



Half year report 2023  
of the Galenica Group

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# A unique network with strong partners

**Dear Shareholders, Ladies and Gentlemen,**



Dr Markus R. Neuhaus  
Chair of the Board of Directors

In the current challenging environment, we achieved a strong sales growth of 5.5% in the first half of the year, putting us fully on track. Unfortunately, a number of special factors have had a negative impact on our EBIT, meaning that we had to adjust our outlook for 2023 as a whole. However, we are still able to confirm our forecast for sales and dividends. The EBIT development in the first half of the year should not detract from the fact that we have continued to find success in developing various business areas further. We have prepared a detailed operational review of the first half of 2023 in the Management Report.

## Management report



Marc Werner  
CEO

We are systematically and continuously implementing Galenica's transformation, and the first half of 2023 was therefore also characterised by change and further development. At the 2023 Annual General Meeting, we bid farewell to Daniela Bosshardt, our long-standing Chairwoman of the Board of Directors. She has supported Galenica for 15 years as a member of the Board of Directors and since 2019 as Chairwoman of the Board. After this long period of time, she has decided to step down from her position at Galenica. During her tenure, she played a key role in shaping Galenica and driving forward its transformation. We would like to thank Daniela Bosshardt for her tireless efforts and wish her all the best for the future.

At the beginning of the year, we embedded our network philosophy even more firmly in our strategy. The Galenica network consists of our Business Units and is based on cooperation and synergies. Our aim is to offer patients and customers even more closely interconnected and integrated solutions from a single source with our products and services and to meet their needs, both today and tomorrow, in a more seamless, efficient and, above all, personal way. The Galenica brand has also been given a new role within the Galenica network and, with it, a new look. With the new branding, we were able to create a symbol of a new era that represents the strength of the network.

**“Customers benefit from a comprehensive range of services from a single source.”**

## Switzerland's leading online pharmacy has emerged

Patient and customer needs are constantly evolving. Many patients and customers increasingly want to be able to meet their needs online. In order to provide this target group with the best possible offering, we founded a joint venture with Redcare Pharmacy (formerly Shop Apotheke Europe) in May 2023. As part of this joint venture, we have merged the business activities of Mediservice and shop-apotheke.ch, creating the basis of Switzerland's leading pure online pharmacy.

With Redcare Pharmacy, we have teamed up with a strong international partner, enabling us to build up a comprehensive, online-only offer, independent of the bricks-and-mortar pharmacies. Through the strategic Omni-channel programme, we aim to offer our patients and

customers the best experience across all channels, anytime and anywhere. Online and offline. With our bricks-and-mortar pharmacy formats and their online shops, as well as the new pure online pharmacy, we offer a range of products and services capable of meeting the most diverse patient and customer needs, from personal advice to online ordering.

#### Spotlight Joint Venture



Consultations and health services in the pharmacy represent real added value for the population.

### The pharmacy becomes more firmly established as a point of contact for health issues

At the same time, we firmly believe that personal health advice will be of even greater importance in the future. Accordingly, we are continuously expanding our advisory services in pharmacies. Our pharmacies are increasingly becoming the point of contact for health-related concerns. Compared to the first half of 2022, we were once again able to increase the number of advisory and service consultations in pharmacies by around 34% to 70,200. In addition, our offerings in pharmacies are also constantly developing and being supplemented by new ones, such as new indications for vaccinations.

The increasingly strong role played by pharmacies in the healthcare system is also reflected in the fact that more and more health insurers are covering pharmacy services as part of their supplementary models, and thus creating incentives for patients to use this advice for simple health issues. This is a key means of curbing rising healthcare costs and relieving the burden on emergency departments and on physicians.

Our task is to make the important triage function the pharmacy plays within healthcare even more efficient and to make patients and customers more aware that the pharmacy is the most cost-effective and low-threshold point of contact for many health issues.

#### Spotlight Vaccination

#### Spotlight Health insurers

### New products for broader customer needs

In addition to our services and advice, we are also constantly developing our product portfolio. Our aim is to meet as many of the increasing and changing patient and customer needs as possible. We are therefore supplementing our portfolio with new products in order to be able to offer indications and therapies not yet covered by us. The acquisition of Padma Ltd. at the beginning of the year perfectly complements our product range in the area of complementary medicine.

#### Spotlight Padma

**“Digitally supported treatment programmes for people with chronic diseases thanks to the ‘Benecura public’ offer.”**

### **Digital platforms connect patients and service providers**

As the largest network in the Swiss healthcare sector, we see it as our duty to play an active role in shaping it, improving it and increasing its efficiency. The digitalisation of healthcare enables us to connect service providers more closely with one another. This avoids duplication and increases patient benefits by creating a more consistent process for patients. The most recent example of this is our investment in AD Swiss – the e-health provider for FMH (Swiss Medical Association), Ärztekasse and HIN (standard for secure communication for health professionals).

With “Benecura public”, AD Swiss is able to offer digitally supported treatment programmes for people with chronic diseases. The app gives patients and service providers access to first-rate support during treatment. In this way, Galenica and its network partners are contributing to improving patients’ quality of life, making them active participants in their own care process and improving the options available to service providers.



Easier access to the Galenica Home Care range thanks to the new Coordination Service.

### **One point of contact simplifies access to home care services**

The constant evolution of customer needs is particularly visible in the area of home care. As a result, we are continuing to expand our offerings in this area. For economic reasons alone, in the coming years our healthcare system will have to ensure that patients are cared for at home longer or can return home more quickly after a hospital stay. This reduces healthcare costs and improves quality of life.

In order to simplify access to our home care services for patients and make better use of the synergies within our network, we set up the Galenica Home Care Coordination Service as a pilot project in the first half of 2023. The coordination service helps patients organise and coordinate treatment and, if necessary, also provide services offered by Bichsel, the specialist in artificial nutrition and intravenous antibiotics and pain therapies. An example of how our network philosophy is put into practice.

#### **Spotlight Home Care coordination**

### **Key milestones in our sustainability goals**

In the first half of the year, we met further milestones on our journey towards achieving our sustainability goals. We made further progress in our goal to further improve patient safety, increasing the number of CDS (Clinical Decision Support) checks performed from 57 million in the first half of 2022 to an impressive 134 million in the first half of 2023, an increase of almost 136%.

We as Galenica Group comply with the legal requirements for equal pay. In the first half of 2023, we also had the salary models of ten of our Business Units with over 100 employees audited by the University of St. Gallen (HSG). The result: Eight of the ten Business Units examined were awarded the “We pay fair” label, which means that equal work at Galenica is rewarded with equal pay. The awarding of the label is subject to stricter criteria than those stipulated by law. This is an important sign in our goal to increase equal opportunities. Our goal is

now to develop the salary models of the two Business Units that have not yet been awarded the label so that they too meet the strict requirements of the HSG and are also awarded the label.

### **Our sustainable vision**

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

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

Bern, 8 August 2023



Dr Markus R. Neuhaus  
Chair of the Board of Directors



Marc Werner  
CEO

# Management report

# Financial key figures

Net sales  
in million CHF



■ Products & Care <sup>2)</sup>: 804.4  
■ Logistics & IT <sup>2)</sup>: 1,518.5

EBIT adjusted<sup>3)</sup>  
in million CHF



■ Products & Care <sup>2) 3)</sup>: 73.1  
■ Logistics & IT <sup>2) 3)</sup>: 19

Number of employees  
as of 30 June 2023



■ Products & Care: 5,642  
■ Logistics & IT: 1,766  
■ Group Services: 265

in million CHF	1.1.–30.6.2023	1.1.–30.6.2022 <sup>1)</sup>	Change
<b>Net sales</b>	<b>1,851.2</b>	<b>1,754.2</b>	<b>5.5%</b>
Products & Care <sup>2)</sup>	804.4	771.7	4.2%
Logistics & IT <sup>2)</sup>	1,518.5	1,434.6	5.8%
<b>EBIT</b>	<b>92.5</b>	<b>98.3</b>	<b>-5.9%</b>
<b>EBIT adjusted<sup>3)</sup></b>	<b>90.2</b>	<b>95.0</b>	<b>-5.1%</b>
in % of net sales	4.9%	5.4%	
Products & Care <sup>2) 3)</sup>	73.1	70.8	3.2%
in % of net sales	9.1%	9.2%	
Logistics & IT <sup>2) 3)</sup>	19.0	25.4	-25.1%
in % of net sales	1.3%	1.8%	
<b>Profit from continuing operations</b>	<b>74.5</b>	<b>79.0</b>	<b>-5.7%</b>
<b>Profit from continuing operations adjusted<sup>3)</sup></b>	<b>73.7</b>	<b>77.2</b>	<b>-4.5%</b>
Investment in property, plant and equipment and intangible assets	34.6	30.8	12.1%
Employees at reporting date (FTE)	5,758	5,424	6.2%

in million CHF	30.6.2023	30.6.2022	Change
Equity ratio	47.3%	47.4%	
Equity ratio adjusted <sup>3)</sup>	52.4%	53.1%	
Capital contribution reserves	199.9	254.8	-21.5%
Net debt adjusted <sup>3)</sup>	502.5	402.3	24.9%

## Share information

in CHF	30.6.2023	31.12.2022
Share price at reporting date	72.25	75.55
Market capitalisation at reporting date in million CHF	3,599.6	3,763.6
Shareholders' equity per share at reporting date	26.58	25.04
Earnings per share 1.1.–30.6. from continuing operations <sup>1)</sup>	1.49	1.59
Earnings per share adjusted 1.1.–30.6. from continuing operations <sup>1) 3)</sup>	1.47	1.55

<sup>1)</sup> Restated (refer to chapter Consolidated interim financial statements 2023, note 2 of the Half year report 2023)

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

<sup>3)</sup> For details to the adjusted key figures refer to chapter Alternative performance measures in this Half year report 2023

# Galenica Group

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## Management report

The growth of sales of the Galenica Group in the first half of 2023 was pleasing, rising by 5.5% to CHF 1,851.2 million.

### Impact of the joint venture with Redcare Pharmacy N.V. on the 2023 half-year financial statements

With the implementation of the joint venture with Redcare Pharmacy N.V. (formerly Shop Apotheke Europe N.V.) mid-May 2023, Galenica deconsolidated Mediservice Ltd. The sales and costs of Mediservice Ltd. are therefore no longer included in the income statement of the Galenica Group. In order to improve the comparability of the figures and in accordance with IFRS, the comparative period, that of the first half of 2022, has been adjusted accordingly.

As a result, Galenica Group sales decreased by 10.5% to CHF 1,754.2 million and sales of the “Products & Care” segment by 21.8% to CHF 771.7 million.

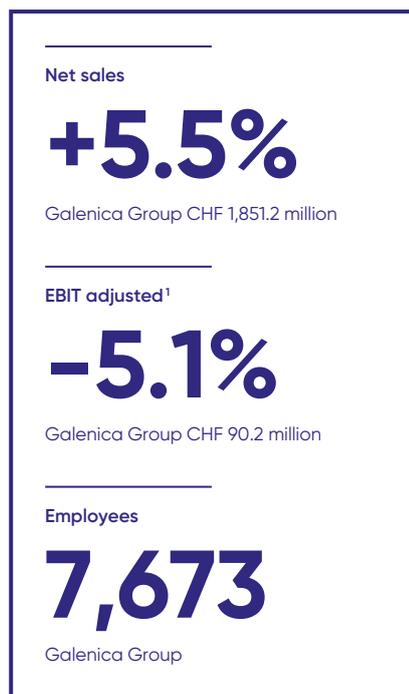
Adjusted<sup>1</sup> EBIT of the Galenica Group fell by 5.0% to CHF 95.0 million and EBIT of the “Products & Care” segment by 6.6% to CHF 70.8 million.

The detailed adjustments from the comparative period of the first half of 2022 are presented in [Note 4 \(Discontinued operations\)](#) to the 2023 consolidated interim financial statements.

The new joint venture is included in the consolidated financial statements at equity from the time of completion of the transaction mid-May 2023. The balance sheet values for the comparative period as of 31 December 2022 were not adjusted as a result of the transaction.

As a result of implementation of the transaction, the Galenica Group recorded a high extraordinary profit of CHF 112.8 million.

This is reported separately in the income statement as profit from discontinued business activities and has no effect on cash. The profit arose primarily from the sale of Redcare Pharmacy N.V.'s 51% stake in Mediservice Ltd., the revaluation of Galenica Ltd.'s 49% stake in Mediservice Ltd., and the price gain on the shares of Redcare Pharmacy N.V. received in return from the time of signing at the end of March 2023 until completion of the transaction in mid-May 2023.



## Galenica achieves strong sales growth in the first half of 2023

Galenica Group net sales developed positively in the first half of 2023 with a growth of 5.5% to CHF 1,851.2 million. Growth in the first half of 2023 was driven in particular by the “Logistics & IT” sector, which achieved growth of 5.8% to CHF 1,518.5 million. The “Products & Care” segment also performed well with sales growth of 4.2%, supported by the strong performance of 19.8% in the “Products & Brands” sector.

Adjusted for the exceptional sales related to COVID-19 (self-tests, COVID vaccinations and rapid tests) in the prior year period, growth of the Galenica Group amounted to 6.6%, with COVID-19-adjusted growth in the “Products & Care” segment at 5.7% and in the “Logistics & IT” segment at 6.8%.

By way of comparison, the Swiss pharmaceutical market grew by 6.0% in the reporting period. This growth was driven by increased sales of high-priced medications, with sales volumes growing by just 2.3% (IQVIA, Pharmaceutical Market Switzerland, first half of 2023).

The adjusted<sup>1</sup> operating result (EBIT) of the Galenica Group, i.e. excluding the effects of the IFRS 16 (Leases) and IAS 19 (Employee Benefits) accounting standards, fell by 5.1% to CHF 90.2 million. The adjusted<sup>1</sup> return on sales (ROS) fell year on year from 5.4% to 4.9%. Reported EBIT decreased by 5.9% to CHF 92.5 million.

This negative EBIT development was due to special factors totalling CHF 9.8 million. Adjusted for these special factors, adjusted<sup>1</sup> EBIT would have increased by 5.2%.

Firstly, an extraordinary expense of CHF 3.8 million had to be recognised at HCI Solutions in respect of a well known ruling issued by the Swiss Competition Commission (COMCO) in 2017. Further information on this case can be found in this [half year report](#) and in the [2022 Annual Report](#).

In addition, extraordinary allowances on customer receivables of around CHF 6.0 million occurred in the first half of 2023, especially in the [wholesale business with physicians](#).

The special factors impacted EBIT in the “Logistics & IT” segment. Adjusted<sup>1</sup> EBIT fell by 25.1% to CHF 19.0 million. Adjusted for these exceptional charges, a very pleasing EBIT growth of 13.4% would have resulted. The EBIT margin could have been increased from 1.8% in the previous year to 1.9%.

With an increase of 3.2% to CHF 73.1 million, EBIT in the “Products & Care” segment remained slightly below the sales performance of +4.2%. The EBIT margin fell accordingly from 9.2% to 9.1%. The additional costs resulting from important measures to combat the shortage of skilled workers, such as wage increases and staff expansion, as well as investments in the digital omni-channel infrastructure, could not be fully compensated by the growth in sales.

The Galenica Group’s profit from continuing operations amounted to CHF 74.5 million (-5.7%, first half of 2022: CHF 79.0 million). On a comparable basis, adjusted<sup>1</sup> net profit amounted to CHF 73.7 million

(-4.5%, first half of 2022: CHF 77.2 million). Investments in the first half of 2023 amounted to CHF 34.6 million (first half of 2022: CHF 30.8 million). They were mainly attributable to the introduction of the new ERP (Enterprise Resource Planning) system at Galexis, the rebuilding and renovation of pharmacies and other operational sites, and investments in the development of the digital infrastructure in connection with the strategic “Omni-Channel” programme.

The Galenica Group’s balance sheet remained strong. Adjusted<sup>1</sup> shareholders’ equity increased compared to 30 June 2022 to CHF 1,349.3 million (+14.2%), positively impacted by the transaction gain of CHF 112.8 million in connection with the establishment of the joint venture with Redcare Pharmacy N.V. However, adjusted<sup>1</sup> net debt, i.e. excluding leasing liabilities, increased by CHF 100.2 million compared to the end of June 2022 and amounted to CHF 502.5 million, which corresponds to 2.1× adjusted<sup>1</sup> EBITDA. The increase in net debt can be attributed in particular to the ordinary investments in non-current assets, the establishment of the strategic investment in Redcare Pharmacy N.V., acquisitions of subsidiaries and the [building up of stocks](#) to ensure the ability to deliver and guarantee security of supply for medications.

Adjusted<sup>1</sup> operating cash flow was negative at CHF 21.0 million due to the increase in net working capital (first half of 2022: CHF +13.0 million). In addition to the growth effect and the aforementioned increase in stock, the increase in net working capital is primarily due to seasonal effects. Free cash flow after acquisitions amounted to CHF -81.7 million (first half of 2022: CHF -34.7 million).

## Outlook 2023

Due to the special factors of CHF 9.8 million in the first half of 2023, Galenica is lowering its EBIT guidance for 2023 and now expects adjusted<sup>1</sup> EBIT to be roughly at the prior-year level based on the adjusted prior-year figures. Galenica previously assumed EBIT growth of between 4% and 7%.

On the other hand, Galenica confirms its 2023 outlook for consolidated sales (growth between 3% and 6%) and dividends (at least at the same level as the previous year).

<sup>1</sup> Excluding the effects of IAS 19 and IFRS 16. See chapter “[Alternative performance measures](#)”.

## “Products & Care” segment

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### Management report

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



The “Retail” business area comprises the two sectors “Local Pharmacies” (POS) and “Pharmacies at Home” (mail-order and home care), while the “Professionals” business area consists of the “Products & Brands” and “Services for Professionals” sectors.

Both business areas focus on the development, marketing and sale of healthcare services and products through the various Galenica distribution channels. Depending on their needs, end customers (B2C) can benefit from their own bricks-and-mortar pharmacies, home care services, mail-order pharmacies and online shops. Galenica also supports healthcare providers (B2B) such as pharmacies, drugstores, physicians, care homes, hospitals and home care organisations as a strong partner.



## “Products & Care” segment development

### Net sales development

The “Products & Care” segment generated net sales of CHF 804.4 million (+4.2%) in the first half of 2023. Of this, CHF 679.1 million (+2.1%, excluding Coop Vitality and Mediservice) was attributable to the “Retail” (B2C) business area and CHF 128.6 million (+17.6%) to the “Professionals” (B2B) business area.



## "Retail" business area (B2C)

### Net sales development

In the first half of 2023, the "Retail" business area generated net sales of CHF 679.1 million (+2.1%, excluding Coop Vitality and Mediservice). Of this, CHF 640.2 million (+1.9%) was attributable to "Local Pharmacies" (POS) and CHF 39.1 million (+4.6%) to "Pharmacies at Home" (mail-order and home care).

Government-ordered price reductions led to a 1.4% decline in sales in the reporting period. Excluding this effect, net sales in the "Retail" business area would have risen by 3.5%.



"Benecura public" supports chronically ill people with their treatment.

### Galenica acquires a stake in "Benecura public"

With the aim of linking digital opportunities with local expertise, Galenica made a strategic investment in the first half of 2023 by acquiring 16% of AD Swiss Net Ltd., the e-health provider for FMH, Ärztekasse and HIN (standard for secure communication for healthcare professionals). The "Benecura public" app supports chronically ill people with their treatment. The next step will be to integrate the services provided by the Galenica Group's pharmacies.

There are various digital healthcare platforms currently emerging in Switzerland that bring health insurers, service providers and patients closer together in order to facilitate inter-professional collaboration and integrated care. As the strongest partner in the Swiss healthcare market, Galenica wants to help create added value for all patients and is therefore exploring cooperation with various healthcare platforms.

## Daniele Madonna appointed member of the Management Board of Pharmasuisse

In mid-June, the Pharmasuisse delegates elected Daniele Madonna, Chief Health Care Officer and member of the Executive Committee at Galenica, to the Management Board of the Swiss Association of Pharmacists for the 2024–2026 term. Daniele Madonna will represent the interests of the pharmacy chains in particular in the association and contribute his many years of management and industry experience.

### “Local Pharmacies” sector

In the first half of 2023, the “Local Pharmacies” sector generated net sales of CHF 640.2 million (+1.9%, excluding Coop Vitality). The expansion of the pharmacy network accounted for 0.4% of the sales growth. Adjusted for the exceptional sales related to COVID-19 (self-tests, COVID vaccinations and rapid tests) in the same period of the previous year, growth of “Local Pharmacies” amounted to 3.7%. Government-ordered price reductions led to a 1.4% decline in sales in the reporting period. Excluding this effect, net sales in the “Local Pharmacies” sector would have risen by 3.3%.

By way of comparison, drug sales from bricks-and-mortar pharmacies in Switzerland (prescription [Rx] and OTC products) grew by 6.4% in the reporting period (IQVIA, Pharmaceutical Market Switzerland, first half of 2023). The consumer healthcare market grew by 3.3% year on year (IQVIA, Consumer Health Market Switzerland, first half of 2023, excluding COVID self-tests).

### Further services and advice offered in pharmacies

The Group’s bricks-and-mortar pharmacies play a key role in Galenica’s push to integrate and connect healthcare in Switzerland. They remain important, as evidenced by the increase in the number of healthcare services and consultations provided, which grew by 34% to around 70,200 (first half of 2022: 52,500). Pharmacy staff are not only able to provide comprehensive advice on the most common and uncomplicated health problems. If a medical consultation is necessary, more complex cases can increasingly be treated directly at the pharmacy thanks to the inclusion of telemedical consultations.

The experience gained from the pilot project “Book a Doc” in around 25 pharmacies of Amavita, Sun Store and Coop Vitality is viewed positively by employees and customers alike. Often, the entire process of speaking to the pharmacy, completing the digital medical consultation and obtaining a recommendation for treatment, and waiting for the pharmacist to check the prescription and hand over the required medication took no more than 15 minutes. Over the coming months, Galenica will further refine this important contribution to low-threshold, integrated healthcare and roll it out at additional locations. This also includes the ongoing, very constructive discussions with health insurers regarding payment for qualified pharmacy services.

Spotlight “Bigsmile”

Spotlight Health insurers



Pharmacies are offering more and more vaccinations.

## Vaccination in pharmacies is becoming established

Pharmacies are also becoming more and more established when it comes to vaccinations. Towards the end of the first half of 2023, Galenica launched a pilot project for the whooping cough vaccination, which can be administered at pharmacies in 14 cantons. As part of another pilot project in the cantons of Basel-Land, Basel-Stadt and Zurich, people aged 65 or over were vaccinated with the new vaccine against herpes zoster, in some cases following a telemedical consultation. Just in time for the start of the tick season, Galenica and its partners in the Canton of Bern have made it possible for tick vaccination appointments at pharmacies to be booked via Well – the independent health platform. Starting in July, the new Documedis® Vaccination software, developed by HCI Solutions for checking vaccination status, will be tested in almost 40 pharmacies.

### Spotlight Vaccination

## Further optimisation of the pharmacy network

In the first half of 2023, Galenica strengthened its presence in Switzerland by acquiring three pharmacies in excellent locations – two in Porrentruy in the Jura region and one in the centre of St. Gallen. With a net increase of one pharmacy, the Galenica network comprised 369 own pharmacies as of 30 June 2023.

### Overview of development of the pharmacy network

	30.06.2023	31.12.2022	Change
Amavita pharmacies <sup>1)</sup>	187	179	+8
Sun Store pharmacies <sup>1)</sup>	85	92	-7
Coop Vitality pharmacies <sup>2)</sup>	88	89	-1
Specialty pharmacy Mediservice <sup>2)</sup>	1	1	-
Majority holdings in other pharmacies <sup>1)</sup>	8	7	+1
<b>Total own points of sale</b>	<b>369</b>	<b>368</b>	<b>+1</b>

<sup>1)</sup> Fully consolidated

<sup>2)</sup> Consolidated at equity

## Sun Store becomes Amavita in German-speaking Switzerland

The Amavita and Coop Vitality pharmacy formats are well established among the German-speaking Swiss population as a point of contact for highly qualified pharmacy services. Galenica therefore decided to transfer the ten Sun Store pharmacies in German-speaking Switzerland to the Amavita format, not least for reasons of efficiency. The visual adjustments were carried out in May and June 2023 at nine locations without impacting customers in any way. Towards the end of the year, the Boujean Sun Store location in Biel will also make the switch to the Amavita format.

### **“Pharmacies at Home” sector**

The “Pharmacies at Home” sector achieved sales of CHF 39.1 million (+4.6%, excluding Mediservice). The positive growth of “Pharmacies at Home” was due in particular to Bichsel’s sales in the area of clinical nutrition, thanks to the high level of quality and service provided by Home Care Bichsel, which is recognised within the market.

### **Mediservice remains on course for success – and is soon set to become Switzerland’s leading online pharmacy**

Offering a range of services for chronic and rare diseases, the specialty pharmacy Mediservice is an important pillar of medical and pharmaceutical care for many patients. The high level of customer focus and dynamic nature of the specialty pharmacy’s activities have been recently clearly demonstrated: as part of the joint venture founded by Galenica and Redcare Pharmacy (formerly Shop Apotheke Europe), the business activities of the shop-apotheke.ch and Mediservice platforms will be merged.

This will make Mediservice the leading online pharmacy in Switzerland. In the future, customers of the joint venture will not only benefit from specialist expertise in the shipping of prescription medications and from its recognised home care services, but also from the wide range of Redcare Pharmacy products.

#### Spotlight Joint Venture

### **Investments in our own online shops**

In addition to setting up an online-only pharmacy as part of a joint venture with Redcare Pharmacy, Galenica also continued to invest in its own Amavita, Sun Store and Coop Vitality online shops in the first half of the year. In recent months, for example, the category tree has been overhauled to improve customers’ experience. The category tree is the structure used to categorise and organise the products offered in the online shop. Finding products in the online shops is now easier and more intuitive. The Amavita online shop is also due to be migrated to a new and more user-friendly system in the second half of 2023.

### **Demand for home care is growing**

In order to make its home care services even more accessible, Galenica established the Galenica Home Care coordination service in the first half of 2023 to help patients organise and coordinate treatments. If required, the coordination service will also provide services offered by Bichsel, the specialist in artificial nutrition as well as intravenous antibiotic and pain therapies.

#### Spotlight Home Care coordination



## “Professionals” business area (B2B)

### Net sales development

In the first half of 2023, the “Professionals” business area generated net sales of CHF 128.6 million (+17.6%). Of this, CHF 90.0 million (+19.8%) was attributable to “Products & Brands” and CHF 38.6 million (+12.8%) to “Services for Professionals”.

### “Products & Brands” sector

The “Products & Brands” sector generated net sales of CHF 90.0 million (+19.8%) in the first half of 2023. Of this, CHF 71.1 million (+14.1%) came from the Swiss market and CHF 18.9 million (+48.0%) from exports involving distribution partners. In addition, the expansion of the product portfolio contributed 8% to sales growth, in particular due to the acquisition of the Padma Group in January 2023. Thanks to the strong growth and the expansion of the product portfolio, the market share of the “Products & Brands” sector has risen above 10% to 10.2% for the first time (IQVIA, Consumer Health Market Switzerland, first half of 2023).

By way of comparison, the consumer healthcare market grew by 3.3% year on year (IQVIA, Consumer Health Market Switzerland, first half of 2023, excluding COVID-19 self-tests).



Verfora is expanding its portfolio with herbal formulations derived from Tibetan medicine.

### Expansion of complementary medicine portfolio

The highlight was the acquisition of Padma Ltd. at the end of January 2023. Padma specialises in the manufacturing and distribution of herbal formulations derived from Tibetan medicine. Through this acquisition, Verfora is expanding its portfolio and market position in the field of complementary medicine. With Padma 28 N<sup>®</sup> (over-the-counter medication) and Padmed Circosan N<sup>®</sup> (reimbursable medication), Verfora now has two products for the treatment of mild circulatory disorders. Galenica will distribute the reimbursable product via the experienced Verfora medical field service.

Spotlight Padma

### Strong export sales

In terms of export sales, Galenica is consciously pursuing an opportunity-driven strategy, which proved particularly successful in the reporting period. This pleasing result was driven by the recovery in demand for travel and cold products, among other things, since the end of the pandemic.

### “Services for Professionals” sector

With sales of CHF 38.6 million, the “Services for Professionals” sector achieved strong growth of +12.8% in the first half of 2023. Medifilm and Lifestage Solutions were the main drivers of this growth.



Bichsel plays a key role in the Swiss healthcare system.

### Measures to promote efficiency and patient safety

In the “Services for Professionals” sector, various measures were implemented in the first half of 2023 to strengthen the portfolio, boost efficiency and improve patient safety. The blister packaging of medications for safe use by Medifilm is meeting the rapidly growing demand from care homes and hospitals. Medifilm therefore took technological and logistical measures to enable production capacity to keep pace with demand. For example, new blister packaging machines will be procured by the end of 2023. As a specialist in the manufacture of medicines in small and medium quantities, Bichsel plays a key role in the Swiss healthcare system. In order to increase Bichsel’s efficiency and enable further profitable growth, further work on putting processes in place and on improving process stability was carried out in the first half of 2023. Furthermore, the portfolio was systematically designed to accommodate pharmaceutical products that are urgently needed for the Swiss market, particularly in the area of third-party contract manufacturing.

### Lifestage platform expanded

Lifestage Solutions experienced a positive development. The company is a key partner for nursing homes and home care organisations. The digital platform for the fully automated ordering and billing of consumables and care products was expanded – initially as part of a pilot project – to also allow its users to order medication. This option will reduce the workload involved, particularly for the staff of partner institutions.

## "Logistics & IT" segment

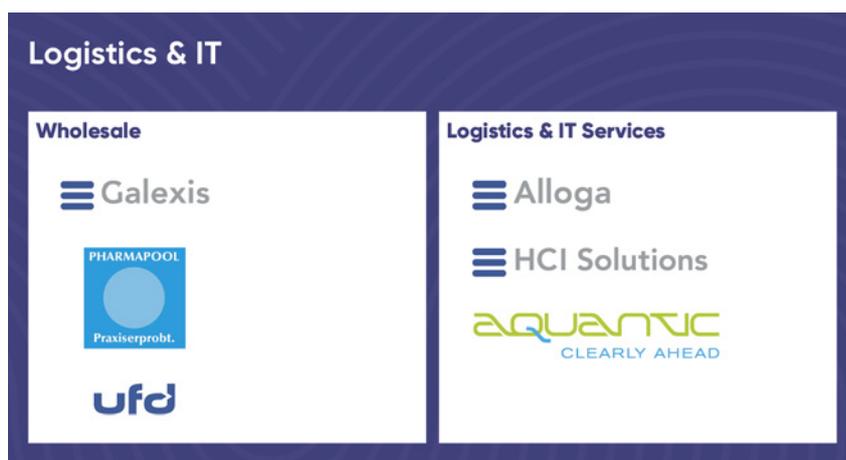
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### Management report

The "Logistics & IT" segment comprises the two sectors "Wholesale" and "Logistics & IT Services". They operate and develop the logistics and IT platforms of the Galenica Group and offer services to all healthcare providers such as pharmacies, drugstores, physicians, hospitals and care homes.



These activities focus on optimising and further developing the range of logistics and services as well as innovative solutions to promote digitalisation in the healthcare market.



## “Logistics & IT” segment development

### Net sales development

The “Logistics & IT” segment generated net sales of CHF 1,518.5 million (+5.8%) in the first half of 2023. Of this, CHF 1,457.3 million (+5.6%) was attributable to the “Wholesale” sector and CHF 70.4 million (+10.4%) to the “Logistics & IT Services” sector. “Logistics & IT” thus performed more or less in line with the overall market, which recorded year-on-year growth of 6.0% (IQVIA, Pharmaceutical Market Switzerland, first half of 2023).



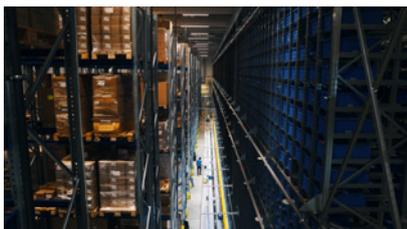
### “Wholesale” sector

#### Net sales development

Sales in the “Wholesale” sector increased by +5.6% to CHF 1,457.3 million and benefitted from the strong growth of the overall market. Further market shares were also gained in the wholesale business with third-party pharmacies. Adjusted for the exceptional sales of COVID-19 self-tests in the same period last year, “Wholesale” growth amounted 6.6%.

Government-ordered price reductions also continued to have a negative impact on sales development, amounting to -1.9% in the reporting period. Excluding this effect, net sales in the sector would have risen by 7.5%.

By way of comparison, the physician market grew by 8.1% in the first half of 2023, while the pharmacy market grew by 6.2%. The hospital market also grew by 3.8%. (IQVIA, Pharmaceutical Market Switzerland, first half of 2023).



Galexis increased stocks of Sandoz generics at the distribution centres in Niederbipp and Lausanne-Ecublens.

### **Two partners committed to ensuring security of supply**

In the first half of 2023, the focus was on an important measure designed to improve security of supply in the wholesale sector: Galexis launched the “[Safety Stock](#)” initiative in partnership with Sandoz.

Galexis increased stocks of Sandoz generics, particularly those used to treat chronic diseases. The stockpiles at the distribution centres in Niederbipp and Lausanne-Ecublens are helping to ease short- and medium-term supply bottlenecks and minimise the risk of interruptions in treatment. The involvement of other partners in the initiative is being considered.

### **Introduction of new ERP system proceeding according to plan**

The introduction of the new ERP (Enterprise Resource Planning) system at Galexis is progressing according to plan, the test phase will be completed in autumn and Lausanne-Ecublens will be the first location to complete the transition to the new SAP version in early 2024.

### **Extraordinary value adjustments on customer receivables**

Adjusted<sup>1</sup> EBIT in the 2023 half-year financial statements is impacted by extraordinary allowances on receivables from customers of CHF 6.0 million, especially in the wholesale business with physicians.

As part of its growth strategy in the physician customer segment, Galenica has supported the establishment and further development of various medical centres in recent years. In doing so, Galenica contributed to maintaining nationwide primary medical care throughout Switzerland. Particularly due to an acute shortage of physicians and medical professionals, some of these medical centres have not developed as expected and are struggling with financial constraints. As a result, Galenica had to write down various receivables.



## “Logistics & IT Services” sector

### Net sales development

With net sales of CHF 70.4 million, the “Logistics & IT Services” sector achieved strong growth of 10.4% in the first half of 2023, with Alloga’s pre-wholesale business and the internal charging of IT services driving growth.



Alloga – expansion of deep-freeze logistics.

### Alloga right on track

Pre-wholesale specialist Alloga can look back on a first half of the year that exceeded expectations. In addition to its robust basic business, the company’s good results can be attributed to a strong flu and hay fever season. The continuation of the ERP implementation at Alloga was satisfactory: by the end of the year, almost all partners will have completed the corresponding migration. In terms of construction, the prerequisites for the expansion of deep-freeze logistics have now been put in place.

### Large online mail order companies use HCI Solutions services

The data and digital services offered by HCI Solutions such as explanatory consumer texts, 360-degree product images and, in particular, important added-value data that is essential for the online mail order business, are of great benefit to online mail order companies. New contracts were concluded with mail order companies in the first half of 2023. But there is increasing demand for digital services and data in other segments, too, such as providers of mobile apps for patients.



HCI is developing its range of products for vaccination in medical practices and pharmacies.

### **HCI Solutions launches the digital vaccination booklet**

With Documedis Vaccination<sup>®</sup>, HCI is launching the product range for vaccination in practices and pharmacies from July 2023, consisting of powerful software products and services: ranging from vaccination documentation and analysis to the creation of a clear vaccination plan complete with a QR code. Documedis<sup>®</sup> Vaccination enables healthcare professionals to provide their customers with comprehensive advice and an ideal way to manage recurring vaccination appointments. HCI Solutions continued to work intensively on electronic prescriptions in the first half of 2023. This is a promising project that requires a great deal of cooperation and coordination with associations and other partners. It is a comprehensive package designed to promote patient safety in the area of medication.

### **COMCO ruling from 2017 impacts EBIT**

HCI Solutions first lodged an appeal with the Federal Administrative Court against a COMCO ruling from 2017 and then with the Federal Supreme Court against the ruling of the Federal Administrative Court in January 2022. Although the case is still pending and therefore not yet legally binding, COMCO obliged HCI Solutions to pay the CHF 3.8 million penalty in June 2023. Galenica remains confident of winning the case before the Federal Supreme Court. According to IFRS, the invoiced amount must still be recognised as an expense.

# Financial report

# Alternative performance measures 2023

## 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 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 first half of 2023

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care <sup>1)</sup>	Wholesale	Logistics & IT Services	Logistics & IT <sup>1)</sup>
Net sales	679,086	128,627	<b>804,364</b>	1,457,284	70,418	<b>1,518,491</b>
Change to previous period	2.1%	17.6%	<b>4.2%</b>	5.6%	10.4%	<b>5.8%</b>
Effect of net expansion	3,394 <sup>2)</sup>	7,208 <sup>3)</sup>	<b>10,602</b>	–	760 <sup>3)</sup>	<b>760</b>
In % of net sales of previous period	0.5%	6.6%	<b>1.4%</b>	0.0%	1.2%	<b>0.1%</b>
<b>Net sales excluding effect of net expansion</b>	<b>675,691</b>	<b>121,419</b>	<b>793,762</b>	<b>1,457,284</b>	<b>69,658</b>	<b>1,517,731</b>
<b>Organic growth of net sales</b>	<b>1.6%</b>	<b>11.0%</b>	<b>2.8%</b>	<b>5.6%</b>	<b>9.2%</b>	<b>5.7%</b>
Mandatory price reductions <sup>4)</sup>	9,092			26,589		
In % of net sales of previous period	1.4%			1.9%		
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>684,783</b>			<b>1,483,873</b>		
<b>Organic growth of net sales excluding price reductions</b>	<b>3.0%</b>			<b>7.5%</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 first half of 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	640,151	39,060	<b>679,086</b>	89,998	38,623	<b>128,627</b>
Change to previous period	1.9%	4.6%	<b>2.1%</b>	19.8%	12.8%	<b>17.6%</b>
Effect of net expansion	2,525 <sup>2)</sup>	869 <sup>2)</sup>	<b>3,394 <sup>2)</sup></b>	6,044 <sup>3)</sup>	1,164 <sup>3)</sup>	<b>7,208 <sup>3)</sup></b>
In % of net sales of previous period	0.4%	2.3%	<b>0.5%</b>	8.0%	3.4%	<b>6.6%</b>
<b>Net sales excluding effect of net expansion</b>	<b>637,626</b>	<b>38,191</b>	<b>675,691</b>	<b>83,954</b>	<b>37,460</b>	<b>121,419</b>
<b>Organic growth of net sales</b>	<b>1.5%</b>	<b>2.3%</b>	<b>1.6%</b>	<b>11.8%</b>	<b>9.4%</b>	<b>11.0%</b>
Mandatory price reductions <sup>4)</sup>	9,092	–	<b>9,092</b>			
In % of net sales of previous period	1.4%	0.0%	<b>1.4%</b>			
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>646,718</b>	<b>38,191</b>	<b>684,783</b>			
<b>Organic growth of net sales excluding price reductions</b>	<b>2.9%</b>	<b>2.3%</b>	<b>3.0%</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 first half of 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	665,192	109,341	<b>771,689</b>	1,379,426	63,794	<b>1,434,631</b>
Change to previous period <sup>3)</sup>	2.5%	23.5%	<b>5.2%</b>	3.8%	26.2%	<b>4.1%</b>
Effect of net expansion	6,172 <sup>4)</sup>	13,467 <sup>5)</sup>	<b>19,639</b>	–	–	–
In % of net sales of previous period	1.0%	15.2%	<b>2.7%</b>	0.0%	0.0%	<b>0.0%</b>
<b>Net sales excluding effect of net expansion</b>	<b>659,020</b>	<b>95,874</b>	<b>752,050</b>	<b>1,379,426</b>	<b>63,794</b>	<b>1,434,631</b>
<b>Organic growth of net sales<sup>3)</sup></b>	<b>1.5%</b>	<b>8.3%</b>	<b>2.5%</b>	<b>3.8%</b>	<b>26.2%</b>	<b>4.1%</b>
Mandatory price reductions <sup>6)</sup>	7,262			26,387		
In % of net sales of previous period	1.1%			2.0%		
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>666,282</b>			<b>1,405,813</b>		
<b>Organic growth of net sales excluding price reductions<sup>3)</sup></b>	<b>2.6%</b>			<b>5.8%</b>		

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

<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 1.8% lower for Retail (B2C), 1.6% lower for Products & Care and 0.7% 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 first half of 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	627,947	37,349	<b>665,192</b>	75,097	34,244	<b>109,341</b>
Change to previous period <sup>3)</sup>	1.8%	15.9%	<b>2.5%</b>	26.0%	18.3%	<b>23.5%</b>
Effect of net expansion	6,172 <sup>4)</sup>	– <sup>4)</sup>	<b>6,172<sup>4)</sup></b>	7,721 <sup>5)</sup>	5,745 <sup>5)</sup>	<b>13,467<sup>5)</sup></b>
In % of net sales of previous period	1.0%	0.0%	<b>1.0%</b>	13.0%	19.9%	<b>15.2%</b>
<b>Net sales excluding effect of net expansion</b>	<b>621,774</b>	<b>37,349</b>	<b>659,020</b>	<b>67,375</b>	<b>28,499</b>	<b>95,874</b>
<b>Organic growth of net sales<sup>3)</sup></b>	<b>0.8%</b>	<b>15.9%</b>	<b>1.5%</b>	<b>13.0%</b>	<b>–1.6%</b>	<b>8.3%</b>
Mandatory price reductions <sup>6)</sup>	7,262	–	<b>7,262</b>			
In % of net sales of previous period	1.2%	0.0%	<b>1.1%</b>			
<b>Net sales excluding effect of net expansion and mandatory price reductions</b>	<b>629,036</b>	<b>37,349</b>	<b>666,282</b>			
<b>Organic growth of net sales excluding price reductions<sup>3)</sup></b>	<b>2.0%</b>	<b>15.9%</b>	<b>2.6%</b>			

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

<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 26.5% lower for Pharmacies at Home and 1.8% 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 first half of 2023

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
<b>Net sales</b>	<b>1,851,190</b>	–	–	<b>1,851,190</b>
Products & Care <sup>1)</sup>	804,364	–	–	804,364
Logistics & IT <sup>1)</sup>	1,518,491	–	–	1,518,491
Other income	8,170	–	–	8,170
<b>Operating income</b>	<b>1,859,360</b>	–	–	<b>1,859,360</b>
Cost of goods	–1,339,449	–	–	–1,339,449
Personnel costs	–278,773	–1,292	–	–280,065
Other operating costs	–100,187	–	–27,037	–127,224
Share of profit from associates and joint ventures	2,948	–194	25	2,780
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>143,900</b>	<b>–1,486</b>	<b>–27,012</b>	<b>115,402</b>
Products & Care <sup>1)</sup>	107,842	–	–25,179	82,663
Logistics & IT <sup>1)</sup>	34,928	–	–1,222	33,706
Depreciation, amortisation and impairment	–51,379	–	26,157	–25,222
<b>Earnings before interest and taxes (EBIT)</b>	<b>92,521</b>	<b>–1,486</b>	<b>–855</b>	<b>90,180</b>
Return on sales (ROS) <sup>2)</sup>	5.0%	–0.1%	0.0%	4.9%
Products & Care <sup>1)</sup>	73,744	–	–623	73,121
Return on sales (ROS) <sup>2)</sup>	9.2%	0.0%	–0.1%	9.1%
Logistics & IT <sup>1)</sup>	19,058	–	–69	18,990
Return on sales (ROS) <sup>2)</sup>	1.3%	0.0%	0.0%	1.3%
Net financial expenses	–2,978	–64	1,459	–1,583
<b>Earnings before taxes (EBT)</b>	<b>89,543</b>	<b>–1,550</b>	<b>605</b>	<b>88,597</b>
Income taxes	–15,056	244	–78	–14,889
<b>Profit from continuing operations</b>	<b>74,487</b>	<b>–1,306</b>	<b>527</b>	<b>73,708</b>
Profit from discontinued operations	112,843	–64	–2	112,777
<b>Net Profit</b>	<b>187,330</b>	<b>–1,370</b>	<b>525</b>	<b>186,485</b>
Attributable to:				
– Shareholders of Galenica Ltd.	186,998	–1,370	522	186,151
– Non-controlling interests	331	–	3	334

<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	1.49	–0.03	0.01	1.47
Diluted earnings per share from continuing operations	1.49	–0.03	0.01	1.47

## Adjusted consolidated statement of income first half of 2022

in thousand CHF	As reported (Restated) <sup>1)</sup>	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
<b>Net sales</b>	<b>1,754,208</b>	–	–	<b>1,754,208</b>
Products & Care <sup>2)</sup>	771,689	–	–	771,689
Logistics & IT <sup>2)</sup>	1,434,631	–	–	1,434,631
Other income	7,736	–	–	7,736
<b>Operating income</b>	<b>1,761,945</b>	–	–	<b>1,761,945</b>
Cost of goods	–1,275,622	–	–	–1,275,622
Personnel costs	–257,470	–1,355	–	–258,825
Other operating costs	–83,743	–	–27,179	–110,921
Share of profit from associates and joint ventures	2,019	–47	–5	1,967
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>147,129</b>	<b>–1,403</b>	<b>–27,183</b>	<b>118,542</b>
Products & Care <sup>2)</sup>	105,468	–	–25,353	80,115
Logistics & IT <sup>2)</sup>	40,345	–	–1,231	39,114
Depreciation, amortisation and impairment	–48,830	–	25,307	–23,523
<b>Earnings before interest and taxes (EBIT)</b>	<b>98,299</b>	<b>–1,403</b>	<b>–1,876</b>	<b>95,020</b>
Return on sales (ROS) <sup>3)</sup>	5.6%	–0.1%	–0.1%	5.4%
Products & Care <sup>2)</sup>	72,517	–	–1,693	70,823
Return on sales (ROS) <sup>3)</sup>	9.4%	0.0%	–0.2%	9.2%
Logistics & IT <sup>2)</sup>	25,382	–	–20	25,361
Return on sales (ROS) <sup>3)</sup>	1.8%	0.0%	0.0%	1.8%
Net financial expenses	–2,379	–112	1,175	–1,316
<b>Earnings before taxes (EBT)</b>	<b>95,920</b>	<b>–1,515</b>	<b>–701</b>	<b>93,703</b>
Income taxes	–16,922	264	126	–16,532
<b>Profit from continuing operations</b>	<b>78,998</b>	<b>–1,251</b>	<b>–575</b>	<b>77,171</b>
Profit from discontinued operations	4,127	–13	–	4,114
<b>Net Profit</b>	<b>83,124</b>	<b>–1,264</b>	<b>–575</b>	<b>81,285</b>
Attributable to:				
– Shareholders of Galenica Ltd.	82,912	–1,264	–575	81,072
– Non-controlling interests	213	–	–	213

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

<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	1.59	–0.03	–0.01	1.55
Diluted earnings per share from continuing operations	1.58	–0.03	–0.01	1.55

## 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.–30.6.2023	1.1.–30.6.2022 (Restated) <sup>1)</sup>
Cash flow from operating activities before working capital changes	113,209	130,772
Payment of lease liabilities	-25,711	-25,888
<b>Cash flow from operating activities before working capital changes adjusted</b>	<b>87,498</b>	<b>104,884</b>
Working capital changes	-109,422	-79,270
Cash flow from discontinued operations (operating activities) incl. payment of lease liabilities	918	-12,601
<b>Cash flow from operating activities adjusted</b>	<b>-21,005</b>	<b>13,014</b>
Cash flow from investing activities without M&A <sup>2)</sup>	-32,246	-38,925
Cash flow from discontinued operations (investing activities)	-150	-280
<b>Free cash flow before M&amp;A</b>	<b>-53,402</b>	<b>-26,191</b>
Cash flow from M&A <sup>3)</sup>	-28,290	-8,467
<b>Free cash flow</b>	<b>-81,692</b>	<b>-34,658</b>

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

<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	1.1.–30.6.2023	1.1.–30.6.2022
Investments in property, plant and equipment	18,639	18,652
Investments in intangible assets	15,947	12,198
<b>CAPEX</b>	<b>34,587</b>	<b>30,849</b>

### Cash conversion

	1.1.–30.6.2023	1.1.–30.6.2022 (Restated) <sup>1)</sup>
Cash conversion <sup>1)</sup>	70.0%	74.0%

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

<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	30.06.2023	30.06.2022
<b>Total assets</b>	<b>2,808,944</b>	<b>2,454,464</b>
Cumulative effects of IAS 19 adjustments	-2,515	-2,261
Cumulative effects of IFRS 16 adjustments	-230,448	-227,771
<b>Total assets adjusted</b>	<b>2,575,982</b>	<b>2,224,432</b>

### Net debt

in thousand CHF	30.06.2023	30.06.2022
Current financial liabilities <sup>1)</sup>	98,923	242,865
Current lease liabilities	51,523	50,200
Non-current financial liabilities <sup>1)</sup>	419,872	181,565
Non-current lease liabilities	186,200	185,109
Cash and cash equivalents	-15,329	-20,966
Interest-bearing receivables	-958	-1,165
<b>Net debt</b>	<b>740,231</b>	<b>637,608</b>
Lease liabilities (current and non-current)	-237,723	-235,309
<b>Net debt adjusted</b>	<b>502,508</b>	<b>402,299</b>

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

### Shareholders' equity

in thousand CHF	30.06.2023	30.06.2022
<b>Shareholders' equity</b>	<b>1,328,930</b>	<b>1,163,083</b>
Cumulative effects of IAS 19 adjustments	15,069	12,983
Cumulative effects of IFRS 16 adjustments	5,335	4,972
<b>Shareholders' equity adjusted</b>	<b>1,349,334</b>	<b>1,181,038</b>

**Equity ratio**

	30.06.2023	30.06.2022
Equity ratio <sup>1)</sup>	47.3%	47.4%
Equity ratio adjusted <sup>2)</sup>	52.4%	53.1%

<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**

	30.06.2023	30.06.2022
Gearing <sup>1)</sup>	55.7%	54.8%
Gearing adjusted <sup>2)</sup>	37.2%	34.1%

<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**

	30.6.2023	30.6.2022 <sup>3)</sup>
Debt coverage <sup>1)</sup>	2.6 x	2.1 x
Debt coverage adjusted <sup>2)</sup>	2.1 x	1.6 x

<sup>1)</sup> Calculated as net debt divided by moving annual total of the previous 12 months EBITDA

<sup>2)</sup> Calculated as net debt adjusted divided by moving annual total of the previous 12 months EBITDA adjusted

<sup>3)</sup> As reported in the Alternative performance measures of the Half year report 2022

# Consolidated interim financial statements 2023

## Consolidated statement of income

in thousand CHF	1.1.–30.6.2023	1.1.–30.6.2022 (Restated) <sup>1)</sup>
Net sales	1,851,190	1,754,208
Other income	8,170	7,736
<b>Operating income</b>	<b>1,859,360</b>	<b>1,761,945</b>
Cost of goods	-1,339,449	-1,275,622
Personnel costs	-278,773	-257,470
Other operating costs	-100,187	-83,743
Share of profit from associates and joint ventures	2,948	2,019
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>143,900</b>	<b>147,129</b>
Depreciation, amortisation and impairment	-51,379	-48,830
<b>Earnings before interest and taxes (EBIT)</b>	<b>92,521</b>	<b>98,299</b>
Financial income	3,495	509
Financial expenses	-6,473	-2,888
<b>Earnings before taxes (EBT)</b>	<b>89,543</b>	<b>95,920</b>
Income taxes	-15,056	-16,922
<b>Profit from continuing operations</b>	<b>74,487</b>	<b>78,998</b>
Profit from discontinued operations	112,843	4,127
<b>Net profit</b>	<b>187,330</b>	<b>83,124</b>
Attributable to:		
– Shareholders of Galenica Ltd.	186,998	82,912
– Non-controlling interests	331	213
in CHF	1.1.–30.6.2023	1.1.–30.6.2022 (Restated) <sup>1)</sup>
<b>Earnings per share</b>		
Earnings per share	3.75	1.67
Diluted earnings per share	3.75	1.67
<b>Earnings per share from continuing operations</b>		
Earnings per share	1.49	1.59
Diluted earnings per share	1.49	1.58
<b>Earnings per share from discontinued operations</b>		
Earnings per share	2.26	0.08
Diluted earnings per share	2.26	0.08

<sup>1)</sup> Figures restated (refer to note 4 of the Consolidated interim financial statements)  
Unaudited figures

## Consolidated statement of comprehensive income

in thousand CHF	1.1.–30.6.2023	1.1.–30.6.2022 (Restated) <sup>1)</sup>
<b>Net profit</b>	<b>187,330</b>	<b>83,124</b>
Translation differences	–49	–139
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>–49</b>	<b>–139</b>
Remeasurement of net defined benefit plans	–2,149	–56,513
Income taxes from remeasurement of net defined benefit plans	380	10,172
Share of other comprehensive income from associates and joint ventures	–223	–921
Gain / (Loss) on equity instruments at fair value through other comprehensive income	10,615	–
Income taxes from fair value measurement on equity instruments at fair value through other comprehensive income	–2,229	–
<b>Items that will not be reclassified to profit or loss</b>	<b>6,394</b>	<b>–47,262</b>
<b>Other comprehensive income/(loss)</b>	<b>6,344</b>	<b>–47,401</b>
<b>Comprehensive income</b>	<b>193,674</b>	<b>35,723</b>
Attributable to:		
– Shareholders of Galenica Ltd.	193,343	35,511
– Non-controlling interests	331	213

<sup>1)</sup> Figures restated (refer to note 4 of the Consolidated interim financial statements)  
Unaudited figures

## Consolidated statement of financial position

in thousand CHF		30.06.2023		31.12.2022
Cash and cash equivalents		15,329		93,927
Trade and other receivables		557,695		529,479
Inventories		335,040		315,160
Prepaid expenses and accrued income		32,966		38,152
<b>Current assets</b>	<b>33.5%</b>	<b>941,030</b>	<b>37.4%</b>	<b>976,718</b>
Property, plant and equipment		249,465		249,495
Right-of-use assets		230,990		226,685
Intangible assets		1,068,349		1,100,112
Investments in associates and joint ventures		137,009		32,682
Financial assets		177,235		23,692
Deferred tax assets		4,684		3,258
Employee benefit assets		183		183
<b>Non-current assets</b>	<b>66.5%</b>	<b>1,867,914</b>	<b>62.6%</b>	<b>1,636,107</b>
<b>Assets</b>	<b>100.0%</b>	<b>2,808,944</b>	<b>100.0%</b>	<b>2,612,825</b>
Financial liabilities		107,202		218,464
Lease liabilities		51,523		50,173
Trade and other payables		361,160		355,220
Income tax payables		26,973		40,358
Accrued expenses and deferred income		190,470		211,417
Provisions		4,224		4,487
<b>Current liabilities</b>	<b>26.4%</b>	<b>741,553</b>	<b>33.7%</b>	<b>880,119</b>
Financial liabilities		476,499		234,848
Lease liabilities		186,200		183,005
Deferred tax liabilities		57,656		48,384
Employee benefit liabilities		17,665		16,813
Provisions		441		197
<b>Non-current liabilities</b>	<b>26.3%</b>	<b>738,462</b>	<b>18.5%</b>	<b>483,245</b>
<b>Liabilities</b>	<b>52.7%</b>	<b>1,480,015</b>	<b>52.2%</b>	<b>1,363,364</b>
Share capital		5,000		5,000
Reserves		1,320,291		1,240,580
<b>Equity attributable to shareholders of Galenica Ltd.</b>		<b>1,325,291</b>		<b>1,245,580</b>
Non-controlling interests		3,639		3,881
<b>Shareholders' equity</b>	<b>47.3%</b>	<b>1,328,930</b>	<b>47.8%</b>	<b>1,249,461</b>
<b>Liabilities and shareholders' equity</b>	<b>100.0%</b>	<b>2,808,944</b>	<b>100.0%</b>	<b>2,612,825</b>

2023 figures are unaudited

# Consolidated statement of cash flows

in thousand CHF	1.1.-30.6.2023	1.1.-30.6.2022 (Restated) <sup>1)</sup>
Profit from continuing operations	74,487	78,998
Income taxes	15,056	16,922
Depreciation, amortisation and impairment	51,379	48,830
(Gain)/loss on disposal of non-current assets	-495	-84
Increase/(decrease) in provisions and employee benefit assets and liabilities	-1,549	-1,582
Net financial result	2,978	2,379
Share of profit from associates and joint ventures	-2,948	-2,019
Share-based payments	1,832	2,466
Interest received	756	348
Interest paid	-2,287	-2,038
Other financial receipts/(payments)	-198	-11
Dividends received	4,410	6,860
Income taxes paid	-30,211	-20,296
<b>Cash flow from operating activities before working capital changes</b>	<b>113,209</b>	<b>130,772</b>
Change in trade and other receivables	-85,739	-60,525
Change in inventories	-31,238	4,122
Change in trade and other payables	23,812	-27,794
Change in other net current assets	-16,257	4,927
<b>Working capital changes</b>	<b>-109,422</b>	<b>-79,270</b>
Cash flow from discontinued operations	1,186	-12,284
<b>Cash flow from operating activities</b>	<b>4,973</b>	<b>39,219</b>
Investments in property, plant and equipment	-18,741	-18,716
Investments in intangible assets	-13,090	-10,748
Investments in associates and joint ventures	-	-3,833
Investments in financial assets	-126,040	-7,136
Proceeds from sale of property, plant and equipment and intangible assets	811	309
Proceeds from sale of financial assets	124,813	1,199
Net cash flow from business combinations	-26,206	-8,467
Net cash flow from sale of subsidiaries	-2,084	-
Cash flow from discontinued operations	-150	-280
<b>Cash flow from investing activities</b>	<b>-60,687</b>	<b>-47,671</b>
Dividends paid	-110,263	-104,810
Purchase of treasury shares	-5,434	-236
Proceeds from sale of treasury shares	55	58
Proceeds from financial liabilities	350,827	1,008
Repayment of financial liabilities	-232,041	-1,232
Payment of lease liabilities	-25,711	-25,888
Purchase of non-controlling interests	-	-4,048
Cash flow from discontinued operations	-267	-317
<b>Cash flow from financing activities</b>	<b>-22,833</b>	<b>-135,464</b>
Effects of exchange rate changes on cash and cash equivalents	-51	-100
<b>Decrease in cash and cash equivalents</b>	<b>-78,598</b>	<b>-144,016</b>
Cash and cash equivalents as at 1 January	93,927	164,982
<b>Cash and cash equivalents as at 30 June</b>	<b>15,329</b>	<b>20,966</b>

<sup>1)</sup> Figures restated (refer to note 4 of the Consolidated interim financial statements)  
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
<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			82,912	82,912	213	83,124
Other comprehensive loss			-47,401	-47,401	-	-47,401
<b>Comprehensive income</b>			<b>35,511</b>	<b>35,511</b>	<b>213</b>	<b>35,723</b>
Dividends			-104,443	-104,443	-367	-104,810
Transactions on treasury shares		3,649	-3,639	10		10
Share-based payments			2,530	2,530		2,530
Change in non-controlling interests			-1,725	-1,725	-2,323	-4,048
<b>Balance as at 30 June 2022</b>	<b>5,000</b>	<b>-10,862</b>	<b>1,165,282</b>	<b>1,159,421</b>	<b>3,663</b>	<b>1,163,083</b>
<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			186,998	186,998	331	187,330
Other comprehensive income			6,344	6,344	-	6,344
<b>Comprehensive income</b>			<b>193,343</b>	<b>193,343</b>	<b>331</b>	<b>193,674</b>
Dividends			-109,761	-109,761	-542	-110,304
Transactions on treasury shares		-2,352	-3,392	-5,744		-5,744
Share-based payments			1,903	1,903		1,903
Change in non-controlling interests			-30	-30	-31	-61
<b>Balance as at 30 June 2023</b>	<b>5,000</b>	<b>-10,169</b>	<b>1,330,460</b>	<b>1,325,291</b>	<b>3,639</b>	<b>1,328,930</b>

Unaudited figures

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.

# Notes to the consolidated interim financial statements of the Galenica Group

## 1. Group organisation

### General information

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

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

The Board of Directors released the consolidated interim financial statements 2023 on 7 August 2023 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 2023, 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 2022 and comply with IAS 34 – Interim Financial Reporting. The consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ending 31 December 2022 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 material for the consolidated interim financial statements.

### Discontinued operations

A disposal group is classed as a discontinued operation if it represents a separate major line of business or geographical business unit or if it is part of a single coordinated plan to dispose of 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. Intercompany transactions with the discontinued operations are treated as third parties transaction in the continuing operation. The figures for January to June 2022 have been restated for the purpose of comparison. The restatement has no effect on the statement of financial position or consolidated statement of comprehensive income. Further information of the discontinued operation can be found in [note 4, Discontinued operations](#).

## Estimation uncertainty, assumptions and judgments

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

## Seasonal influences on operations

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

## Income taxes

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

## Scope of consolidation

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

Details of changes in the scope of consolidation in the reporting period are included in [note 4, Discontinued operations](#) and in [note 5, Business combinations](#).

## Amendments to IFRS

As at 1 January 2023 Galenica adopted the following new International Financial Reporting 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 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.

Galenica has applied the exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two Global Anti-Base erosion rules in accordance with the amendments to IAS 12, which the IASB published in May 2023.

### 3. Operating segment information

#### Operating segment information first half of 2023

With the creation of the strategic partnership with Redcare Pharmacy N.V., the business unit Mediservice Ltd. (incl. Curarex Swiss Ltd.) 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 line with the internal reporting. As a result, net sales to third parties has decreased by CHF 205.7 million and EBIT by CHF 5.0 million in 2022. Further information of the discontinued operation can be found in [note 4, Discontinued operations](#).

#### Operating segment information first half of 2023

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	804,364	1,518,491	25,733	-497,398	1,851,190
Intersegmental net sales	-50,846	-423,283	-23,268	497,398	-
<b>Net sales to third parties</b>	<b>753,518</b>	<b>1,095,208</b>	<b>2,464</b>	<b>-</b>	<b>1,851,190</b>
Other income	3,387	3,995	1,971	-1,183	8,170
Share of profit from associates and joint ventures	2,812	8	-	128	2,948
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>107,842</b>	<b>34,928</b>	<b>1,168</b>	<b>-38<sup>1)</sup></b>	<b>143,900</b>
Depreciation, amortisation and impairment	-34,098	-15,869	-1,530	118	-51,379
<b>Earnings before interest and taxes (EBIT)</b>	<b>73,744</b>	<b>19,058</b>	<b>-362</b>	<b>81<sup>1)</sup></b>	<b>92,521</b>
Interest income					1,057
Interest expense					-3,564
Other net financial result					-471
<b>Earnings before taxes (EBT)</b>					<b>89,543</b>
Income taxes					-15,056
<b>Profit from continuing operations</b>					<b>74,487</b>
<b>Assets</b>	<b>1,807,984</b>	<b>1,048,016</b>	<b>529,011</b>	<b>-576,067<sup>2)</sup></b>	<b>2,808,944</b>
Investments in associates and joint ventures	138,486	91	-	-1,568	137,009
<b>Liabilities</b>	<b>616,713</b>	<b>681,315</b>	<b>728,105</b>	<b>-546,118<sup>3)</sup></b>	<b>1,480,015</b>
Investments in property, plant and equipment	11,552	5,418	1,669	-	18,639 <sup>4)</sup>
Investments in intangible assets	1,041	14,943	-	-37	15,947 <sup>5)</sup>
Employees as at 30 June (FTE)	4,081	1,445	232	-	5,758

<sup>1)</sup> Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF 1.5 million

<sup>2)</sup> Of which elimination of intercompany positions of CHF -556.5 million and other unallocated amounts of CHF -19.5 million

<sup>3)</sup> Of which elimination of intercompany positions of CHF -556.5 million and other unallocated amounts of CHF 10.4 million

<sup>4)</sup> Of which non-cash investments of CHF 0.8 million

<sup>5)</sup> Of which non-cash investments of CHF 3.8 million

## Operating segment information first half of 2022

### Operating segment information first half of 2022 (restated)

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	771,689	1,434,631	22,352	-474,464	1,754,208
Intersegmental net sales	-46,092	-407,347	-21,026	474,464	-
<b>Net sales to third parties</b>	<b>725,598</b>	<b>1,027,284</b>	<b>1,326</b>	<b>-</b>	<b>1,754,208</b>
Other income	3,992	2,962	1,438	-656	7,736
Share of profit from associates and joint ventures	1,937	20	-	62	2,019
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>105,468</b>	<b>40,345</b>	<b>242</b>	<b>1,074<sup>2)</sup></b>	<b>147,129</b>
Depreciation, amortisation and impairment	-32,951	-14,963	-1,062	147	-48,830
<b>Earnings before interest and taxes (EBIT)</b>	<b>72,517</b>	<b>25,382</b>	<b>-820</b>	<b>1,221<sup>2)</sup></b>	<b>98,299</b>
Interest income					387
Interest expense					-2,636
Other net financial result					-129
<b>Earnings before taxes (EBT)</b>					<b>95,920</b>
Income taxes					-16,922
<b>Profit from continuing operations</b>					<b>78,998</b>
<b>Assets<sup>1)</sup></b>	<b>1,784,254</b>	<b>921,458</b>	<b>320,811</b>	<b>-413,699<sup>3)</sup></b>	<b>2,612,825</b>
Investments in associates and joint ventures <sup>1)</sup>	33,975	82	-	-1,375	32,682
<b>Liabilities<sup>1)</sup></b>	<b>604,571</b>	<b>524,903</b>	<b>619,655</b>	<b>-385,765<sup>4)</sup></b>	<b>1,363,364</b>
Investments in property, plant and equipment	4,125	13,400	1,127	-	18,652 <sup>5)</sup>
Investments in intangible assets	769	11,499	-	-70	12,198 <sup>6)</sup>
Employees as at 30 June (FTE)	3,831	1,377	216	-	5,424

<sup>1)</sup> Figures as at 31 December 2022

<sup>2)</sup> Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF 1.4 million

<sup>3)</sup> Of which elimination of intercompany positions of CHF -395.6 million and other unallocated amounts of CHF -18.1 million

<sup>4)</sup> Of which elimination of intercompany positions of CHF -395.6 million and other unallocated amounts of CHF 9.8 million

<sup>5)</sup> Of which non-cash investments of CHF 0.9 million

<sup>6)</sup> Of which non-cash investments of CHF 1.8 million

## 4. Discontinued operations

On 30 March 2023 Galenica announced the combination of the business activities of the specialty pharmacy Mediservice Ltd. (including Curarex swiss Ltd.) 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 49% participation in Mediservice Ltd. will be accounted for as an investment in an associate.

The purchase consideration is 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 2023 and 2026. The transaction resulted in a gain on sale of CHF 111.8 million. As the purchase considerations 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 Ltd.) and therefore deconsolidated the assets and liabilities of the business unit. The business of Mediservice Ltd. (including Curarex swiss Ltd.) represented a separate major line of business for Galenica and was therefore classified as discontinued operations and the prior period was adjusted accordingly.

### Gain on sale of discontinued operations

in thousand CHF	16.5.2023
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	-755
Income taxes related to the sale of the discontinued operations	-5,515
<b>Gain on sale of discontinued operations</b>	<b>111,827</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. – 30.6.2022
Net sales	164,487	215,250
Other income	18	21
Expenses	-163,238	-210,316
<b>Earnings before tax (EBT) from discontinued operations</b>	<b>1,266</b>	<b>4,954</b>
Income taxes	-251	-828
<b>Net profit from discontinued operations</b>	<b>1,015</b>	<b>4,127</b>

The table below shows the financial position of Mediservice Ltd. (including Curarex swiss Ltd.) at the date of disposal.

**Financial position of the discontinued operation 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
Financial assets	50
Other non-current assets	43
<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>

## 5. Business combinations

In the first half of 2023, the scope of consolidation has changed as a result of the following transactions:

**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 9.7 million, of which CHF 9.1 million was settled in cash. A deferred consideration in the amount of CHF 0.6 million was recognised, which is due in the second half year of 2023. The fair value of the provisional net assets amounts to CHF 0.8 million at the acquisition date. The goodwill of CHF 8.9 million was allocated to the operating segment Products & Care and corresponds to the added value of the pharmacies based on their locations. Transaction costs were not material.

### Business combinations

in thousand CHF	Padma	Pharmacies	Total
Cash and cash equivalents	3,170	600	3,770
Trade receivables	1,156	210	1,366
Inventories	3,362	676	4,039
Property, plant and equipment	177	–	177
Right-of-use assets	3,815	1,873	5,687
Intangible assets	9,333	–	9,333
Other current and non-current assets	275	88	363
Trade payables	–418	–450	–868
Lease liabilities	–3,815	–1,873	–5,687
Net deferred tax assets/(liabilities)	–1,871	–	–1,871
Employee benefit liabilities	–378	–	–378
Other current and non-current liabilities	–596	–282	–878
<b>Fair value of net assets</b>	<b>14,211</b>	<b>842</b>	<b>15,053</b>
Goodwill	9,074	8,863	17,937
<b>Purchase consideration</b>	<b>23,285</b>	<b>9,705</b>	<b>32,990</b>
Cash acquired	–3,170	–600	–3,770
Deferred consideration	–	–630	–630
Contingent consideration	–2,385	–	–2,385
<b>Net cash flow from current business combinations</b>	<b>17,730</b>	<b>8,476</b>	<b>26,206</b>

### Pro forma figures for acquisitions made in the first half of 2023

Since their inclusion in Galenica's scope of consolidation, the businesses acquired contributed net sales of CHF 6.3 million and an operating result (EBIT) of CHF 0.4 million to the Group's results. If these acquisitions had occurred on 1 January 2023, they would have contributed additional net sales of CHF 1.8 million without a material effect on EBIT.

## 6. Net sales

### Net sales first half of 2023

Based on the classification of the business unit Mediservice (incl. Curarex swiss) as discontinued operation, 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. Further information of the discontinued operation can be found in [note 4, Discontinued operations](#).

#### Net sales first half of 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	599,617	40,534	640,151	264	640,416	599,893	40,523
Pharmacies at Home	36,864	2,197	39,060	-125	38,935	36,738	2,197
<b>Retail (B2C)<sup>1)</sup></b>	<b>636,355</b>	<b>42,731</b>	<b>679,086</b>	<b>265</b>	<b>679,351</b>	<b>636,631</b>	<b>42,719</b>
Products & Brands	89,190	808	89,998	-41,807	48,191	47,383	808
Services for Professionals	30,516	8,108	38,623	-12,664	25,960	24,303	1,656
<b>Professionals (B2B)<sup>1)</sup></b>	<b>119,721</b>	<b>8,905</b>	<b>128,627</b>	<b>-54,476</b>	<b>74,150</b>	<b>71,687</b>	<b>2,464</b>
<b>Products &amp; Care<sup>1)</sup></b>	<b>754,684</b>	<b>49,680</b>	<b>804,364</b>	<b>-50,846</b>	<b>753,518</b>	<b>708,334</b>	<b>45,184</b>
Wholesale	1,452,285	4,999	1,457,284	-398,552	1,058,732	1,054,982	3,749
Logistics & IT Services	169	70,249	70,418	-33,942	36,477	169	36,307
<b>Logistics &amp; IT<sup>1)</sup></b>	<b>1,452,455</b>	<b>66,037</b>	<b>1,518,491</b>	<b>-423,283</b>	<b>1,095,208</b>	<b>1,055,152</b>	<b>40,057</b>
Group Services	-	25,733	25,733	-23,268	2,464	-	2,464
Eliminations <sup>2)</sup>	-443,657	-53,741	-497,398	497,398	-	-	-
<b>Galenica Group</b>	<b>1,763,482</b>	<b>87,708</b>	<b>1,851,190</b>	<b>-</b>	<b>1,851,190</b>	<b>1,763,482</b>	<b>87,708</b>

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

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

## Net sales first half of 2022

### Net sales first half of 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	590,444	37,503	627,947	-12	627,935	590,432	37,503
Pharmacies at Home	35,076	2,273	37,349	-188	37,161	34,888	2,272
<b>Retail (B2C)<sup>1)</sup></b>	<b>625,417</b>	<b>39,776</b>	<b>665,192</b>	<b>-97</b>	<b>665,096</b>	<b>625,321</b>	<b>39,775</b>
Products & Brands	74,136	960	75,097	-38,302	36,794	35,834	960
Services for Professionals	27,075	7,169	34,244	-10,660	23,584	21,672	1,913
<b>Professionals (B2B)<sup>1)</sup></b>	<b>101,250</b>	<b>8,091</b>	<b>109,341</b>	<b>-48,963</b>	<b>60,378</b>	<b>57,506</b>	<b>2,873</b>
<b>Products &amp; Care<sup>1)</sup></b>	<b>725,103</b>	<b>46,586</b>	<b>771,689</b>	<b>-46,092</b>	<b>725,598</b>	<b>682,850</b>	<b>42,748</b>
Wholesale	1,374,463	4,963	1,379,426	-385,819	993,607	990,615	2,991
Logistics & IT Services	325	63,469	63,794	-30,117	33,677	324	33,353
<b>Logistics &amp; IT<sup>1)</sup></b>	<b>1,374,789</b>	<b>59,841</b>	<b>1,434,631</b>	<b>-407,347</b>	<b>1,027,284</b>	<b>990,940</b>	<b>36,344</b>
Group Services	-	22,352	22,352	-21,026	1,326	-	1,326
Eliminations <sup>2)</sup>	-426,104	-48,361	-474,464	474,464	-	-	-
<b>Galenica Group</b>	<b>1,673,789</b>	<b>80,419</b>	<b>1,754,208</b>	<b>-</b>	<b>1,754,208</b>	<b>1,673,789</b>	<b>80,419</b>

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

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

## 7. Fair values of financial assets and financial liabilities

### Fair value

in thousand CHF	30.06.2023		31.12.2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Bond (fair value level 1)	419,872	419,820	380,194	370,830

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

As per 30 June 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 148.8 million (previous year: none) and other investment in non-listed (level 3 of the fair value hierarchy) companies with a fair value of CHF 6.3 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 10.6 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	30.06.2023	31.12.2022
<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 and loss)	-2,061	-1,077
<b>30 June / 31 December</b>	<b>49,504</b>	<b>49,180</b>

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

in thousand CHF	30.06.2023	31.12.2022
<b>1 January</b>	<b>4,561</b>	<b>-</b>
Addition	1,950	4,561
Change in fair value (recognised in other comprehensive income)	-193	-
<b>30 June / 31 December</b>	<b>6,318</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 recorded the amount CHF 7.7 million as other liability based on the expected further development of the net working capital of the discontinued operation which will be due in the second half year of 2023. 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</b>	<b>20,914</b>	<b>22,916</b>	<b>3,275</b>	<b>2,399</b>
Minimal payout	–	–	–	–
Maximal payout	24,000	29,000	5,500	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	2,220	2,000	400	1,000
Impact on fair value by 5% decrease of key assumption	-2,220	-2,000	-400	-1,000

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

## 8. Contingent liabilities and commitments

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 3.5 million. As Galenica remains convinced that a sanction is not justified, Galenica will not raise a corresponding provision until further notice.

## 9. Subsequent events

The following business combinations occurred between 30 June 2023 and 7 August 2023, the date that the consolidated interim financial statements were released for publication.

**Acquisition of pharmacies.** Galenica signed contracts to acquire 100% of the interests in pharmacies at various locations in Switzerland. The net assets of these acquisitions will be consolidated beginning on the date control will be obtained. The total purchase considerations is estimated to CHF 11.1 million and are due with the closing of the transactions. Since the transactions were not concluded yet, it is not possible to disclose the additional information required by IFRS.

There were no further significant events after the reporting date.

# Spotlights

# "Who constantly thinks about their vaccination status?"

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## Spotlights

Being able to get vaccinations at the pharmacy represents real added value for many people. All the more so if vaccination is linked to digital tools such as the Well app. A pilot project in the canton of Bern made it easy to arrange an appointment for the TBE vaccination between May and August 2023.



Vaccination protects against TBE infection.

"We live right on the edge of the forest and spend a lot of time outdoors with our young son. There is a latent risk of being bitten by a tick. Vaccination can protect me against TBE infection," says one customer, explaining her motivation to get vaccinated at an Amavita pharmacy at the beginning of the vaccination season. TBE stands for tick-borne encephalitis, a viral infection spread by ticks that can lead to severe inflammation of the brain or meningitis. The Federal Office of Public Health (FOPH) therefore recommends the "tick vaccination" for all adults and children aged six and over who visit TBE risk areas. These areas have expanded in recent years. Almost all of the canton of Bern, for example, is considered a tick area up to an altitude of 1,500 metres.

## A joint project that creates added value for customers

Reason enough for Galenica to launch a pilot project in the capital's canton together with its partners DV Bern (provider of the VacMe vaccination platform) and the digital healthcare platform Well. The project was preceded by the decision of the canton of Bern's Department of Health to approve VacMe's infrastructure for the tick vaccination. Approved providers of the relevant vaccination – including all Bernese pharmacies of the Galenica Group – were then able to join VacMe. The Well platform, in which Galenica participates, has a convenient interface with VacMe, allowing users to book their appointment easily via Well. The Well app then reminds them about the three follow-up vaccinations in good time. Even before the official evaluation, the pilot project is creating added value for this customer: "As a working mother, I appreciate the simple and short notice scheduling of appointments. Vaccination at the pharmacy very close to where I live was then carried out in a straightforward and professional manner. I'm glad the Well app also reminds me about the booster shot. Who constantly thinks about their vaccination status?"

# Home care – now even easier to organise

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## Spotlights

Thanks to a newly created coordination service, patients and their families have easy access to the diverse and strategically important Home Health Services within the Galenica network.

Home care, meaning, providing care, advice and support in patients' homes, is a service that is particularly important to Galenica. It is one of the key topics of the strategic Care programme and the Galenica network. Home care is also embedded in our self-perception as Switzerland's largest healthcare network, with home care services being provided by various teams and departments within our Group. In order to make it easier for patients and their families to access the entire home care offering, Galenica has set up the Home Care Coordination Service. It has been offering the following services since the start of 2023:

- Support with the organisation and delivery of medical aids, medical devices and medicines to people's homes;
- Assistance and tips for maintaining independence and coping with everyday life;
- Helping people find a suitable local health service;
- Mediation of advice on financial issues;
- Support in networking and coordination of participating healthcare providers.



The Home Care Coordination Service providing care, advice and support in patients' homes.

For the time being, the coordination service is addressing three key patient needs as part of a one-year pilot phase: medical aids and devices, therapy for Parkinson's and pain care.

When it comes to medical aids and devices, the team is responsible for coordinating these and providing advice, while when it comes to Parkinson's, the focus is day-to-day support, and with pain care the current phase is concerned with supporting home care patients who are living with chronic pain after a stay in hospital.

The home care pilots can provide us with valuable insights into the actual needs of our customers and how we can best serve them through the Galenica network as well as the ways in which we need to develop our services further.

# Recognition for real added value

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## Spotlights

Health insurers recognise the important role that pharmacies play in ensuring a high-quality healthcare system. They are increasingly offering reimbursement for their consultation and healthcare services.

Low-threshold, highly qualified, six to seven days a week: advice and healthcare services in pharmacies represent real added value for the population and relieve the burden on the healthcare system. We are constantly expanding our range of services and are committed to ensuring that the expertise and services of our pharmacy staff are adequately covered within the Swiss pharmacy market. Health insurers also welcome the strengthening of the role of pharmacies and are increasingly incorporating their services into their basic insurance models.



Advice and healthcare services in the pharmacy create added value.

For example, as part of the Favorit Medpharm models and the new Favorit Multichoice model, SWICA policyholders can contact one of the approximately 130 participating pharmacies of the Galenica Group for an initial assessment. Under the Primaflex insurance, Groupe Mutuel now also covers pharmacy services such as diabetes checks in addition to the initial assessment. Assura relies on pharmacies offering added value, especially when it comes to purchasing medication: those who purchase their medication from an Assura-approved pharmacy benefit from preferential terms. Assura's Pharmed model includes all Sun Store pharmacies and some Amavita branches. The recognition of pharmacy services is also reflected in supplementary insurance models: for example, CSS pays for various health checks in pharmacies.

We look forward to continuing our constructive discussions with health insurers. The pleasing development in the cooperation with the various health insurers is proof of the important role of the pharmacy in the Swiss healthcare market as the point of contact for health concerns.

# Two strong partners working together

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## Spotlights

Galenica and Redcare Pharmacy (formerly Shop Apotheke Europe) combine their strengths in a joint venture. The new joint venture company will become Switzerland's leading online pharmacy. Customers will benefit from a comprehensive range of services from a single source.

Galenica and Redcare Pharmacy entered into a strategic partnership in May 2023. The two companies are combining the business activities of the specialty pharmacy Mediservice Ltd. and the online pharmacy shop-apotheke.ch in a joint venture. This combination creates Switzerland's leading online pharmacy. Redcare Pharmacy holds a 51% stake in the joint venture and Galenica 49%.

## A leader in the European online pharmacy market

Redcare Pharmacy was founded in 2001 and has been serving customer needs in Switzerland since 2018 through its online shop shop-apotheke.ch. With around 2,200 employees and sales of CHF 1.2 billion, the company's other markets are Germany, Austria, France, Belgium, Italy and the Netherlands. This makes Redcare Pharmacy Europe's leading pure online pharmacy.



Customers benefit from a comprehensive online range.

## A joint venture with strong digital expertise

While Redcare Pharmacy brings its attractive online platform to the partnership, Galenica gives the joint venture access to the unique network within the Swiss healthcare market and Galenica's specialised range of products and services. The joint venture boasts strong digital expertise and will be able to take advantage of growth opportunities in the Swiss market, particularly in the area of prescription medications. With this strategic step, Galenica is ensuring that its network is a leader in the online pharmacy sector and is able to offer customers the most comprehensive online product range in Switzerland.

Customers will benefit from a comprehensive range of health and beauty products as well as prescription medications and healthcare services.

## Focus on omni-channel for Galenica's strong pharmacy brands

The joint venture will operate in the market independently of the Amavita, Sun Store and Coop Vitality online shops. As part of their omni-channel strategy, our strong pharmacy brands will focus even more on infrastructure and offerings in the future, while the joint venture will act as a pure online retailer. Galenica will explore and, where possible, exploit synergies in the areas of technology and logistics.



Thanks to the joint venture, Galenica becomes a leader in the online pharmacy market.

# Modern research, centuries-old tradition

## Spotlights



Padma: Tibetan formulations from Switzerland.

Padma Ltd., the specialist for products derived from Tibetan medicine, has been part of the Galenica subsidiary Verfora since January 2023. Two Padma formulations are market leaders in the treatment of mild circulatory disorders.

Zurich, 1958: Karl Lutz, a successful pharmaceutical entrepreneur from Zurich, attends a lecture on Tibetan medicine at the ETH Zurich. He is impressed by the Tibetan approach of looking at the human body holistically and the natural herbal formulations. Karl Lutz founds a study group for Tibetan medicine made up of renowned doctors, which investigates the formulations' areas of application. In 1969, Padma Ltd. is founded. In the 1970s, Padma Lax<sup>®</sup> and Padma 28N<sup>®</sup> are the first products to receive approval from the Swiss authorities. Tibetan medicine has arrived in Europe, modern research and centuries-old tradition form a synthesis.

Bern, 2023: Galenica announces that its subsidiary Verfora will acquire 100% of Padma Ltd. at the end of January. The acquisition further strengthens Verfora's expertise in complementary medicine. With Padma 28 N<sup>®</sup> and Padmed Circosan N<sup>®</sup>, the Swiss market leaders in the treatment of mild circulatory disorders join the Verfora portfolio. While Padma 28N<sup>®</sup> is freely available on the market as an OTC preparation, Padmed Circosan N<sup>®</sup> is on the speciality list and can be billed through health insurance funds if prescribed by a doctor. Other products include Padma Digestin Plus<sup>®</sup> for balanced digestion and Padma Nervoben<sup>®</sup>, which supports the normal functioning of the nervous system. Padma's products are sold via Verfora's medical field sales force. The long-established company has been integrated into the Products & Marketing sector as an independent Business Unit. The 39 employees at headquarters in Wetzikon are now part of the Galenica network with the leading partners in the Swiss healthcare market.

# “Bigsmile” or why a smile is also strategic

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## Spotlights

With the “Bigsmile” customer satisfaction programme, Galenica is embedding its service-oriented approach even more firmly within the company. Around 400 ambassadors represent the programme both internally and externally on a day-to-day basis with the aim of inspiring all of their 7,600 plus colleagues to embrace “Bigsmile”.



Always a smile for our customers.

As soon as a customer enters one of our pharmacies, a smile awaits them. A given, but of great strategic importance. After all, the customer promise is one of the five core elements of the Galenica strategy, and customer satisfaction is also a top priority of the consumer strategy. Accordingly, we have also incorporated customer satisfaction into our annual targets in the form of the NPS. “We see service as a conscious attitude towards our customers,” says Virginie Pache, Chief Pharmacies Officer and member of the Executive Committee. “With the ‘Bigsmile’ programme, we are embedding this customer-friendly behaviour even more firmly within the organisation and thus also contributing to the further development of the corporate culture.” On the one hand, as the name suggests, it’s about the aforementioned smile, but on the other, it’s about much more. Galenica employees put into practice all the important interactions that strengthen their dealings with patients and customers in a targeted manner: from welcoming them and providing information and advice right through to concluding the conversation.

## Ambassadors embed “Bigsmile” within Galenica’s everyday life

“Our aim is to achieve a high level of customer satisfaction and our greatest reward is loyal customers,” says Virginie Pache. “I am convinced that the implementation of ‘Bigsmile’ will bring us another noticeable improvement.” Virginie Pache and her team explained the programme to pharmacy staff and employees in supporting roles at an event held at the end of 2022. In 2023, these roughly 400 ‘Bigsmile ambassadors’ will internalise the elements of the programme through coaching, specific tasks and documentation and champion them to their colleagues. Each month, special focus will be given to one of the 12 elements. The friendly smile is always part of it.

# Open doors for pharmacy students

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## Spotlights

An informative presence at Swiss universities and valuable personal contact with pharmacy students boost the profile of Galenica among future talents.



Pharmacy student in an exchange with Virginie Pache, Chief Pharmacies Officer, and Daniele Madonna, Chief Healthcare Officer.

The shortage of specialists in the medical and pharmaceutical sector poses a challenge for the entire industry. As an attractive employer with a nationwide presence, we are in a strong position when it comes to finding pharmacists – but attracting new talents is still not easy. Galenica therefore launched a variety of measures to increase awareness and the appeal of pharmaceutical professions. One of the initiatives concerns our university marketing. In addition to attending events such as the Career & Networking Days at ETH Zurich, we also opened our doors at headquarters to future pharmacists. The 2023 Annual General Meeting provided a somewhat different glimpse behind the scenes at Galenica. We invited pharmacy students to the event and afterwards welcomed them to an informal discussion with our CEO and members of the Executive Committee.



Galenica offers its pharmacists interesting career prospects.

Whether at Swiss universities and colleges or at our headquarters, personal contact with the students and giving them the opportunity to gain an insight into career opportunities at Galenica are extremely valuable. For both sides, because Galenica offers its pharmacists interesting career prospects. For example, we cover the costs of the part-time training programme to become a Specialist Retail Pharmacist (FPH) and support our employees throughout their careers.

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info@galenica.com  
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