expense	6,515	2,839
Interest expense on lease liabilities	2,951	2,400
Other financial costs	6,343	235
Net loss on foreign exchange	388	237
<b>Financial expenses</b>	<b>16,198</b>	<b>5,711</b>
<b>Net financial expenses</b>	<b>4,186</b>	<b>3,438</b>

<sup>1)</sup> Figures restated (refer to note 4, Discontinued operations)

## 11. Earnings per share

### Number of outstanding shares

	2023	2022
Total number of shares	50,000,000	50,000,000
Average number of treasury shares	-151,779	-265,164
<b>Average number of outstanding shares</b>	<b>49,848,221</b>	<b>49,734,836</b>
Effect from share-based payments	46,724	68,730
<b>Theoretical average number of outstanding shares (diluted)</b>	<b>49,894,945</b>	<b>49,803,566</b>

### Earnings per share

	2023	2022
<b>Earnings per share</b>		
Net profit – attributable to shareholders of Galenica Ltd. (in thousand CHF)	285,367	165,132
<b>Earnings per share (in CHF)</b>	<b>5.72</b>	<b>3.32</b>
<b>Diluted earnings per share (in CHF)</b>	<b>5.72</b>	<b>3.32</b>
<b>Earnings per share from continuing operations</b>		
Profit from continuing operations – attributable to shareholders of Galenica Ltd. (in thousand CHF)	164,919	156,620
<b>Earnings per share from continuing operations (in CHF)</b>	<b>3.31</b>	<b>3.15</b>
<b>Diluted earnings per share from continuing operations (in CHF)</b>	<b>3.31</b>	<b>3.14</b>
<b>Earnings per share from discontinued operations</b>		
Profit from discontinued operations – attributable to shareholders of Galenica Ltd. (in thousand CHF)	120,448	8,512
<b>Earnings per share from discontinued operations (in CHF)</b>	<b>2.42</b>	<b>0.17</b>
<b>Diluted earnings per share from discontinued operations (in CHF)</b>	<b>2.41</b>	<b>0.17</b>

## 12. Income taxes

### Income taxes

in thousand CHF	2023	2022 (Restated) <sup>1)</sup>
Current income taxes	29,634	34,023
Income taxes of prior periods	114	-383
Deferred income taxes	-503	-1,373
<b>Income taxes from continuing operations</b>	<b>29,245</b>	<b>32,267</b>
Income taxes related to discontinued operations	5,766	1,500
<b>Total income taxes</b>	<b>35,012</b>	<b>33,767</b>

<sup>1)</sup> Figures restated (refer to note 4, Discontinued operations)

### Tax reconciliation

in thousand CHF	2023	2022
Earnings before taxes from continuing operations	194,949	189,614
Earnings before taxes from discontinued operations	126,214	10,012
<b>Earnings before income taxes</b>	<b>321,163</b>	<b>199,626</b>
Weighted income tax rate in % of accounting profit	17.7%	18.3%
<b>Expected income taxes</b>	<b>56,971</b>	<b>36,579</b>
Effects due to the sale of participation of discontinued operations (not taxable)	-14,116	-
Effects of changes in tax rates	-290	-101
Effects of unrecognised losses in the current year	50	271
Realisation of unrecognised tax losses of prior periods	-668	-536
Recognition of tax losses of prior periods	-1,570	-
Remeasurement contingent consideration liabilities from business combinations (not taxable)	-2,112	-226
Other items and items from prior periods	-3,253	-2,220
<b>Effective income taxes</b>	<b>35,012</b>	<b>33,767</b>
<b>Effective income tax rate in % of accounting profit</b>	<b>10.9%</b>	<b>16.9%</b>
- of which income taxes attributable to continuing operations (reported in the statement of income)	29,245	32,267
- effective income tax rate attributable to continuing operations in % of EBT	15.0%	17.0%
- of which income taxes attributable to discontinued operations	5,766	1,500

## Deferred taxes

in thousand CHF	2023			2022		
	Deferred tax assets	Deferred tax liabilities	Net carrying amount	Deferred tax assets	Deferred tax liabilities	Net carrying amount
Current assets	3,914	-27,000	-23,086	3,123	-24,716	-21,593
Property, plant and equipment	29	-2,518	-2,489	44	-2,944	-2,900
Right-of-use assets	-	-38,944	-38,944	-	-38,450	-38,450
Intangible assets	6,331	-24,917	-18,587	7,248	-22,223	-14,975
Investments	-	-685	-685	-	-4,823	-4,823
Financial assets	-	-20,211	-20,211	-	-4,020	-4,020
Lease liabilities	40,044	-	40,044	39,568	-	39,568
Provisions	-	-953	-953	46	-1,270	-1,224
Employee benefit plans	3,460	-3,677	-217	3,026	-33	2,993
Other temporary differences	295	-1,856	-1,561	110	-760	-650
Shareholders' equity	734	-	734	779	-	779
<b>Deferred taxes due to temporary differences</b>	<b>54,806</b>	<b>-120,761</b>	<b>-65,956</b>	<b>53,944</b>	<b>-99,238</b>	<b>-45,294</b>
Tax loss carryforwards	1,440	-	1,440	168	-	168
<b>Gross deferred taxes</b>	<b>56,246</b>	<b>-120,761</b>	<b>-64,515</b>	<b>54,112</b>	<b>-99,238</b>	<b>-45,126</b>
Netting of assets and liabilities	-51,300	51,300	-	-50,854	50,854	-
<b>Net deferred taxes</b>	<b>4,946</b>	<b>-69,461</b>	<b>-</b>	<b>3,258</b>	<b>-48,384</b>	<b>-</b>

## Analysis of net deferred taxes

in thousand CHF	2023	2022 (Restated) <sup>1)</sup>
<b>1 January</b>	<b>-45,126</b>	<b>-55,324</b>
Recognised as income taxes in profit or loss		
- Change in temporary differences	-1,112	1,170
- Fiscal realisation of recognised tax loss carryforwards	-342	-
- Tax loss carryforwards taken into account for the first time	1,666	168
- Effects of changes in tax rates	290	36
Recognised in other comprehensive income	-13,940	10,025
Recognised in shareholders' equity (related to share-based payments)	146	146
Addition to scope of consolidation	-1,859	-1,043
Disposal from scope of consolidation	1,593	30
Discontinued operations	-5,766	-331
Translation differences	-66	-3
<b>31 December</b>	<b>-64,515</b>	<b>-45,126</b>

<sup>1)</sup> Figures restated (refer to note 4, Discontinued operations)

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

in thousand CHF	2023	2022
Investments in subsidiaries	399,402	175,950

## Tax loss carryforwards and tax credits

in thousand CHF	2023		2022	
	Tax loss carryforwards / tax credits	Tax effect	Tax loss carryforwards / tax credits	Tax effect
<b>Tax loss carryforwards and tax credits</b>	<b>6,728</b>	<b>1,491</b>	<b>9,056</b>	<b>2,035</b>
- of which capitalised as deferred tax assets	-6,336	-1,427	-844	-168
- of which netted with deferred tax liabilities	-95	-13	-	-
<b>Unrecognised tax loss carryforwards and tax credits</b>	<b>297</b>	<b>51</b>	<b>8,212</b>	<b>1,868</b>
Of which expire:				
- within 1 year	-	-	-	-
- in 2 to 5 years	289	49	2,324	458
- in more than 5 years	9	1	5,888	1,410

### OECD Pillar Two model rules

Galenica is within the scope of the OECD Pillar Two model rules. Since the Pillar Two model legislation has been enacted but was not into force in the financial year 2023 in the jurisdiction relevant to Galenica, Galenica has no related current tax exposure. Galenica applies the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. Furthermore, Galenica has reviewed its corporate structure considering the introduction of Pillar Two Model Rules in various jurisdictions. Since the effective tax rate is above 15% in all jurisdictions in which Galenica operates, Galenica does not expect that the Group is subject to Pillar Two "top up" taxes.

## 13. Trade and other receivables

### Trade and other receivables

in thousand CHF	2023	2022
Trade receivables	502,036	514,868
Bad debt allowances	-16,044	-9,752
Other receivables	32,301	24,364
<b>Trade and other receivables</b>	<b>518,293</b>	<b>529,479</b>

### Change in bad debt allowances for trade receivables

in thousand CHF	2023	2022
<b>1 January</b>	<b>-9,752</b>	<b>-8,609</b>
Addition	-8,053	-2,147
Use	526	521
Reversal	775	450
Disposal from scope of consolidation	454	23
Translation differences	6	10
<b>31 December</b>	<b>-16,044</b>	<b>-9,752</b>

### Maturity profile of trade receivables

in thousand CHF	2023			2022		
	Gross trade receivables	Bad debt allowances	Net trade receivables	Gross trade receivables	Bad debt allowances	Net trade receivables
Not past due	407,341	-4,752	402,589	440,662	-4,927	435,735
Past due:						
- 1 to 30 days	69,219	-994	68,226	48,873	-735	48,138
- 31 to 60 days	7,920	-176	7,744	9,792	-493	9,299
- 61 to 90 days	1,936	-230	1,706	5,149	-462	4,687
- more than 90 days	15,620	-9,892	5,728	10,392	-3,135	7,256
<b>Total</b>	<b>502,036</b>	<b>-16,044</b>	<b>485,992</b>	<b>514,868</b>	<b>-9,752</b>	<b>505,116</b>

### Accounting principles trade and other receivables

Trade receivables are initially measured at the transaction price determined in accordance with IFRS 15. Other receivables are carried at original invoice value. Allowances for uncollectable amounts are estimated based on expected credit losses, using life-time expected credit losses for trade receivables (simplified approach).

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

## 14. Inventories

### Inventories

in thousand CHF	2023			2022		
	Raw material and merchandise <sup>1)</sup>	Semi-finished and finished goods <sup>2)</sup>	Total inventories	Raw material and merchandise <sup>1)</sup>	Semi-finished and finished goods <sup>2)</sup>	Total inventories
<b>Gross carrying amount as at 1 January</b>	<b>331,281</b>	<b>4,162</b>	<b>335,443</b>	<b>313,957</b>	<b>4,358</b>	<b>318,315</b>
Change in inventories	50,603	3,725	54,328	16,808	-196	16,611
Addition to scope of consolidation	2,431	1,730	4,161	1,116	-	1,116
Disposal from scope of consolidation	-18,174	-	-18,174	-549	-	-549
Translation differences	-77	-67	-145	-51	-	-51
<b>Gross carrying amount as at 31 December</b>	<b>366,064</b>	<b>9,550</b>	<b>375,614</b>	<b>331,281</b>	<b>4,162</b>	<b>335,443</b>
<b>Allowance as at 1 January</b>	<b>-19,744</b>	<b>-540</b>	<b>-20,283</b>	<b>-22,745</b>	<b>-499</b>	<b>-23,245</b>
Addition	-2,309	-1,085	-3,395	-527	-103	-630
Reversal / use	5,026	109	5,135	3,487	63	3,550
Disposal from scope of consolidation	6	-	6	30	-	30
Translation differences	15	4	19	12	-	12
<b>Allowance as at 31 December</b>	<b>-17,006</b>	<b>-1,512</b>	<b>-18,518</b>	<b>-19,744</b>	<b>-540</b>	<b>-20,283</b>
<b>Net carrying amount as at 31 December</b>	<b>349,058</b>	<b>8,038</b>	<b>357,096</b>	<b>311,538</b>	<b>3,622</b>	<b>315,160</b>

<sup>1)</sup> Including prepayments to suppliers

<sup>2)</sup> Including consumables / auxiliary material

### Accounting principles inventories

The weighted average method is primarily used to determine cost for raw materials and merchandise. Semi-finished and finished goods are carried at the lower of cost of direct materials and labour and net realisable value.

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.

## 15. 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
<b>Net carrying amount as at 31.12.2021</b>	<b>142,194</b>	<b>21,464</b>	<b>31,481</b>	<b>23,644</b>	<b>25,767</b>	<b>244,549</b>
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
<b>Net carrying amount as at 31.12.2022</b>	<b>159,544</b>	<b>1,958</b>	<b>41,465</b>	<b>21,877</b>	<b>24,650</b>	<b>249,495</b>
Addition	23,016	1,993	4,949	8,202	7,959	46,119
Disposal	–283	–	–	–	–112	–394
Reclassification	167	–822	206	73	376	–
Depreciation	–14,108	–	–6,354	–5,190	–9,572	–35,224
Addition to scope of consolidation	–	–	64	223	100	387
Disposal from scope of consolidation	–318	–	–333	–31	–	–681
<b>Net carrying amount as at 31.12.2023</b>	<b>168,019</b>	<b>3,129</b>	<b>39,996</b>	<b>25,156</b>	<b>23,402</b>	<b>259,702</b>
<b>Overview as at 31.12.2022</b>						
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
<b>Net carrying amount as at 31.12.2022</b>	<b>159,544</b>	<b>1,958</b>	<b>41,465</b>	<b>21,877</b>	<b>24,650</b>	<b>249,495</b>
<b>Overview as at 31.12.2023</b>						
Cost	344,854	3,129	116,950	119,677	71,152	655,763
Accumulated depreciation and impairment	–176,835	–	–76,954	–94,522	–47,750	–396,060
<b>Net carrying amount as at 31.12.2023</b>	<b>168,019</b>	<b>3,129</b>	<b>39,996</b>	<b>25,156</b>	<b>23,402</b>	<b>259,702</b>

### 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.

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

## 16. Leases

### Right-of-use assets

in thousand CHF	Real estate	Other right-of-use assets	Total right-of-use assets
<b>Net carrying amount as at 31.12.2021</b>	<b>215,239</b>	<b>257</b>	<b>215,496</b>
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
<b>Net carrying amount as at 31.12.2022</b>	<b>226,489</b>	<b>196</b>	<b>226,685</b>
Addition	22,104	139	22,243
Reassessment of existing lease contracts	31,297	5	31,302
Depreciation	-52,726	-118	-52,844
Impairment	-37	-	-37
Reversal of impairment	508	-	508
Addition to scope of consolidation	5,756	-	5,756
Disposal from scope of consolidation	-4,025	-	-4,025
Translation differences	-	-6	-6
<b>Net carrying amount as at 31.12.2023</b>	<b>229,366</b>	<b>217</b>	<b>229,583</b>

### Lease liabilities

in thousand CHF	2023	2022
<b>Net carrying amount as at 1 January</b>	<b>233,178</b>	<b>223,051</b>
Addition	22,243	23,533
Reassessment of existing lease contracts	31,299	35,509
Interest expense on lease liabilities	2,972	2,455
Repayment of lease liabilities (including interest)	-55,173	-54,914
Addition to scope of consolidation	5,756	4,002
Disposal from scope of consolidation	-4,228	-455
Translation differences	-6	-4
<b>Net carrying amount as at 31 December</b>	<b>236,041</b>	<b>233,178</b>
- of which current lease liabilities	50,484	50,173
- of which non-current lease liabilities	185,557	183,005

**Leases recognised in profit or loss (restated)**

in thousand CHF	2023	2022 (Restated) <sup>1)</sup>
Rental income from operating leases (included in other income)	1,690	1,762
Short-term lease expense (included in other operating costs)	-1,282	-1,154
Low-value lease expense (included in other operating costs)	-51	-17
Variable lease expense (included in other operating costs)	-4,045	-4,002
Depreciation of right-of-use assets	-52,580	-50,620
Impairment of right-of-use assets	-37	-1,644
Reversal of impairment of right-of-use assets	508	1,492
Interest expense on lease liabilities	-2,951	-2,400

<sup>1)</sup> Figures restated (refer to note 4, Discontinued operations)

The total cash outflow for leases including short-term leases, leases of low-value-assets and variable lease expenses was CHF 60.3 million (previous year: CHF 59.4 million).

**Maturity profile of undiscounted lease liabilities**

in thousand CHF	2023	2022
Up to 3 months	13,477	13,371
In 3 to 12 months	39,648	39,339
In 2 years	47,719	45,869
In 3 years	39,588	37,945
In 4 to 5 years	57,021	54,879
In 6 to 10 years	43,829	45,534
In more than 10 years	5,003	5,303
<b>Total future cash flows from undiscounted lease liabilities</b>	<b>246,284</b>	<b>242,240</b>

Possible future cash outflows related to extension options in an amount of CHF 192.6 million (previous year: CHF 183.1 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 2024 is expected to be similar to the amount recognised in 2023.

Galenica has entered into various lease contracts that have not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable lease contracts amount to CHF 40.3 million (previous year: CHF 38.9 million).

### **Accounting principles leases**

Galenica has lease contracts for furniture, 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).

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).

## 17. Intangible assets

### Intangible assets

in thousand CHF	Intangible assets with finite useful lives <sup>1)</sup>	Trademarks with indefinite useful lives	Software	Goodwill	Total intangible assets
<b>Net carrying amount as at 31.12.2021</b>	<b>7,668</b>	<b>82,720</b>	<b>73,616</b>	<b>856,662</b>	<b>1,020,666</b>
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
<b>Net carrying amount as at 31.12.2022</b>	<b>10,422</b>	<b>82,720</b>	<b>92,267</b>	<b>914,703</b>	<b>1,100,112</b>
Addition	508	–	32,191	–	32,699
Amortisation	–2,974	–	–12,783	–	–15,757
Addition to scope of consolidation	392	8,940	–	19,650	28,983
Disposal from scope of consolidation	–	–	–4,471	–63,046	–67,517
Translation differences	–16	–	–1	–	–17
<b>Net carrying amount as at 31.12.2023</b>	<b>8,332</b>	<b>91,660</b>	<b>107,204</b>	<b>871,307</b>	<b>1,078,503</b>
<b>Overview as at 31.12.2022</b>					
Cost	21,982	82,720	147,680	914,703	1,167,085
Accumulated amortisation and impairment	–11,561	–	–55,413	–	–66,973
<b>Net carrying amount as at 31.12.2022</b>	<b>10,422</b>	<b>82,720</b>	<b>92,267</b>	<b>914,703</b>	<b>1,100,112</b>
<b>Overview as at 31.12.2023</b>					
Cost	22,863	91,660	168,294	871,307	1,154,124
Accumulated amortisation and impairment	–14,530	–	–61,090	–	–75,620
<b>Net carrying amount as at 31.12.2023</b>	<b>8,332</b>	<b>91,660</b>	<b>107,204</b>	<b>871,307</b>	<b>1,078,503</b>

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

### Trademarks with indefinite useful lives

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

For impairment testing purposes the trademarks have been allocated to the cash-generating units Verfora, Padma and Spagyros in the operating segment Products & Care. The recoverable amount 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	2023	2022
Carrying amount	91,660	82,720
Growth rate	1.0%	1.0%
Pre-tax discount rate	7.0%	6.8%

According to the results of impairment testing for 2023 and 2022 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 EBIT margins or lower perpetual growth rates. The sensitivity analysis for 2023 and 2022 did not reveal that a reasonable possible change in assumption would lead to an impairment.

### Goodwill

#### Goodwill

in thousand CHF	2023			2022		
	Carrying amount	Growth rate	Pre-tax discount rate	Carrying amount	Growth rate	Pre-tax discount rate
Products & Care	785,760	1.0%	7.1%	829,156	1.0%	7.0%
Logistics & IT	85,547	1.0%	7.1%	85,547	1.0%	7.0%
<b>Total</b>	<b>871,307</b>			<b>914,703</b>		

According to the results of impairment testing for 2023 and 2022 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 EBIT margins or lower perpetual growth rates. The sensitivity analysis for 2023 and 2022 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.

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 in the fourth quarter of the year, or more frequently if there are indications of 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 in the fourth quarter of the year, 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.

## 18. Investments in associates and joint ventures

### Investments in associates

#### Investments in associates

in thousand CHF	2023	2022
<b>Net carrying amount as at 1 January</b>	<b>3,108</b>	–
Share of profit from associates	1,576	–358
Remeasurement of net defined benefit plans from associates	–1,226	–
Investments	109,511 <sup>1)</sup>	3,466 <sup>2)</sup>
<b>Net carrying amount as at 31 December</b>	<b>112,969</b>	<b>3,108</b>

<sup>1)</sup> Including contribution of fair value of retained at equity investment in former subsidiary of CHF 106.0 million (refer to note 4, Discontinued operations)

<sup>2)</sup> Including contribution of previously held securities with a fair value of CHF 1.7 million

Mediservice is the only significant associate of Galenica. Mediservice as specialty pharmacy offers a range of services for chronic and rare disease. Furthermore, Mediservice operates the pure online pharmacy Redcare-apotheke.ch and is registered in Zuchwil, Switzerland. Galenica owns 49% of the share capital and voting rights, Redcare Pharmacy N.V., Netherlands owns 51% of the share capital and voting rights.

#### Condensed financial information of Mediservice

in thousand CHF	2023
Current assets	91,182
Non-current assets	202,811
Current liabilities	66,702
Non-current liabilities	9,432
Equity before appropriation of earnings	217,859
Operating income <sup>1)</sup>	295,665
EBIT <sup>1)</sup>	4,526
Net profit <sup>1)</sup>	4,011
Remeasurement of net defined benefit plans recognised in other comprehensive income <sup>1)</sup>	–2,502

<sup>1)</sup> Figures as from 16 May to 31 December 2023

The net carrying amount of the investment in Mediservice is CHF 106.8 million as at 31 December 2023 (previous year: none). Unrealised profits on inventory are not considered in these amounts.

## Investments in joint ventures

### Investments in joint ventures

in thousand CHF	2023	2022
<b>Net carrying amount as at 1 January</b>	<b>29,574</b>	<b>30,696</b>
Share of profit from joint ventures	5,263	4,559
Remeasurement of net defined benefit plans from joint ventures	-403	-921
Investments	991	2,100
Dividends received	-4,410	-6,860
<b>Net carrying amount as at 31 December</b>	<b>31,016</b>	<b>29,574</b>

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.

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	2023	2022
Current assets	50,922	45,257
Non-current assets	101,604	112,697
– of which right-of-use assets	39,581	52,891
Current liabilities	53,720	49,313
– of which current lease liabilities	10,159	10,103
Non-current liabilities	37,128	50,328
– of which non-current lease liabilities	30,786	44,381
Equity before appropriation of earnings	61,678	58,312
Operating income	277,816	266,542
EBIT	14,625	13,058
Net profit	11,165	10,114
Remeasurement of net defined benefit plans recognised in other comprehensive income	-822	-1,879

The net carrying amount of the investment in Coop Vitality is CHF 30.2 million as at 31 December 2023 (previous year: CHF 28.6 million). Unrealised profits on inventory are not considered in these amounts.

## 19. Financial assets

### Financial assets

in thousand CHF	2023	2022
Loans	11,767	9,120
Rental deposits	4,954	4,780
Other financial assets	926	732
<b>Loans and other financial assets</b>	<b>17,647</b>	<b>14,632</b>
Equity instruments at fair value through profit or loss	2,536	4,500
Equity instruments at fair value through other comprehensive income <sup>1)</sup>	200,030	4,561
<b>Financial assets</b>	<b>220,214</b>	<b>23,692</b>

<sup>1)</sup> Including an investment in the listed company Redcare Pharmacy N.V., Netherlands, with a fair value of CHF 196.1 million (previous year: none)

### Accounting principles financial assets

Non-current financial assets comprise loans, time deposits with a term to maturity of more than twelve months, rental deposits, equity instruments 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.

## 20. Financial liabilities

### Financial liabilities

in thousand CHF	2023	2022
Bank loans	30,000	–
Loans	28,053	6,320
Mortgages	1,229	1,241
Liabilities to pension funds	10,708	12,099
Bonds	419,871	380,194
Contingent consideration liabilities from business combinations	41,507	49,180
Other financial liabilities	7,431	4,279
<b>Financial liabilities</b>	<b>538,799</b>	<b>453,312</b>
– of which current financial liabilities	70,231	218,464
– of which non-current financial liabilities	468,569	234,848

Galenica issued two fixed-interest rate bonds for a nominal amount totalling CHF 420.0 million for the purpose of long-term financing. One bond of CHF 180.0 million was issued in 2017 with an annual coupon of 1.00% and a term of 9½ years, falling due on 15 December 2026 and the other bond of CHF 240.0 million was issued in 2023 with an annual coupon of 2.35 % and a term of 6½ years, falling due on 8 November 2029. The bonds are traded on the SIX Swiss Exchange under securities no. 36720670 (ISIN CH0367206700) and 125592445 (ISIN CH1255924453) respectively. The bonds closed at 98.65% (previous year: 95.55%) and 103.95% (issued in 2023 at 101.3%) respectively as at 31 December 2023.

On 15 June 2023, Galenica redeemed a matured fixed-rate bond for a nominal amount of CHF 200.0 million with an annual coupon of 0.5%, initially issued in 2017. The bond was traded on the SIX Swiss Exchange under securities no. 36720669 (ISIN CH036706692).

### Cash flow from financial liabilities and lease liabilities 2023

in thousand CHF	01.01.2023	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Disposal from scope of consolidation	Other changes	31.12.2023
Bank loans	–	60,000	–30,000	–	–	–	30,000
Loans	6,320	22,320	–653	–	–	66	28,053
Mortgages	1,241	–	–12	–	–	–	1,229
Liabilities to pension funds	12,099	5	–1,900	–	–	504	10,708
Private placement (notes)	–	55,000	–55,000	–	–	–	–
Bonds	380,194	239,726	–200,000	–	–	–48	419,871
Contingent consideration liabilities from business combinations	49,180	–	–	–	–	–7,672	41,507
Other financial liabilities	4,279	–	–	–	–	3,152	7,431
<b>Financial liabilities</b>	<b>453,312</b>	<b>377,051</b>	<b>–287,565</b>	<b>–</b>	<b>–</b>	<b>–3,998</b>	<b>538,799</b>
Lease liabilities	233,178	–	–52,201	5,756	–4,228	53,536	236,041
<b>Financial liabilities and lease liabilities</b>	<b>686,490</b>	<b>377,051</b>	<b>–339,766</b>	<b>5,756</b>	<b>–4,228</b>	<b>49,538</b>	<b>774,841</b>

**Cash flow from financial liabilities and lease liabilities 2022**

in thousand CHF	01.01.2022	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Disposal from scope of consolidation	Other changes	31.12.2022
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 from business combinations	24,000	-	-	-	-	25,180	49,180
Other financial liabilities	880	-	-	-	-	3,399	4,279
<b>Financial liabilities</b>	<b>449,596</b>	<b>1,607</b>	<b>-25,893</b>	<b>-</b>	<b>-</b>	<b>28,002</b>	<b>453,312</b>
Lease liabilities	223,051	-	-52,459	4,002	-455	59,038	233,178
<b>Financial liabilities and lease liabilities</b>	<b>672,647</b>	<b>1,607</b>	<b>-78,351</b>	<b>4,002</b>	<b>-455</b>	<b>87,040</b>	<b>686,490</b>

**21. Trade and other payables****Trade and other payables**

in thousand CHF	2023	2022
Trade payables	384,774	323,345
Contract liabilities	9,500	9,137
Other payables	23,168	22,738
<b>Trade and other payables</b>	<b>417,442</b>	<b>355,220</b>

Contract liabilities are generally recognised in revenue within 12 months.

**22. Provisions****Provisions**

in thousand CHF	2023	2022
<b>1 January</b>	<b>4,684</b>	<b>3,808</b>
Addition	4,136	3,479
Use	-2,304	-1,619
Reversal	-1,702	-984
Addition to scope of consolidation	745	-
<b>31 December</b>	<b>5,558</b>	<b>4,684</b>
- of which current provisions	4,880	4,487
- of which non-current provisions	678	197

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

## 23. 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. Although the case is still pending before the Federal Supreme Court, COMCO obliged Galenica to pay the CHF 3.8 million penalty in June 2023 and therefore Galenica expensed the amount. Galenica remains confident of winning the case before the Federal Supreme Court.

In September 2020, the Swiss Competition Commission (COMCO) opened an investigation against Markant Handels- und Industriewaren-Vermittlungs AG and its customers, inter alia Galexis Ltd. The COMCO secretariat presented its preliminary findings at the end of June 2023. On this basis, Galenica estimates the amount of a possible sanction, including legal costs, to be around CHF 3.0 million and has recognised a provision.

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 17.3 million (previous year: CHF 15.9 million). The payments under these purchase commitments become due in 2024.

Furthermore, there are guarantees of CHF 6.8 million (previous year: CHF 8.6 million) and subordinated loans of CHF 0.9 million (previous year: CHF 1.4 million) to third parties.

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

## 24. 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 Accounting Standards. 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 2023. 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 2023 for Galenica Pension Fund is 110.8% (unaudited) and as at 31 December 2022 108.3% (final).

### Defined benefit plans and long-service awards

in thousand CHF	2023			2022		
	Defined benefit plans	Long-service awards <sup>1)</sup>	Total	Defined benefit plans	Long-service awards <sup>1)</sup>	Total
Plan assets measured at fair value	1,101,802	–	1,101,802	1,044,124	–	1,044,124
Present value of defined benefit obligation	-1,079,958	-14,290	-1,094,248	-975,824	-14,988	-990,812
<b>Surplus / (deficit)</b>	<b>21,844</b>	<b>-14,290</b>	<b>7,554</b>	<b>68,299</b>	<b>-14,988</b>	<b>53,311</b>
Effect of asset ceiling	-6,346	–	-6,346	-69,941	–	-69,941
<b>Net carrying amount recognised in employee benefit assets / liabilities</b>	<b>15,498</b>	<b>-14,290</b>	<b>1,208</b>	<b>-1,642</b>	<b>-14,988</b>	<b>-16,630</b>
of which recognised in assets	20,429	–	20,429	183	–	183
of which recognised in liabilities	-4,931	-14,290	-19,221	-1,825	-14,988	-16,813

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

### Change in present value of defined benefit obligation

in thousand CHF	2023			2022		
	Defined benefit plans	Long-service awards	Total	Defined benefit plans	Long-service awards	Total
<b>1 January</b>	<b>-975,824</b>	<b>-14,988</b>	<b>-990,812</b>	<b>-1,085,962</b>	<b>-16,229</b>	<b>-1,102,191</b>
Current service cost	-25,896	-1,633	-27,529	-31,804	-1,725	-33,529
Past service cost	-112	–	-112	-85	–	-85
Interest on defined benefit obligation	-19,768	-297	-20,066	-3,709	-59	-3,768
Actuarial gain/(loss)	-68,933	889	-68,044	169,856	1,512	171,368
Employee contributions	-20,962	–	-20,962	-19,662	–	-19,662
Benefits/awards paid	8,740	1,500	10,240	-310	1,587	1,277
Change in scope of consolidation	22,797	240	23,037	-4,148	-74	-4,222
<b>31 December</b>	<b>-1,079,958</b>	<b>-14,290</b>	<b>-1,094,248</b>	<b>-975,824</b>	<b>-14,988</b>	<b>-990,812</b>

**Change in fair value of plan assets**

in thousand CHF	2023	2022
<b>1 January</b>	<b>1,044,124</b>	<b>1,143,224</b>
Interest on plan assets	21,712	3,992
Remeasurement gain/(loss)	17,104	-155,683
Employee contributions	20,962	19,662
Employer contributions	31,634	29,791
Net benefits paid	-8,740	310
Administration cost	-1,051	-999
Change in scope of consolidation	-23,943	3,826
<b>31 December</b>	<b>1,101,802</b>	<b>1,044,124</b>

**Net defined benefit cost**

in thousand CHF	2023	2022
Current service cost	25,896	31,804
Past service cost	112	85
Net interest on net defined benefit liability	-430	-283
Administration cost	1,051	999
<b>Net defined benefit cost<sup>1)</sup></b>	<b>26,628</b>	<b>32,605</b>

<sup>1)</sup> Of which continuing operations of CHF 26.3 million (previous year: CHF 31.8 million)

**Remeasurement of net defined benefit assets / liabilities**

in thousand CHF	2023	2022
Actuarial gain/(loss) due to:		
- Changes in financial assumptions	-91,366	190,663
- Experience adjustments	22,433	-20,807
Remeasurement of plan assets	17,104	-155,683
Effect in the change of asset ceiling	64,341	-69,941
<b>Remeasurement of net defined benefit assets / liabilities recognised in other comprehensive income<sup>1)</sup></b>	<b>12,512</b>	<b>-55,768</b>

<sup>1)</sup> Of which continuing operations of CHF 12.6 million (previous year: CHF -54.8 million)

**Change in assumption and in estimate**

The experience adjustments of CHF 22.4 million (previous year: CHF -20.8 million) were the result of various elements not expected in the prior year mainly the overall development of the population and other items as calculated by the external actuary.

The decrease of the discount rate from 2.10% to 1.40% (previous year: increase from 0.35% to 2.10%) resulted in a increase of the defined benefit obligation of CHF 91.4 million (previous year: decrease of CHF 190.7 million).

**Asset ceiling**

in thousand CHF	2023	2022
<b>1 January</b>	<b>-69,941</b>	<b>-</b>
Interest income	-1,514	-
Change in the asset ceiling (recognised in other comprehensive income)	64,341	-69,941
Change in scope of consolidation	768	-
<b>31 December</b>	<b>-6,346</b>	<b>-69,941</b>

**Investment structure of plan assets**

in thousand CHF	2023		2022	
Cash and cash equivalents	4,726	0.4%	5,312	0.5%
Debt instruments	246,256	22.4%	204,473	19.6%
Equity instruments	453,405	41.2%	424,749	40.7%
Real estate	258,636	23.5%	264,509	25.3%
Other investments	138,779	12.6%	145,081	13.9%
<b>Fair value of plan assets</b>	<b>1,101,802</b>	<b>100.0%</b>	<b>1,044,124</b>	<b>100.0%</b>
Current return on plan assets		3.8%		-13.2%

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

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

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

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

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 9.7 million (previous year: CHF 11.2 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 5,829 active members (previous year: 5,629) and 993 pensioners (previous year: 950).

Galenica does not use any pension fund assets.

**Basis for measurement**

	2023	2022
Discount rate	1.40%	2.10%
Salary development	2.25%	2.25%
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	2023		2022	
	Variations in assumptions	Impact on DBO	Variations in assumptions	Impact on DBO
Discount rate	+0.25%	-35,639	+0.25%	-28,301
	-0.25%	37,808	-0.25%	30,258
Salary development	+0.25%	3,221	+0.25%	2,914
	-0.25%	-3,221	-0.25%	-2,913
Mortality	+1 year	27,849	+1 year	21,281
	-1 year	-27,868	-1 year	-21,921

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 15.7 years (previous year: 14.4 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 32.3 million for 2024.

## 25. Shareholders' equity

### 25.1 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 2023 in the chapter Corporate Governance (unaudited).

#### Number of shares

	Total shares Galenica Ltd.	Treasury shares	Outstanding shares
<b>Balance as at 31.12.2021</b>	<b>50,000,000</b>	<b>-361,503</b>	<b>49,638,497</b>
Transactions with treasury shares	-	177,763	177,763
<b>Balance as at 31.12.2022</b>	<b>50,000,000</b>	<b>-183,740</b>	<b>49,816,260</b>
Transactions with treasury shares	-	15,920	15,920
<b>Balance as at 31.12.2023</b>	<b>50,000,000</b>	<b>-167,820</b>	<b>49,832,180</b>

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

### 25.2 Changes in consolidated shareholder's equity

On 3 May 2023, the Annual General Meeting approved a dividend payment of CHF 109.8 million for the financial year 2022 (previous year: CHF 104.4 million), corresponding to CHF 2.20 per registered share (previous year: CHF 2.10). For this purpose, CHF 1.10 was taken from the reserves from capital contributions (previous year: CHF 1.05) and CHF 1.10 from retained earnings (previous year: CHF 1.05) of Galenica Ltd. The dividend was paid out to the shareholders on 9 May 2023.

In the reporting period, 156,148 treasury shares (previous year: 7,704 treasury shares) were bought at an average price of CHF 70.51 (previous year: CHF 69.97) and 172,068 treasury shares (previous year: 185,467 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 less than CHF 0.1 million (previous year: CHF 4.1 million). In 2022 as a result of business combinations CHF 1.4 million 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 0.3 million (previous year: CHF 3.9 million).

The Board of Directors will submit a proposal to the Annual General Meeting on 10 April 2024 to pay a dividend of CHF 2.20 per share entitled to receive dividend for the financial year 2023. 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 2023, the total dividend would amount to CHF 109.2 million.

## 26. Financial instruments

### 26.1 Categories of financial instruments

#### Carrying amounts of financial instruments 2023

in thousand CHF	Financial assets at amortised costs	Financial assets at fair value through OCI	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Cash and cash equivalents	116,159	–	–	–	116,159
Trade and other receivables	518,293	–	–	–	518,293
Financial assets	20,183 <sup>1)</sup>	200,030	–	–	220,214
Current financial liabilities	–	–	–	70,231	70,231
Current lease liabilities	–	–	–	50,484	50,484
Trade and other payables	–	–	–	407,943	407,943
Non-current financial liabilities	–	–	41,507	427,061 <sup>2)</sup>	468,569
Non-current lease liabilities	–	–	–	185,557	185,557
<b>Total</b>	<b>654,635</b>	<b>200,030</b>	<b>41,507</b>	<b>1,141,276</b>	

<sup>1)</sup> Of which CHF 2.5 million are in connection to equity instruments which are designated as Financial asset at fair value through profit or loss

<sup>2)</sup> Of which CHF 4.3 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 2022

in thousand CHF	Financial assets at amortised costs	Financial assets at fair value through OCI	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	19,132 <sup>1)</sup>	4,561	–	–	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 <sup>2)</sup>	234,848
Non-current lease liabilities	–	–	–	183,005	183,005
<b>Total</b>	<b>642,537</b>	<b>4,561</b>	<b>49,180</b>	<b>983,393</b>	

<sup>1)</sup> Of which CHF 4.5 million are in connection to equity instruments which are designated as Financial asset at fair value through profit or loss

<sup>2)</sup> 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

## Net gain/(loss) on financial instruments 2023

in thousand CHF	Financial assets at amortised costs	Financial assets at fair value through OCI	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Change in fair value	-2,900 <sup>1)</sup>	–	10,057	–	7,157
Net gain/(loss) on foreign exchange	137	–	–	-526	-388
Other financial result	76	–	–	-94	-18
Interest income	1,418	–	–	–	1,418
Interest expense	–	–	–	-6,515	-6,515
Interest expense on lease liabilities	–	–	–	-2,951	-2,951
Interest income on impaired trade receivables	331	–	–	–	331
Expected credit losses	-7,124	–	–	–	-7,124
Impairment on financial assets	-3,349	–	–	–	-3,349
<b>Net gain/(loss) recognised in profit or loss</b>	<b>-11,410</b>	<b>–</b>	<b>10,057</b>	<b>-10,086</b>	<b>-11,439</b>
<b>Net gain/(loss) recognised in other comprehensive income<sup>2)</sup></b>	<b>–</b>	<b>55,530</b>	<b>–</b>	<b>–</b>	<b>55,530</b>

<sup>1)</sup> Related to equity instruments which are designated as Financial asset at fair value through profit or loss

<sup>2)</sup> Other comprehensive income includes changes in value of strategic investments (publicly and non-publicly traded equity instruments)

Net gain/(loss) on financial instruments 2022 (restated)<sup>1)</sup>

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	–	1,077	–	1,077
Net gain/(loss) on foreign exchange	-104	–	-133	-237
Other financial result	-144	–	-55	-198
Interest income	639	–	–	639
Interest expense	–	–	-2,839	-2,839
Interest expense on lease liabilities	–	–	-2,400	-2,400
Interest income on impaired trade receivables	301	–	–	301
Expected credit losses	-1,779	–	–	-1,779
<b>Net gain/(loss) recognised in profit or loss</b>	<b>-1,086</b>	<b>1,077</b>	<b>-5,428</b>	<b>-5,437</b>

<sup>1)</sup> Figures restated (refer to note 4, Discontinued operations)

## **Accounting principles financial instruments (measurement and categories)**

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. These financial assets are subsequently measured at amortised cost using the effective interest rate method less expected credit losses. 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 assets at fair value through other comprehensive income**

Financial assets measured at fair value through other comprehensive income includes equity instruments which were irrevocably classified to be strategic in nature.

### **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.

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.

## 26.2 Fair value measurement

### Fair value

in thousand CHF	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Bond (level 1 of the fair value hierarchy)	419,871	427,050	380,194	370,830

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

As at 31 December 2023 Galenica holds equity instruments designated at fair value through other comprehensive income including a 7.9% (previous year: none) investment in the listed (level 1 of the fair value hierarchy) company Redcare Pharmacy N.V., Netherlands, with a fair value of CHF 196.1 million (previous year: none) and other investment in non-listed (level 3 of the fair value hierarchy) companies with a fair value of CHF 3.9 million (previous Year: CHF 4.6 million). These investments were irrevocably designated at fair value through other comprehensive income as Galenica considers these investments to be strategic in nature. Galenica recognised in the consolidated statement of comprehensive income a remeasurement gain of CHF 55.5 million (previous year: none).

### Fair value of financial instruments (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	2023	2022
<b>1 January</b>	<b>49,180</b>	<b>24,000</b>
Arising from business combinations	2,385	26,256
Change in fair value (recognised in profit or loss)	-10,057	-1,077
<b>31 December</b>	<b>41,507</b>	<b>49,180</b>

Fair value changes of contingent consideration liabilities from business combinations are recognised in profit or loss (financial result) for the relevant reporting period.

#### Fair value of equity instruments designated at fair value through other comprehensive income (level 3 of the fair value hierarchy)

in thousand CHF	2023	2022
<b>1 January</b>	<b>4,561</b>	<b>-</b>
Addition	1,950	4,561
Change in fair value (recognised in other comprehensive income)	-2,583	-
<b>31 December</b>	<b>3,928</b>	<b>4,561</b>

### Fair value and sensitivity analysis of contingent consideration liabilities from discontinued operations

Determining the contingent consideration liability in connection with the sale of Mediservice forecasted gross margin and further development of net working capital of the discontinued operation were identified as key assumptions. Galenica has recorded the amount of CHF 2.9 million as other liability based on the expected future gross margin for the years 2024–2026. The future cash outflows range between zero and CHF 3.1 million.

Furthermore, Galenica has not recorded any amount for a payment related to the further development of net working capital of the discontinued operation as per 31 December 2023 as the development of the net working capital was positive in the second half year of 2023. The relevant period under review was extended to the first half of 2024 and a possible but not expected cash out flow would be due in the second half year of 2024. The future cash outflows range between zero and CHF 2.3 million.

Further information of the discontinued operation can be found in [note 4, Discontinued operations](#).

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

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

in thousand CHF	Lifestage Solutions	Bahnhof Apotheke Langnau	Aquantic	Padma
<b>Fair value of contingent considerations as at 31.12.2023</b>	<b>17,287</b>	<b>18,408</b>	<b>3,395</b>	<b>2,418</b>
Minimal payout	–	–	–	–
Maximal payout	24,000	29,000	5,450	4,000
Key assumption	forecasted net sales <sup>1)</sup>	forecasted net sales <sup>1)</sup>	forecasted EBITDA <sup>1)</sup>	forecasted sell out prices <sup>1)</sup>
Year of relevance	2024	2026+2027	2025+2026	2025
<b>Sensitivity analysis</b>				
Impact on fair value by 5% increase of key assumption	1,864	1,663	388	967
Impact on fair value by 5% decrease of key assumption	–1,864	–1,663	–388	–967

<sup>1)</sup> of the acquired business

## 27. Financial risk management

Galenica is exposed to various financial risks and liquidity requirements. Galenica's financing and financial risk management activities are centralised in 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.

### 27.1 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 2023

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	407,943	407,943	407,943	–	–	–
Current financial liabilities	70,231	70,231	68,090	2,141	–	–
Current lease liabilities	50,484	53,125	13,477	39,648	–	–
Non-current financial liabilities	48,697	50,336	–	–	50,336	–
Bonds	419,871	459,240	–	7,440	206,160	245,640
Non-current lease liabilities	185,557	193,159	–	–	144,328	48,831
<b>Total</b>	<b>1,182,783</b>	<b>1,234,034</b>	<b>489,510</b>	<b>49,229</b>	<b>400,824</b>	<b>294,471</b>

#### 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
<b>Total</b>	<b>1,032,573</b>	<b>1,052,320</b>	<b>377,648</b>	<b>242,376</b>	<b>381,459</b>	<b>50,837</b>

## 27.2 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 and loans. The creditworthiness of the counterparties is regularly monitored and reported to management.

#### Financial assets subject to credit risk

in thousand CHF	2023	2022
Cash and cash equivalents (without cash on hand)	114,566	92,377
Trade and other receivables	518,293	529,479
Loans and other financial assets	17,647	14,632
<b>Financial assets subject to credit risk</b>	<b>650,506</b>	<b>636,488</b>

The financial assets subject to credit risk are primarily receivables.

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

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

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. Based on past experience, Galenica considers the creditworthiness of non-past due trade receivables to be good.

## 28. 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	2023	2022
Current financial liabilities <sup>1)</sup>	69,990	218,464
Current lease liabilities	50,484	50,173
Non-current financial liabilities <sup>1)</sup>	419,871	181,389
Non-current lease liabilities	185,557	183,005
Cash and cash equivalents	-116,159	-93,927
Interest-bearing receivables	-11,607	-11,347
<b>Net debt</b>	<b>598,137</b>	<b>527,758</b>
Equity attributable to shareholders of Galenica Ltd.	1,471,419	1,245,580
Non-controlling interests	3,777	3,881
Shareholders' equity	1,475,196	1,249,461
<b>Gearing</b>	<b>40.5%</b>	<b>42.2%</b>

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

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

## 29. 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.

17,607 performance share units (previous year: 19,613 performance share units) were granted to beneficiaries at a fair value of CHF 65.95 (previous year: CHF 58.20) at the beginning of the reporting period for the 2023 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 80,252 shares of Galenica Ltd. (previous year: 75,607 shares) at a price of CHF 49.65 (previous year: CHF 53.50). This includes a discount of CHF 21.29 (previous year: CHF 22.90) per share.

### Share-based payment expense

in thousand CHF	2023	2022
Remuneration for members of the Board of Directors	1,013	907
Share plan for members of senior management	904	3,087
Long-term incentive plan (LTI)	692	1,383
Employee share plan	1,709	1,731
<b>Total</b>	<b>4,318</b>	<b>7,109</b>

## 30. Related party transactions

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

### Related party transactions

The transactions shown in the table below under joint ventures largely concern transactions with Coop Vitality and those under associates mainly concern transactions with Mediservice. In the previous year, the transactions with associates and joint ventures largely concerned transactions with Coop Vitality. All transactions are 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	2023		2022
	Joint ventures	Associates	Associates and joint ventures
Sale of goods	169,947	11,787	162,134
Income from services	8,087	1,712	7,900
Other income	17	–	17
Purchase of goods	216	13	346
Other operating costs	–	26	–
Financial income	247	34	106
Financial expenses	26	108	203
Receivables and loans	22,835	20,607	21,288
Trade payables and loans	7,320	21,280	5,633

The financial liabilities to pension funds amounted to CHF 10.7 million (previous year: CHF 12.1 million).

### 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	2023	2022
Remuneration	3,343	4,224
Social security costs and pension expenses	970	1,054
Share-based payments	1,686	2,537
<b>Total</b>	<b>5,999</b>	<b>7,815</b>

## 31. Subsequent events

The following transactions occurred between 31 December 2023 and 7 March 2024, the date on which the consolidated financial statements 2023 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 33.9 million, the fair value of the provisional net assets resulting from these additions was estimated at CHF 8.4 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 Accounting Standards.

There were no further significant events after the reporting date.

## 32. Group companies

### Group companies Products & Care

Group companies	Registered office	Method of consolidation	Currency	Share capital in thousand	2023	2022
					Equity interest	Equity interest
<b>Products &amp; Care</b>						
Amavita Health Care Ltd.	CH-Niederbipp	full	CHF	100	100%	100%
Bahnhof Apotheke Langnau AG	CH-Langnau im Emmental	full	CHF	100	100%	100%
Bahnhof Apotheken Thun AG	CH-Thun	full	CHF	200	50%	50%
Bichsel AG	CH-Bern	full	CHF	1,000	100%	100%
Bichsel Interlaken Holding AG <sup>1)</sup>	CH-Interlaken	full	CHF	100	100%	100%
Coop Vitality AG	CH-Bern	at equity	CHF	5,000	49%	49%
Coop Vitality Health Care GmbH <sup>1)</sup>	CH-Niederbipp	at equity	CHF	20	49%	49%
Coop Vitality Management AG	CH-Bern	at equity	CHF	100	49%	49%
curarex swiss AG <sup>1)2)</sup>	CH-Zuchwil	at equity	CHF	100	49%	100%
Dr. A.&L. Schmidgall GmbH & Co KG <sup>1)</sup>	AT-Vienna	full	EUR	145	100%	100%
Emeda Ltd.	CH-Wangen-Brüttisellen	at equity	CHF	200	50%	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 <sup>1)</sup>	CH-Interlaken	full	CHF	200	100%	100%
Hedoga AG	CH-Villars-sur-Glâne	full	CHF	100	100%	100%
Laboratorium Dr. G. Bichsel AG <sup>1)</sup>	CH-Unterseen	full	CHF	200	100%	100%
Lifestage Solutions Ltd.	CH-Otelfingen	full	CHF	152	100%	100%
Medifilm Ltd. <sup>1)</sup>	CH-Oensingen	full	CHF	1,300	100%	100%
medinform AG	CH-Zürich	full	CHF	100	50%	50%
MediService Ltd. <sup>2)</sup>	CH-Zuchwil	at equity	CHF	363	49%	100%
PADMA Inc.	CH-Wetzikon	full	CHF	160	100%	-
Padma Aktiengesellschaft für tibetische Heilmittel <sup>1)</sup>	CH-Freienbach	full	CHF	100	100%	-
PADMA EUROPE GmbH <sup>1)</sup>	AT-Vienna	full	EUR	25	100%	-
PADMA Deutschland GmbH <sup>1)</sup>	DE-Gräfelfing	full	EUR	35	100%	-
puravita AG	CH-Speicher	at equity	CHF	130	34.34%	23.08%
Schmidgall GmbH <sup>1)</sup>	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	CH-Au	full	CHF	100	100%	100%

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

<sup>2)</sup> Galenica sold 51% of the company shares as at 16 May 2023 (refer to note 4, Discontinued operations)

## Group companies Logistics &amp; IT and Group Services

Group companies	Registered office	Method of consolidation	Currency	Share capital in thousand	2023 Equity interest	2022 Equity interest
<b>Logistics &amp; IT</b>						
1L Logistics Ltd.	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%	100%
Dauf SA <sup>1)</sup>	CH-Lugano	full	CHF	100	92.92%	92.88%
Galexis Ltd.	CH-Niederbipp	full	CHF	25,000	100%	100%
HCI Solutions Ltd.	CH-Bern	full	CHF	100	100%	100%
Pharma-Info AG <sup>1)</sup>	CH-Biel	at equity	CHF	100	49%	49%
PharmaBlist Ltd. <sup>1)</sup>	CH-Widnau	full	CHF	100	100%	100%
Pharmapool Ltd. <sup>1)</sup>	CH-Widnau	full	CHF	962	100%	100%
Unione Farmaceutica Distribuzione SA	CH-Lugano	full	CHF	2,000	92.92%	92.88%
<b>Group Services</b>						
Galenica Finanz Ltd.	CH-Bern	full	CHF	100	100%	100%

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



Ernst & Young Ltd  
Schanzenstrasse 4a  
P.O. Box  
CH-3001 Berne

Phone: +41 58 286 61 11  
www.ey.com/en\_ch

To the General Meeting of  
Galenica Ltd., Berne

Berne, 7 March 2024

## 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 2023, 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 material accounting policy information.

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 2023 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.



### Impairment risk of goodwill and other intangibles

<b>Risk</b>	<p>As disclosed in note 17, goodwill amounts to CHF 871.3 million as at 31 December 2023 and represents a major asset of Galenica. In addition, Galenica recorded intangible assets with indefinite useful lives with a carrying amount of CHF 91.7 million. Both goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually.</p> <p>Auditing management's annual impairment test is considered important to our audit as it depends on various estimates made by management and therefore includes judgmental elements. In particular, the assessment is sensitive to significant assumptions made about future market and economic conditions, such as economic growth, expected market share, revenue and margin development. Moreover, the terminal growth and the discount rate used have an impact on the net present value of the underlying cash generating unit.</p>
<b>Our audit response</b>	<p>We performed audit procedures that included, among others, assessing the methodology and testing the assumptions discussed above, the weighted average cost of capital (WACC), and technical input parameters used by Galenica. We involved our internal valuation specialists to assist us with these audit procedures. In addition, we assessed the cash flow projections for all cash generating units (CGUs) including the terminal growth. These procedures included an assessment of the historical accuracy of management's estimates and evaluation of business plans. In particular, we considered the available headroom of CGUs and performed sensitivity analyses of assumptions to evaluate whether changes in assumptions as described in note 17 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

# Financial statements 2023 of Galenica Ltd.

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## Statement of income of Galenica Ltd.

in thousand CHF	2023	2022
Income from investments	136,268	121,243
Financial income	90,296	52,223
Other income	144,795	132,917
<b>Operating income</b>	<b>371,359</b>	<b>306,383</b>
Personnel costs	-73,852	-72,243
Financial expenses	-11,112	-10,881
Depreciation and amortisation	-17,317	-16,156
Other expenses	-41,558	-33,842
<b>Operating expenses</b>	<b>-143,839</b>	<b>-133,122</b>
<b>Earnings before taxes</b>	<b>227,520</b>	<b>173,261</b>
Direct taxes	-3,258	-5,162
<b>Net profit for the year</b>	<b>224,262</b>	<b>168,099</b>

# Statement of financial position of Galenica Ltd.

in thousand CHF	2023		2022	
Cash and cash equivalents		12		32,607
Receivables				
– Third parties		1,190		585
– Group companies		29,777		82
Prepaid expenses and accrued income				
– Third parties		5,664		5,322
– Group companies		–		500
<b>Current assets</b>	<b>2.6%</b>	<b>36,643</b>	<b>3.1%</b>	<b>39,096</b>
Financial assets		198,551		85,713
Investments		1,082,364		1,064,752
Property, plant and equipment		12,269		14,023
Intangible assets		53,726		49,197
<b>Non-current assets</b>	<b>97.4%</b>	<b>1,346,910</b>	<b>96.9%</b>	<b>1,213,685</b>
<b>Assets</b>	<b>100.0%</b>	<b>1,383,553</b>	<b>100.0%</b>	<b>1,252,781</b>
Current interest-bearing liabilities		32,500		200,000
Other current liabilities				
– Third parties		20,790		16,761
– Group companies		11		41,074
Accrued expenses and deferred income				
– Third parties		9,257		13,787
– Group companies		801		–
<b>Current liabilities</b>	<b>4.6%</b>	<b>63,359</b>	<b>21.7%</b>	<b>271,622</b>
Non-current interest-bearing liabilities		420,000		180,000
Other non-current liabilities		44,438		49,179
<b>Non-current liabilities</b>	<b>33.6%</b>	<b>464,438</b>	<b>18.3%</b>	<b>229,179</b>
<b>Liabilities</b>	<b>38.1%</b>	<b>527,797</b>	<b>40.0%</b>	<b>500,801</b>
Share capital		5,000		5,000
Legal capital reserves				
– Reserves from capital contributions		199,908		254,788
Legal retained earnings				
– General legal retained earnings		1,000		1,000
– Reserves for treasury shares		1,100		8,000
Treasury shares		–10,725		–
Voluntary retained earnings				
– Free reserve		434,900		314,000
– Balance brought forward from previous year		311		1,093
– Net profit for the year		224,262		168,099
<b>Shareholders' equity</b>	<b>61.9%</b>	<b>855,756</b>	<b>60.0%</b>	<b>751,980</b>
<b>Liabilities and shareholders' equity</b>	<b>100.0%</b>	<b>1,383,553</b>	<b>100.0%</b>	<b>1,252,781</b>

# Notes to the financial statements of Galenica Ltd.

## Principles

The financial statements of Galenica Ltd. with registered office in Bern, Switzerland, 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.

Galenica Ltd. has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS Accounting Standards). In accordance with the CO, the Company decided to forgo presenting additional information on audit fees in the notes as well as a cash flow statement.

## Financial income

Financial income includes the gain on partial sale of subsidiaries of CHF 71.6 million (previous year: none) and a reversal of a bad debt allowance on non-current intercompany loans of CHF 15.0 million (previous year: CHF 15.0 million). In 2022, financial income includes a reversal of an impairment on investments of CHF 35.5 million.

## Other income

Other income includes group-internal management fees of CHF 48.3 million (previous year: CHF 50.5 million) and IT services of CHF 75.3 million (previous year: CHF 66.4 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	2023	2022
Furniture, fittings	876	66
IT equipment	6,488	9,379
Vehicles	4,905	4,578
<b>Total net carrying amount</b>	<b>12,269</b>	<b>14,023</b>

## Intangible assets

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

## Financial assets

Galenica holds equity instruments of CHF 115.9 million (previous year: CHF 4.7 million). Those financial assets are measured at cost less accumulated impairment. Furthermore, financial assets include non-current loans to Group companies of CHF 74.7 million (previous year: CHF 74.7 million), to joint ventures of CHF 7.1 million (previous year: CHF 4.9 million) and to other companies of CHF 0.9 million (previous year: 1.4 million).

### Subordinated loans

As at 31 December 2023, subordinated loans to Group companies amounted to CHF 1.9 million (previous year: CHF 1.9 million) and to third parties amounted to CHF 0.9 million (previous year: CHF 1.4 million).

### Investments

An overview of the investments that are directly or indirectly controlled by Galenica Ltd. is provided in [note 32](#) to the Consolidated financial statements 2023 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	2023	2022
Bond 0.50 % (15 June 2017–15 June 2023) ISIN CH0367206692	–	200,000
Bond 1.00 % (15 June 2017–15 December 2026) ISIN CH0367206700	180,000	180,000
Bond 2.35% (8 Mai 2023–8 November 2029) ISIN CH1255924453	240,000	–
<b>Interest-bearing liabilities</b>	<b>420,000</b>	<b>380,000</b>
– of which current interest-bearing liabilities	–	200,000
– of which non-current interest-bearing liabilities	420,000	180,000

### 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	2023	2022
Within 1 year	20	1,223
In 2 to 5 years	3,663	1,854
In more than 5 years	23,772	25,600
<b>Total</b>	<b>27,455</b>	<b>28,677</b>

### Share capital

As at 31 December 2023, 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 2023, Galenica Ltd. has no authorised capital.

### Reserves from capital contributions

The reserves from capital contributions have been reduced to CHF 199.9 million (previous year: CHF 254.8 million) due to the dividend paid out to the shareholders on 9 May 2023 taken from the reserves from capital contributions in the amount of CHF 54.9 million (previous year: CHF 52.2 million).

### Release of hidden reserves

In 2023, hidden reserves of CHF 15.0 million were released (previous year: CHF 15.0 million).

### Contingent liabilities

As at 31 December 2023, total contingent liabilities amounted to CHF 564.6 million (previous year: CHF 347.4 million), including issued guarantees to Group companies of CHF 364.5 million (previous year: CHF 217.2 million) as well as CHF 200.0 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 447 (previous year: 413).

## Treasury shares

### Treasury shares

	2023		2022	
	Number	in CHF	Number	in CHF
<b>1 January</b>	<b>183,740</b>		<b>361,503</b>	
1st quarter				
– Bought	3,553	264,170	2,161	141,737
– Sold	–44,424	–3,213,343	–59,930	–3,874,139
2nd quarter				
– Bought	70,752	5,169,896	1,288	93,873
– Sold	–34,600	–2,548,636	–39,680	–2,597,453
3rd quarter				
– Bought	4,794	335,636	1,630	116,782
– Sold	–93,044	–6,600,541	–85,857	–6,559,475
4th quarter				
– Bought	77,049	5,240,448	2,625	186,644
– Sold	–	–	–	–
<b>31 December</b>	<b>167,820<sup>1)</sup></b>		<b>183,740<sup>1)</sup></b>	

<sup>1)</sup> of which 15,495 owned by subsidiaries (previous year: 183,740)

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

## Further disclosures

In 2023, 14,047 shares (previous year: 12,307 shares) with fair value of CHF 1,013,491 (previous year: CHF 906,616) have been allocated to the members of the Board of Directors.

In 2023, 10,701 performance share units (previous year: 11,957 performance share units) with fair value at grant date of CHF 702,199 (previous year: CHF 689,956) have been allocated to the members of the Corporate Executive Committee. In 2023, 3,797 performance share units (previous year: 3,857 performance share units) with fair value at grant date of CHF 249,173 (previous year: CHF 222,585) have been allocated to other employees of Galenica Ltd.

## Shareholders' equity

Shareholders' equity developed as follows:

### Shareholders' equity

in thousand CHF	Share capital	Reserves from capital contributions	General legal retained earnings	Reserves for treasury shares <sup>1)</sup>	Treasury shares	Free reserve	Available earnings	Shareholders' equity
<b>Balance as at 31 December 2020</b>	<b>5,000</b>	<b>351,612</b>	<b>1,000</b>	<b>11,600</b>	<b>-</b>	<b>102,400</b>	<b>77,240</b>	<b>548,852</b>
Allocation to free reserve						32,000	-32,000	-
Adjustment to the reserves for treasury shares				-8,600		8,600		-
Dividends		-44,602					-44,602	-89,204
Profit for the year							228,676	228,676
<b>Balance as at 31 December 2021</b>	<b>5,000</b>	<b>307,010</b>	<b>1,000</b>	<b>3,000</b>	<b>-</b>	<b>143,000</b>	<b>229,314</b>	<b>688,324</b>
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
<b>Balance as at 31 December 2022</b>	<b>5,000</b>	<b>254,789</b>	<b>1,000</b>	<b>8,000</b>	<b>-</b>	<b>314,000</b>	<b>169,192</b>	<b>751,980</b>
Allocation to free reserve						114,000	-114,000	-
Adjustment to the reserves for treasury shares				-6,900		6,900		-
Addition of treasury shares					-10,725			-10,725
Dividends		-54,881					-54,881	-109,761
Profit for the year							224,262	224,262
<b>Balance as at 31 December 2023</b>	<b>5,000</b>	<b>199,908</b>	<b>1,000</b>	<b>1,100</b>	<b>-10,725</b>	<b>434,900</b>	<b>224,573</b>	<b>855,756</b>

<sup>1)</sup> Owned by subsidiaries

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

At the Annual General Meeting as at 10 April 2024, the Board of Directors will propose the following allocation of available earnings and reserves from capital contributions:

in CHF	2023	2022
<b>Appropriation of available earnings</b>		
Balance brought forward	311,094	1,092,850
Profit for the year	224,261,845	168,098,939
<b>Available earnings at the disposal of the Annual General Meeting</b>	<b>224,572,939</b>	<b>169,191,789</b>
Dividend per share CHF 1.10 (2022: CHF 1.10)	-55,000,000 <sup>1)</sup>	-54,880,695
Allocation to free reserve	-169,000,000	-114,000,000
<b>Balance to be carried forward</b>	<b>572,939</b>	<b>311,094</b>
<b>Appropriation of reserves from capital contributions</b>		
<b>Reserves from capital contributions</b>	<b>199,907,823</b>	<b>254,788,518</b>
Dividend per share CHF 1.10 (2022: CHF 1.10) paid out of reserves from capital contributions	-55,000,000 <sup>1)</sup>	-54,880,695
<b>Balance to be carried forward</b>	<b>144,907,823</b>	<b>199,907,823</b>

<sup>1)</sup> The proposed dividend payment and appropriation of reserves from capital contributions covers all issued shares. However, no dividend will be paid on treasury shares. As a result, the total dividend amount payable depends on the number of treasury shares held on the distribution date. Based on the number of treasury shares held as at 31 December 2023, the total dividend would amount to CHF 109.6 million

The Board of Directors proposes to issue a dividend for fiscal year 2023 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 16 April 2024. The last trading day with entitlement to receive the dividend is 11 April 2024. The shares will be traded ex-dividend on 12 April 2024.



Ernst & Young Ltd  
Schanzenstrasse 4a  
P.O. Box  
CH-3001 Berne

Phone: +41 58 286 61 11  
www.ey.com/en\_ch

To the General Meeting of  
Galenica Ltd., Berne

Berne, 7 March 2024

## 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 2023 and notes to the financial statements, including a summary of significant accounting policies.

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.



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### **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