

Financial report

Alternative performance measures

Definitions of alternative performance measures

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

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

The alternative performance measures are unaudited.

IAS 19 – Employee benefits

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

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

IFRS 16 – Leases

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

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

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

Organic growth of net sales

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

The reporting of net sales has been adjusted to the changed organisational and management structure of Galenica as at 1 January 2021. For comparability, net sales for the previous period has been adjusted.

Organic growth of net sales first half of 2021

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

¹⁾ Including eliminations of intercompany net sales

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

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

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

Organic growth of net sales first half of 2021 Products & Care

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

¹⁾ Including eliminations of intercompany net sales

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

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

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

Organic growth of net sales first half of 2020 (restated)

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care ¹⁾	Wholesale	Logistics & IT Services	Logistics & IT ¹⁾
Net sales	729,043	84,009	809,023	1,237,044	48,414	1,283,416
Change to previous period	1.6%	17.3%	2.6%	8.3%	2.9%	7.9%
Effect of net expansion	21,431 ²⁾	10,924 ³⁾	32,355	-	-	-
In % of net sales of previous period	3.0%	15.3%	4.1%	0.0%	0.0%	0.0%
Net sales excluding effect of net expansion	707,612	73,085	776,668	1,237,044	48,414	1,283,416
Organic growth of net sales	-1.4%	2.0%	-1.5%	8.3%	2.9%	7.9%
Mandatory price reductions ⁴⁾	13,614			21,765		
In % of net sales of previous period	1.9%			1.9%		
Net sales excluding effect of net expansion and mandatory price reductions	721,226			1,258,810		
Organic growth of net sales excluding price reductions	0.5%			10.2%		

¹⁾ Including eliminations of intercompany net sales

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

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

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

Organic growth of net sales first half of 2020 Products & Care (restated)

in thousand CHF	Local Pharmacies	Pharmacies at Home	Retail (B2C) ¹⁾	Products & Brands	Services for Professionals	Professionals (B2B) ¹⁾
Net sales	563,009	166,131	729,043	54,619	29,390	84,009
Change to previous period	-0.9%	11.5%	1.6%	1.0%	68.0%	17.3%
Effect of net expansion	9,092 ²⁾	12,339 ²⁾	21,431²⁾	1,146 ³⁾	9,778 ³⁾	10,924³⁾
In % of net sales of previous period	1.6%	8.3%	3.0%	2.1%	55.9%	15.3%
Net sales excluding effect of net expansion	553,917	153,792	707,612	53,473	19,612	73,085
Organic growth of net sales	-2.5%	3.2%	-1.4%	-1.1%	12.1%	2.0%
Mandatory price reductions ⁴⁾	8,172	5,442	13,614			
In % of net sales of previous period	1.4%	3.7%	1.9%			
Net sales excluding effect of net expansion and mandatory price reductions	562,089	159,234	721,226			
Organic growth of net sales excluding price reductions	-1.1%	6.9%	0.5%			

¹⁾ Including eliminations of intercompany net sales

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

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

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

Adjusted consolidated statement of income

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

Adjusted consolidated statement of income first half of 2021

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

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

²⁾ Calculated as EBIT divided by net sales

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

Adjusted consolidated statement of income first half of 2020

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Net sales	1,690,420	-	-	1,690,420
Products & Care ¹⁾	809,023	-	-	809,023
Logistics & IT ¹⁾	1,283,416	-	-	1,283,416
Other income	6,003	-	-	6,003
Operating income	1,696,423	-	-	1,696,423
Cost of goods	-1,257,451	-	-	-1,257,451
Personnel costs	-243,125	2,324	-	-240,801
Other operating costs	-68,146	-	-26,403	-94,549
Share of profit from associates and joint ventures	1,589	93	22	1,704
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	129,290	2,417	-26,381	105,326
Products & Care ¹⁾	98,586	-	-25,336	73,250
Logistics & IT ¹⁾	33,961	-	-1,045	32,916
Depreciation and amortisation	-47,008	-	25,264	-21,744
Earnings before interest and taxes (EBIT)	82,282	2,417	-1,117	83,582
Return on sales (ROS) ²⁾	4.9%	0.1%	-0.1%	4.9%
Products & Care ¹⁾	62,924	-	-1,086	61,838
Return on sales (ROS) ²⁾	7.8%	0.0%	-0.1%	7.6%
Logistics & IT ¹⁾	22,501	-	-31	22,470
Return on sales (ROS) ²⁾	1.8%	0.0%	0.0%	1.8%
Net financial expenses	-2,331	24	1,171	-1,136
Earnings before taxes (EBT)	79,951	2,441	54	82,446
Income taxes	-13,602	-423	19	-14,006
Net profit	66,349	2,018	73	68,440
Attributable to:				
- Shareholders of Galenica Ltd.	66,168	2,027	73	68,268
- Non-controlling interests	181	-9	-	172

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

²⁾ Calculated as EBIT divided by net sales

in CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Earnings per share	1.34	0.04	-	1.38
Diluted earnings per share	1.34	0.04	-	1.38

Free cash flow

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

Free cash flow

in thousand CHF	1.1.-30.6.2021	1.1.-30.6.2020
Cash flow from operating activities before working capital changes	138,697	118,726
Payment of lease liabilities	-24,855	-24,439
Cash flow from operating activities before working capital changes adjusted	113,842	94,287
Working capital changes	-78	-53,861
Cash flow from operating activities adjusted	113,764	40,426
Cash flow from investing activities without M&A ¹⁾	-19,514	-22,054
Free cash flow before M&A	94,250	18,372
Cash flow from M&A ²⁾	-38,369	-2,416
Free cash flow	55,881	15,956

¹⁾ Cash flow from investing activities without purchase and sale of subsidiaries (net cash flow)

²⁾ Cash flow from purchase and sale of subsidiaries (net cash flow)

Cash conversion

	1.1.-30.6.2021	1.1.-30.6.2020
Cash conversion ¹⁾	80.2%	74.7%

¹⁾ Calculated as EBITDA adjusted less CAPEX (investments in property, plant and equipment and intangible assets) divided by EBITDA adjusted

Capital management

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

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

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

Total assets

in thousand CHF	30.6.2021	30.6.2020
Total assets	2,513,598	2,293,558
Cumulative effects of IAS 19 adjustments	-46,662	-10,721
Cumulative effects of IFRS 16 adjustments	-220,242	-216,043
Total assets adjusted	2,246,694	2,066,794

Net debt

in thousand CHF	30.6.2021	30.6.2020
Current financial liabilities ¹⁾	139,373	132,193
Current lease liabilities	47,872	47,700
Non-current financial liabilities ¹⁾	380,611	380,744
Non-current lease liabilities	180,032	175,338
Cash and cash equivalents	-124,418	-104,868
Interest-bearing receivables	-331	-1,847
Net debt	623,139	629,260
Lease liabilities (current and non-current)	-227,903	-223,038
Net debt adjusted	395,236	406,222

¹⁾ Excluding non-interest-bearing financial liabilities

Shareholders' equity

in thousand CHF	30.6.2021	30.6.2020
Shareholders' equity	1,113,856	947,818
Cumulative effects of IAS 19 adjustments	-13,434	81,663
Cumulative effects of IFRS 16 adjustments	4,994	4,826
Shareholders' equity adjusted	1,105,416	1,034,307

Equity ratio

	30.6.2021	30.6.2020
Equity ratio ¹⁾	44.3%	41.3%
Equity ratio adjusted ²⁾	49.2%	50.0%

¹⁾ Calculated as shareholders' equity divided by total assets

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

Gearing

	30.6.2021	30.6.2020
Gearing ¹⁾	55.9%	66.4%
Gearing adjusted ²⁾	35.8%	39.3%

¹⁾ Calculated as net debt divided by shareholders' equity

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

Debt coverage

	30.6.2021	30.6.2020
Debt coverage ¹⁾	2.1 x	2.4 x
Debt coverage adjusted ²⁾	1.6 x	1.9 x

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

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

Consolidated interim financial statements 2021

Consolidated statement of income

in thousand CHF	1.1.-30.6.2021	1.1.-30.6.2020
Net sales	1,857,103	1,690,420
Other income	6,111	6,003
Operating income	1,863,214	1,696,423
Cost of goods	-1,389,768	-1,257,451
Personnel costs	-256,389	-243,125
Other operating costs	-74,211	-68,146
Share of profit from associates and joint ventures	3,748	1,589
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	146,592	129,290
Depreciation and amortisation	-47,589	-47,008
Earnings before interest and taxes (EBIT)	99,003	82,282
Financial income	221	399
Financial expenses	-2,558	-2,730
Earnings before taxes (EBT)	96,666	79,951
Income taxes	-17,108	-13,602
Net profit	79,559	66,349
Attributable to:		
- Shareholders of Galenica Ltd.	79,304	66,168
- Non-controlling interests	255	181

in CHF	1.1.-30.6.2021	1.1.-30.6.2020
Earnings per share	1.60	1.34
Diluted earnings per share	1.60	1.34

Unaudited figures

Consolidated statement of comprehensive income

in thousand CHF	1.1.-30.6.2021	1.1.-30.6.2020
Net profit	79,559	66,349
Translation differences	25	-1
Items that may be reclassified subsequently to profit or loss	25	-1
Remeasurement of net defined benefit liability	79,848	-36,650
Income taxes from remeasurement of net defined benefit liability	-14,373	6,964
Share of other comprehensive income from joint ventures	2,667	-1,713
Items that will not be reclassified to profit or loss	68,142	-31,399
Other comprehensive income	68,167	-31,400
Comprehensive income	147,725	34,949
Attributable to:		
– Shareholders of Galenica Ltd.	147,411	34,762
– Non-controlling interests	315	187

Unaudited figures

Consolidated statement of financial position

in thousand CHF		30.6.2021		31.12.2020
Cash and cash equivalents		124,418		59,781
Trade and other receivables		523,721		406,360
Inventories		284,701		306,682
Prepaid expenses and accrued income		41,431		39,241
Current assets	38.8%	974,271	35.9%	812,064
Property, plant and equipment		268,029		268,055
Right-of-use assets		220,816		210,325
Intangible assets		953,368		916,222
Investments in associates and joint ventures		26,816		22,949
Financial assets		21,901		18,471
Deferred tax assets		4,700		10,852
Employee benefit assets		43,697		-
Non-current assets	61.2%	1,539,327	64.1%	1,446,874
Assets	100.0%	2,513,598	100.0%	2,258,938
in thousand CHF		30.6.2021		31.12.2020
Financial liabilities		139,407		41,117
Lease liabilities		47,872		47,209
Trade and other payables		371,519		314,458
Tax payables		14,203		11,829
Accrued expenses and deferred income		175,971		128,588
Provisions		4,568		3,580
Current liabilities	30.0%	753,540	24.2%	546,780
Financial liabilities		381,458		381,514
Lease liabilities		180,032		170,792
Deferred tax liabilities		58,447		48,267
Employee benefit liabilities		25,635		57,411
Provisions		629		819
Non-current liabilities	25.7%	646,202	29.2%	658,803
Liabilities	55.7%	1,399,741	53.4%	1,205,583
Share capital		5,000		5,000
Reserves		1,102,860		1,042,282
Equity attributable to shareholders of Galenica Ltd.		1,107,860		1,047,282
Non-controlling interests		5,996		6,073
Shareholders' equity	44.3%	1,113,856	46.6%	1,053,355
Liabilities and shareholders' equity	100.0%	2,513,598	100.0%	2,258,938

2021 figures are unaudited

Consolidated statement of cash flows

in thousand CHF	1.1.-30.6.2021	1.1.-30.6.2020
Net profit	79,559	66,349
Income taxes	17,108	13,602
Depreciation and amortisation	47,589	47,008
(Gain)/loss on disposal of non-current assets	-90	-36
Increase/(decrease) in provisions and employee benefit assets and liabilities	5,166	1,970
Net financial result	2,337	2,331
Share of profit from associates and joint ventures	-3,748	-1,589
Share-based payments	2,522	2,125
Interest received	188	357
Interest paid	-1,852	-1,788
Other financial receipts/(payments)	-22	-114
Dividends received	2,548	3,087
Income taxes paid	-12,608	-14,576
Cash flow from operating activities before working capital changes	138,697	118,726
Change in trade and other receivables	-125,115	-41,351
Change in inventories	24,499	-13,651
Change in trade and other payables	56,332	-27,179
Change in other net current assets	44,207	28,320
Working capital changes	-78	-53,861
Cash flow from operating activities	138,619	64,865
Investments in property, plant and equipment	-17,871	-15,582
Investments in intangible assets	-6,169	-10,122
Investments in associates and joint ventures	-	-343
Investments in financial assets	-4,279	-3,421
Proceeds from property, plant and equipment and intangible assets	238	179
Proceeds from financial assets	8,567	7,235
Purchase of subsidiaries (net cash flow)	-38,369	-2,416
Cash flow from investing activities	-57,883	-24,470
Dividends paid	-89,509	-89,216
Purchase of treasury shares	-123	-60
Proceeds from sale of treasury shares	25	50
Proceeds from financial liabilities	124,050	126,311
Repayment of financial liabilities	-25,677	-38,550
Payment of lease liabilities	-24,855	-24,439
Purchase of non-controlling interests	-46	-155
Cash flow from financing activities	-16,136	-26,059
Effects of exchange rate changes on cash and cash equivalents	37	-
Increase in cash and cash equivalents	64,637	14,336
Cash and cash equivalents as at 1 January	59,781	90,532
Cash and cash equivalents as at 30 June	124,418	104,868

Unaudited figures

Consolidated statement of changes in equity

in thousand CHF	Share capital	Treasury shares	Retained earnings	Equity attributable to shareholders of Galenica Ltd.	Non- controlling interests	Equity
Balance as at 31 December 2019	5,000	-25,964	1,014,461	993,497	6,043	999,540
Net profit			66,168	66,168	181	66,349
Other comprehensive income			-31,406	-31,406	6	-31,400
Comprehensive income			34,762	34,762	187	34,949
Dividends			-88,963	-88,963	-63	-89,026
Transactions on treasury shares		3,288	-2,989	299		299
Share-based payments			2,212	2,212		2,212
Change in non-controlling interests			119	119	-275	-156
Balance as at 30 June 2020	5,000	-22,676	959,602	941,926	5,892	947,818
Balance as at 31 December 2020	5,000	-19,817	1,062,099	1,047,282	6,073	1,053,355
Net profit			79,304	79,304	255	79,559
Other comprehensive income			68,107	68,107	60	68,167
Comprehensive income			147,411	147,411	315	147,725
Dividends			-89,204	-89,204	-305	-89,509
Transactions on treasury shares		2,207	-2,462	-255		-255
Share-based payments			2,586	2,586		2,586
Change in non-controlling interests			40	40	-86	-46
Balance as at 30 June 2021	5,000	-17,610	1,120,470	1,107,860	5,996	1,113,856

Unaudited figures

On 12 May 2021, the Annual General Meeting approved a dividend payment of CHF 89.2 million for the financial year 2020 (previous year: CHF 89.0 million), corresponding to CHF 1.80 per registered share (previous year: CHF 1.80). For this purpose, CHF 0.90 was taken from the reserves from capital contributions (previous year: CHF 0.90) and CHF 0.90 from retained earnings (previous year: CHF 0.90) of Galenica Ltd. The dividend was paid out to the shareholders on 19 May 2021.

Notes to the consolidated interim financial statements of the Galenica Group

1. Group organisation

General information

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

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

The Board of Directors released the consolidated interim financial statements 2021 on 2 August 2021 for publication.

2. Accounting principles

Basis of preparation

The unaudited consolidated interim financial statements of Galenica are based on the financial statements of the individual companies of Galenica as at 30 June 2021, prepared in accordance with uniform principles. Except for the amendments to International Financial Reporting Standards (IFRS) as detailed below, the consolidated interim financial statements have been prepared using the same accounting principles as the consolidated financial statements for the year ending 31 December 2020 and comply with IAS 34 – Interim Financial Reporting. As mentioned in notes 4 and 6 there have been changes to operating segment and net sales information. The consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ending 31 December 2020 as they update previously reported information.

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

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

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

Estimation uncertainty and assumptions

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

Seasonal influences on operations

Sales in the business sectors in which Galenica operates are usually not significantly influenced by seasonal or cyclical fluctuations during the financial year. The effect of the COVID-19 pandemic is further explained in note 3.

Income taxes

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

Scope of consolidation

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

Details of changes in the scope of consolidation in the reporting period are included in note 4, Business combinations.

Amendments to IFRS

As at 1 January 2021 Galenica adopted the following new International Financial Reporting Standards:

- Amendments to IFRS 7, IFRS 9, IAS 39 and IFRS 16 – Interest Rate Benchmark Reform – phase 2 (1 January 2021)

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

3. COVID-19 pandemic

As expected, the first quarter of 2021 was also difficult for Galenica due to the COVID-19 pandemic. Repercussions of the pandemic, such as the absence of seasonal colds, the lack of any flu epidemic as well as people's continued low mobility had a negative impact on the sales. Sales in pharmacies at high-frequency locations were still around 30% lower than their pre-pandemic level in the first quarter of 2019.

Business improved substantially from April 2021 onward. Galenica Group pharmacies and logistics companies actively supported the federal government and the people of Switzerland in the combat against the COVID-19 pandemic. Various activities and offers connected to these efforts, in particular the distribution of COVID-19 self-test, have strongly contributed to this growth. As a result, the positive impact on net sales and EBIT resulting from the aforementioned COVID-19 initiatives could more than compensate the incurred losses due to COVID-19 in the first half year 2021.

4. Operating segment information

Operating segment information first half of 2021

Based on the changed organisational and management structure of Galenica valid as at 1 January 2021, Galenica has redefined and renamed its segments. Galenica now has the two operating segments Products & Care (largely corresponds to the former operating segment Health & Beauty) and Logistics & IT (largely corresponds to the former operating segment Services).

Operating segment information first half of 2021

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	918,926	1,377,914	10,485	-450,222	1,857,103
Intersegmental net sales	-35,419	-404,963	-9,840	450,222	-
Net sales to third parties	883,507	972,950	645	-	1,857,103
Other income	3,723	3,024	188	-825	6,111
Share of profit from associates and joint ventures	3,910	8	-	-170	3,748
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	112,403	39,343	-307	-4,846¹⁾	146,592
Depreciation and amortisation	-34,749	-12,989	-1	150	-47,589
Earnings before interest and taxes (EBIT)	77,654	26,354	-308	-4,697¹⁾	99,003
Interest income					189
Interest expense					-2,482
Other net financial result					-45
Earnings before taxes (EBT)					96,666
Income taxes					-17,108
Net profit					79,559
Assets	1,703,395	922,123	569,830	-681,751²⁾	2,513,598
Investments in associates and joint ventures	27,833	57	-	-1,074	26,816
Liabilities	720,229	653,989	707,911	-682,388³⁾	1,399,741
Investments in property, plant and equipment	8,460	10,581	37	-155	18,924 ⁴⁾
Investments in intangible assets	2,155	3,770	-	-102	5,824 ⁵⁾
Employees as at 30 June (FTE)	3,799	1,364	225	-	5,388

¹⁾ Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF -3.9 million

²⁾ Of which elimination of intercompany positions CHF -713.2 million and other unallocated amounts CHF 31.5 million

³⁾ Of which elimination of intercompany positions CHF -713.2 million and other unallocated amounts CHF 30.9 million

⁴⁾ Of which non-cash investments of CHF 1.7 million

⁵⁾ Of which non-cash investments of CHF 0.2 million

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 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 above.

Operating segment information first half of 2020

The operating segment information 2020 has been restated to the changed organisational and management structure and the internal financial reporting to the chief operating decision maker (CODM).

Operating segment information first half of 2020 (restated)

in thousand CHF	Products & Care ⁵⁾	Logistics & IT ⁵⁾	Group Services	Eliminations	Galenica Group
Net sales	809,023	1,283,416	8,852	-410,871	1,690,420
Intersegmental net sales	-32,530	-370,135	-8,207	410,871	-
Net sales to third parties	776,494	913,281	645	-	1,690,420
Other income	1,800	4,173	448	-418	6,003
Share of profit from associates and joint ventures	1,684	-	-	-95	1,589
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	98,586	33,961	-319	-2,938 ²⁾	129,290
Depreciation and amortisation	-35,662	-11,460	-11	124	-47,008
Earnings before interest and taxes (EBIT)	62,924	22,501	-330	-2,814 ²⁾	82,282
Interest income					394
Interest expense					-2,559
Other net financial result					-166
Earnings before taxes (EBT)					79,951
Income taxes					-13,602
Net profit					66,349
Assets ¹⁾	1,617,936	836,658	963,767	-1,159,423 ³⁾	2,258,938
Investments in associates and joint ventures ¹⁾	26,471	49	-	-3,571	22,949
Liabilities ¹⁾	1,115,060	556,834	629,531	-1,095,842 ⁴⁾	1,205,583
Investments in property, plant and equipment	7,544	8,815	-	-134	16,224
Investments in intangible assets	3,991	6,529	-	-93	10,428
Employees as at 30 June (FTE)	3,927	1,419	33	-	5,379

¹⁾ Figures as at 31 December 2020

²⁾ Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF -2.4 million

³⁾ Of which elimination of intercompany positions CHF -1,150.6 million and other unallocated amounts CHF -8.8 million

⁴⁾ Of which elimination of intercompany positions CHF -1,150.6 million and other unallocated amounts CHF 54.8 million

⁵⁾ The organisational and management structure has changed as at 1 January 2021. As a result, Medifilm Ltd. moved from the operating segment Logistics & IT (formerly Services) to the operating segment Products & Care. Net sales for the half year 2020 has been restated.

5. Business combinations

In the first half of 2021, the scope of consolidation has changed as a result of the following transactions:

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

The purchase consideration amounted to CHF 3.6 million and was fully settled in cash. The fair value of the provisional net assets amounts to CHF 0.3 million at the acquisition date. The goodwill of CHF 3.3 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 insignificant.

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

The purchase consideration amounted to CHF 34.7 million and was fully settled in cash. The fair value of the net identifiable assets amounted to CHF 26.8 million at the acquisition date. The goodwill of CHF 7.9 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its leading position in the Swiss consumer healthcare (CHC) market and the know-how of the employees gained. Acquired intangible assets include trademarks with an indefinite useful life of CHF 22.8 million. As the acquisition date was recent, the purchase price allocation is yet to be finalised. Transaction costs were insignificant.

Business combinations

in thousand CHF	Pharma business of Dr. Wild & Co.		Fair value
	AG	Pharmacies	
Inventories	2,141	339	2,480
Right-of-use assets	-	952	952
Intangible assets	24,634	-	24,634
Lease liabilities	-	-952	-952
Other current and non-current liabilities	-	-24	-24
Fair value of net assets	26,775	315	27,090
Goodwill	7,875	3,334	11,208
Purchase consideration	34,650	3,649	38,299
Payment of consideration due to previous business combinations			70
Net cash flow from business combinations			38,369

Pro forma figures for acquisitions made in the first half of 2021

Since their inclusion in Galenica's scope of consolidation, the businesses acquired contributed net sales of CHF 3.2 million and an operating result (EBIT) of CHF 0.6 million to the Group's results. If these acquisitions had occurred on 1 January 2021, they would have contributed additional net sales of CHF 4.5 million and increased EBIT by CHF 1.0 million.

6. Net sales

Net sales first half of 2021

Based on the changed organisational and management structure of Galenica valid as at 1 January 2021, the internal reporting and disaggregation of net sales has been adjusted accordingly. Net sales information for the previous period has been restated to conform to the new presentation.

Net sales first half of 2021

in thousand CHF	Sale of goods	Sale of services	Total Net sales	Intersegmental net sales	Total Net sales to third parties	of which sale of goods to third parties	of which sale of services to third parties
Local Pharmacies	58,1825	35,101	616,926	-34	616,892	581,791	35,101
Pharmacies at Home	213,535	3,998	217,533	-225	217,309	213,311	3,998
Retail (B2C) ¹⁾	795,188	39,099	834,286	-86	834,201	795,102	39,099
Products & Brands	58,228	1,355	59,583	-29,308	30,275	28,919	1,355
Services for Professionals	22,331	6,604	28,935	-9,903	19,032	17,237	1,795
Professionals (B2B) ¹⁾	80,583	7,935	88,518	-39,212	49,307	46,156	3,151
Products & Care ¹⁾	873,222	45,704	918,926	-35,419	883,507	841,258	42,249
Wholesale	1,313,526	15,261	1,328,787	-389,208	939,579	934,377	5,201
Logistics & IT Services	1,284	49,259	50,542	-17,171	33,372	293	33,079
Logistics & IT ¹⁾	1,314,767	63,147	1,377,914	-404,963	972,950	934,670	38,280
Group Services	-	10,485	10,485	-9,840	645	-	645
Eliminations ²⁾	-412,061	-38,162	-450,222	450,222	-	-	-
Galenica Group	1,775,928	81,175	1,857,103	-	1,857,103	1,775,928	81,175

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

Net sales first half of 2020

Net sales first half of 2020 (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	534,680	28,329	563,009	-38	562,971	534,642	28,329
Pharmacies at Home	162,244	3,887	166,131	-132	166,000	162,113	3,887
Retail (B2C) ¹⁾	696,826	32,216	729,043	-72	728,971	696,754	32,216
Products & Brands	53,854	765	54,619	-26,651	27,968	27,204	765
Services for Professionals	22,621	6,769	29,390	-9,836	19,555	17,799	1,756
Professionals (B2B) ¹⁾	76,482	7,527	84,009	-36,486	47,523	45,003	2,520
Products & Care ¹⁾	770,686	38,337	809,023	-32,530	776,494	741,757	34,737
Wholesale	1,221,604	15,440	1,237,044	-355,962	881,083	876,056	5,027
Logistics & IT Services	867	47,547	48,414	-16,215	32,199	96	32,103
Logistics & IT ¹⁾	1,222,444	60,972	1,283,416	-370,135	913,281	876,152	37,129
Group Services	-	8,852	8,852	-8,207	645	-	645
Eliminations ²⁾	-375,221	-35,650	-410,871	410,871	-	-	-
Galenica Group	1,617,909	72,511	1,690,420	-	1,690,420	1,617,909	72,511

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

7. Financial assets and financial liabilities measured at fair value

Fair value

in thousand CHF	30.6.2021		31.12.2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial liabilities	1,097	1,097	1,097	1,097
Bonds (fair value level 1)	380,361	390,926	380,417	392,560
Non-current financial liabilities	381,458	392,023	381,514	393,657

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

8. Employee benefit assets

Galenica realised in the consolidated statement of comprehensive income a remeasurement gain of CHF 79.8 million which is due to the positive market developments on plan assets and actuarial gains (change in demographic and financial assumptions). As a result Galenica has net employee benefit assets of CHF 18.1 million as at 30 June 2021 (as at 31 December 2020: employee benefit liabilities of CHF 57.4 million).

Due to the remeasurement gain a deferred tax expense of CHF 14.4 million has been recorded in the consolidated statement of comprehensive income, which also resulted in a respective decrease of deferred tax assets and increase of deferred tax liabilities.

9. Contingent liabilities and commitments

Galenica signed purchase agreements to acquire pharmacies and other businesses in the next few years. The purchase prices will be fixed at the time of transfer of ownership on the basis of net asset value and discounted cash flows. The unrecognised commitments are expected to involve payments of CHF 7.8 million at the most. The purchase rights have an estimated volume of CHF 10.4 million. These purchase rights or obligations fall due between 2021 and 2023.

10. Subsequent events

The following business combinations occurred between 30 June 2021 and 2 August 2021, the date that the consolidated interim financial statements 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 5.9 million, the fair value of the provisional net assets resulting from these additions was estimated at CHF 3.3 million at the acquisition date. Since the transactions were concluded shortly before the consolidated interim financial statements were issued, it was not possible to disclose the additional information required by IFRS.

Acquisition of Lifestage Solutions AG. On 26 July 2021, Galenica acquired 100 % of the shares of the Swiss based Lifestage Solutions AG. Lifestage Solutions develops and operates a fully integrated digital trading platform for home care organisations and care homes. The purchase consideration amounts to CHF 48.8 million maximum, of which CHF 24.8 million was settled in cash. The contingent purchase price consideration of up to CHF 24.0 million falls due in 2024.

Due to the fact that the acquisition took place only a short time before the release of the interim consolidated financial statements, the fair value of the provisional net assets at the acquisition date cannot yet be assessed with sufficient reliability. Transaction costs were insignificant.

There were no further significant events after the reporting date.