

Half year report 2021 of the Galenica Group

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Strong growth in first half of 2021

Foreword

The specific challenges posed by COVID-19 once again strongly impacted the Galenica Group's business in the first half of 2021. Thanks to the enormous dedication of our employees, the close collaboration with our business partners and the trust of our customers, we were able to successfully master these challenges.

**Dear Shareholders,
Ladies and Gentlemen,**

Outstanding joint effort by all employees

One particular organisational feat was the distribution of the coronavirus self-tests to the public by the pharmacies, which the authorities approved at short notice on 30 March 2021 with a start date of 7 April 2021. Thanks to outstanding joint effort by our employees, the tests were available in all pharmacies just seven days after the decision was announced. In the first four weeks alone, Galexis and Unione Farmaceutica Distribuzione (UFD) delivered more than four million self-tests to pharmacies throughout Switzerland via separate inventory and distribution logistics. After arriving at the pharmacies, they then needed to be repackaged in packs of five by the employees for distribution to individuals.

This is just one of many examples of how the Galenica Group contributes to the provision of healthcare to the Swiss population and how pharmacies fulfil their role as the first point of contact for health advice and care. The visibility of pharmacies has increased throughout Switzerland and their expertise has been recognised.

Omni-Channel strategy systematically refined

At the same time, we have expanded our online and offline offerings of pharmacy formats and further combined them. The aim is to be available to customers via the widest variety of channels and to be able to offer them the best possible customer experience thanks to the networking of offers. All pharmacy formats now offer the services of a mail-order pharmacy. This allows patients to order their prescription medicines online and have them delivered to their home.

«We want customers to be able to contact us through different channels and are offering them the best possible customer experience by linking our offerings.»



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



We support people at every stage of life on their journey towards health and wellbeing. With personal and expert advice and a unique range of products and services. Anytime and anywhere in Switzerland.

[↑](#) To the Galenica strategy

Increasing demand in the home care market

Fulfilling our customer promise includes supporting patients and customers at every stage of life, which is why we also want to expand and further develop services for patients in their own homes. One example is the growing demand for home care services in the field of clinical nutrition and infusion therapies. In order to be able to meet future demand, Bichsel increased its capacities with the addition of a new, more modern filling plant for solutions in plastic bottles.

The specialty pharmacy Mediservice, which focuses on home care for chronically ill patients, also continued to develop successfully in the first half of 2021. High-price medicines used to treat rare diseases are playing an increasingly important role in the Mediservice range.

Further successful expansions

Verfora was able to successfully expand its business activities in the first half of 2021 and extend its product portfolio for its partners in the professional B2B market. At the end of May 2021, Verfora acquired the range of therapeutic products from Dr. Wild & Co. Ltd., which includes well-known brands such as Vitamin D3 Wild Oil[®] and VI-DE 3[®]. In doing so, Verfora has secured rights to several strong brands and high-potential approvals in the attractive vitamin D market, thereby expanding its leading position in the Swiss consumer healthcare market (CHC) even further.

We are investing in an even more efficient logistics

COVID-19 has shown the importance of efficient logistics in the healthcare sector. We want to maintain this, expand it and continually modernise it to cope with increasing volumes and new requirements. The ongoing renovation and modernisation of the Galexis site in Lausanne-Ecublens is proceeding according to plan, while in Oensingen (canton of Solothurn), a new central warehouse for medical technology is in the process of being commissioned at Galexis. Since June 2021, this warehouse has also served as a second location for handling UFD's "E>Box" logistics service.

Capturing and transmitting COVID-19 test and vaccination data with Documedis[®]

HCI Solutions also supported its partners in the healthcare industry with solutions to combat COVID-19 in the first half of 2021. Documedis[®], the software for doctors and pharmacies, was approved by the Federal Office of Public Health (FOPH) as a reporting solution for coronavirus tests and vaccinations. It enables pharmacies and medical practices to capture patient data for vaccinations and tests and transmit them in encrypted form to the relevant authorities.



Another Annual General Meeting without shareholders

Given the current corona situation, the fourth Annual General Meeting of Galenica Ltd. was held on 12 May 2021 again without the physical attendance of shareholders. Shareholders could exercise their rights in advance, either in writing or electronically, and they used these options to approve all but one of the proposals of the Board of Directors with a vast majority of votes cast.

Increased guidance for 2021

Due to the strong growth and the good results of the first half year, we revise our sales and EBIT guidance for the 2021 financial year: Provided that the increasing mobility of the population will not be restricted again by tighter official measures, we now expect a sales growth of between 5% and 8% (previously: 3% to 5%) and an increase of the adjusted¹ operating result (EBIT, excluding the effects of IFRS 16 and IAS 19) of between 10% and 14% (previously: 5% to 8%). We thereby expect that colds and seasonal flus will remain at a relatively low level in the coming autumn and winter.

¹⁾ Excluding the effects of IAS 19 and IFRS 16. See section Alternative performance measures.

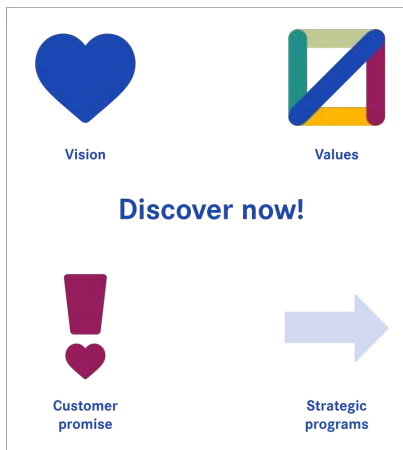
Outlook

We will continue unabatedly to pursue the various activities featured in our strategic programmes and projects in the second half of 2021, including the continued expansion of products and services via all sales channels. In parallel, we will further develop our logistics and digital offerings and achieve further efficiency gains throughout the Galenica Group, which will also benefit our customers and partners. In concrete terms, our objectives in the coming months are as follows:

Boosting and expanding pharmacy channels: Boosting and expanding online and offline channels is one of the objectives of the Omni-Channel strategic programme. During the first half of the year 2021, three new pharmacies were added (net +1) to our network and, as of July 2021, Apodoc Hardbrücke Ltd. in Zurich has also formed part of the Galenica pharmacy network. Apodoc is considered a pioneer in integrated patient care and has its own medical practice on its premises.

To further improve the quality of our consultations and services, we have also invested in physical points of sale. From the second half of 2021, the appearance of the Sun Store pharmacies will be gradually updated with a new concept.

Amavita's pilot project with the online-based dermatologists' network onlinedoctor.ch was a success and will be rolled out in around 110 Amavita pharmacies throughout Switzerland in the second half of the year. This will enable Amavita to offer customers an even better, easily accessible service for dermatological ailments.



↑ To the Galenica strategy

«New products and services are also making our offering for professionals even more attractive.»

Boosting services for Professionals: With the acquisition of the range of pharmaceutical products of Dr. Wild & Co. Ltd., Verfora will establish a competent physician field service, which will further strengthen our offer for Professionals (B2B) in the course of the second half of the year.

In addition, Spagyros Ltd. will be integrated into the Galenica Group in the third quarter of 2021. Thanks to this expansion step, we will not only be able to meet the growing demand for phytotherapeutic and complementary medical drugs with our own products in the future, but also strengthen pharmacies and drugstores by adding a range of products that require intensive consultation. At the same time, this acquisition further strengthens Verfora's leading position in the Swiss Consumer Healthcare (CHC) market.

Expansion of the care home and home-care market: A further step in our expansion is the acquisition of Lifestage Solutions Ltd., a concrete initiative from the "Professionals" (B2B) and "Care" (B2C) strategic programmes, which will enable us to position Galenica even more strongly in the growth markets of care homes and home care. Lifestage Solutions develops and operates a fully integrated digital trading platform for home-care organisations and care homes, which simplifies everyday processes for its customers through digitalisation and state-of-the-art technology, making it an excellent addition to our range of services for home-care organisations and homes.

Thanks to our employees, customers, partners and shareholders

We would like to express our gratitude to our employees for their enormous dedication over the past weeks and months and would also like to thank our customers for their loyalty, our business partners for their continued close collaboration and our shareholders for their trust.

Berne, 3 August 2021



Daniela Bosshardt
Chairwomen of the Board of
Directors



Marc Werner
CEO

Key figures

Net sales
in million CHF



■ Products & Care ¹⁾: 918.9
■ Logistics & IT ¹⁾: 1,377.9

EBIT adjusted ²⁾
in million CHF



■ Products & Care ^{1) 2)}: 76.2
■ Logistics & IT ^{1) 2)}: 26.3

Number of employees
at 30 June 2021



■ Products & Care: 5,165
■ Logistics & IT: 1,676
■ Group Services: 254

in million CHF	1.1.–30.6.2021	1.1.–30.6.2020	Change
Net sales	1,857.1	1,690.4	9.9%
Products & Care ¹⁾	918.9	809.0	13.6%
Logistics & IT ¹⁾	1,377.9	1,283.4	7.4%
EBIT	99.0	82.3	20.3%
EBIT adjusted ²⁾	101.4	83.6	21.3%
in % of net sales	5.5%	4.9%	
Products & Care ^{1) 2)}	76.2	61.8	23.2%
in % of net sales	8.3%	7.6%	
Logistics & IT ^{1) 2)}	26.3	22.5	17.2%
in % of net sales	1.9%	1.8%	
Net profit	79.6	66.3	19.9%
Net profit adjusted ²⁾	82.5	68.4	20.6%
Investment in property, plant and equipment and intangible assets	24.7	26.7	-7.1%
Employees at reporting date (FTE)	5,388	5,379	0.2%
in million CHF	30.6.2021	30.6.2020	Change
Equity ratio	44.3%	41.3%	
Equity ratio adjusted ²⁾	49.2%	50.0%	
Capital contribution reserves	307.0	351.6	-12.7%
Net debt adjusted ²⁾	395.2	406.2	-2.7%

Share information

in CHF	30.6.2021	31.12.2020
Share price at reporting date	65.30	59.00
Market capitalisation at reporting date in million CHF	3,236.0	2,920.4
Shareholders' equity per share at reporting date	22.37	21.19
Earnings per share 1.1.–30.6.	1.60	1.34
Earnings per share adjusted 1.1.–30.6. ²⁾	1.66	1.38

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

²⁾ For details to the adjusted key figures refer to chapter Alternative performance measures in this Half year report 2021

Key figures of the Galenica Group in the first half of 2021

Net sales

in thousand CHF	1.1.–30.6.2021	1.1.–30.6.2020	Change
Local Pharmacies	616,926	563,009	9.6%
Pharmacies at Home	217,533	166,131	30.9%
Retail (B2C) ¹⁾	834,286	729,043	14.4%
Products & Brands	59,583	54,619	9.1%
Services for Professionals	28,935	29,390	-1.5%
Professionals (B2B) ¹⁾	88,518	84,009	5.4%
Products & Care ¹⁾	918,926	809,023	13.6%
Wholesale	1,328,787	1,237,044	7.4%
Logistics & IT Services	50,542	48,414	4.4%
Logistics & IT ¹⁾	1,377,914	1,283,416	7.4%
Group Services	10,485	8,852	18.5%
Eliminations ²⁾	-450,222	-410,871	9.6%
Galenica Group	1,857,103	1,690,420	9.9%

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

Strong growth despite decline in sales in the first quarter of 2021

The Galenica Group generated consolidated net sales of CHF 1,857.1 million in the first half of 2021, corresponding to strong growth of 9.9% compared to the first half of 2020. After the absence of seasonal colds and people's continued low mobility slowed down the course of business in the first quarter of 2021, it picked up considerably from April 2021 onward. This upward sales trend was driven in particular by one-off additional sales in connection with COVID-19, Verfora's portfolio expansion, a pleasing increase in sales of the specialty pharmacy Mediservice (home care) and further market share gains in the physicians segment.

By way of comparison: the Swiss pharmaceutical market grew by 3.4% in the reporting period (IQVIA, Pharmaceutical Market Switzerland, first half of 2021). As in 2020, this growth was driven by increased sales of high-priced medications, whereas the sold volumes decreased by 7.5% (IQVIA, Pharmaceutical Market Switzerland, first half of 2021).

The adjusted ¹⁾ operating result (EBIT), i.e. excluding the effects of the IFRS 16 (Leases) and IAS 19 (Employee Benefits) accounting standards, grew by 21.3% to CHF 101.4 million, in part due to the one-off additional sales in connection with COVID-19. Adjusted ¹⁾ return on sales (ROS) was also increased year-on-year from 4.9% to 5.5%.

Net profit amounted to CHF 79.6 million (+19.9%; previous year: CHF 66.3 million). On a comparable basis, adjusted ¹⁾ net profit totalled CHF 82.5 million (+20.6%).

Investments in the first half of 2021 amounted to CHF 24.7 million (first half of 2020: CHF 26.7 million). These were mainly attributable to the modernisation of the distribution centre in Lausanne-Ecublens and the introduction of the new ERP (Enterprise Resource Planning) system at Alloga and Galexis.

The Galenica Group's balance sheet remained strong. Adjusted ¹⁾ equity only declined minimally since the start of the year, even despite the fact that a dividend of CHF 89.2 million was distributed to shareholders in May 2021. Adjusted ¹⁾ net debt, i.e. excluding lease liabilities, increased by CHF 41.5 million and amounted to CHF 395.2 million at the end of June 2021; this corresponds to 1.6× adjusted ¹⁾ EBITDA (end-2020: 1.7×).

Operating cash flow developed extremely encouragingly and rose to CHF 138.6 million, which corresponds to an increase of 113.7% year over year. This growth stems from the strong operating result, in particular. Free cash flow after acquisitions was strong at CHF 55.9 million and already includes the acquisition of the range of therapeutic products of Dr. Wild & Co. Ltd.

¹⁾ Excluding the effects of IAS 19 and IFRS 16. See section Alternative performance measures.

Explanations regarding the new reporting structure in 2021

For the first time, Galenica reports its 2021 half year financial statements on the basis of the new organisational and management structure introduced as of 1 January 2021. The results for the first half of 2020 have been restated for the purposes of comparability with the prior-year period. The main reporting comprises the two segments “Products & Care” and “Logistics & IT”.

“Products & Care” segment

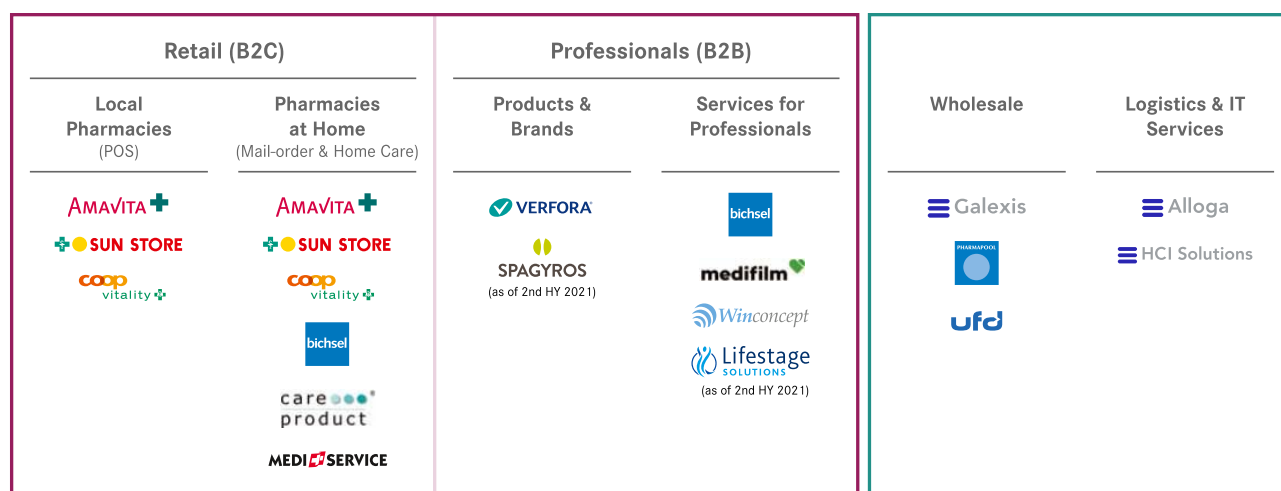
The “**Products & Care**” segment comprises the “**Retail**” business area with offerings for patients and end customers (B2C) and the “**Professionals**” business area with offerings for business customers and partners in the healthcare sector (B2B). The “**Retail**” business area comprises the two sectors “**Local Pharmacies**” (POS) and “**Pharmacies at Home**” (mail-order and home care), while the “**Professionals**” business area comprises the “**Products & Brands**” and “**Services for Professionals**” sectors. These activities focus on the development and marketing of healthcare services and products via the various sales channels: in-store at pharmacies (POS), shipments via mail-order pharmacies and e-shops or at home (home care), as well as business customers.

“Logistics & IT” segment

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

Products & Care

Logistics & IT



Products & Care Segment

Development and marketing of healthcare services and products

Products & Care

The “Products & Care” segment comprises the “Retail” business area with offerings for patients and end customers (B2C) and the “Professionals” business area with offerings for business customers and partners in the healthcare industry (B2B). These activities focus on the development and marketing of healthcare services and products via the various sales channels: in-store at pharmacies (POS), shipments via mail-order pharmacies and e-shops or at home (home care), as well as business customers.

Net sales

+13.6%

Products & Care CHF 918.9 million

EBIT adjusted¹

+23.2%

Products & Care CHF 76.2 million

Number of employees

5,165

Galenica Group 7,095

Net sales and operating result










The “Products & Care” segment generated net sales of CHF 918.9 million (+13.6%) in the first half of 2021. CHF 834.3 million (+14.4%, excluding Coop Vitality) thereof was accounted for by the “Retail” business area (B2C) and CHF 88.5 million (+5.4%) by the “Professionals” business area (B2B). The “Products & Care” segment therefore clearly outperformed the positive +3.4% trend of the overall market (IQVIA, Pharmaceutical Market Switzerland, first half of 2021).

The adjusted¹ operating result (EBIT), i.e. excluding the influence of the IFRS 16 (Leases) accounting standard, increased by 23.2% to CHF 76.2 million in the first half of 2021 and the adjusted¹ return on sales (ROS) rose from 7.6% to 8.3%. EBIT in the reporting period was negatively impacted by the continued reduction in sales of pharmacies at high-frequency locations as well as the absence of a seasonal flu outbreak in winter 2020/2021. These negative effects were more than offset by the one-off additional sales generated through offers to combat the COVID-19 pandemic as well as additional sales attributable to Verfora’s portfolio expansion.

Investments in the “Products & Care” segment amounted to CHF 10.6 million (first half of 2020: CHF 11.5 million). They were mainly used for pharmacy reconstructions.

¹⁾ Excluding the effects of IAS 19 and IFRS 16. See section Alternative performance measures.

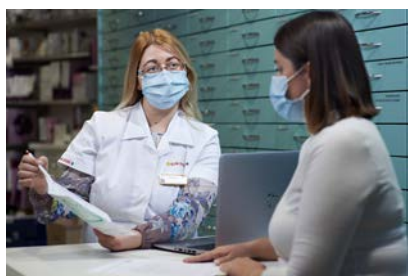
Products & Care

Retail (B2C)		Professionals (B2B)	
Local Pharmacies (POS)	Pharmacies at Home (Mail-order & Home Care)	Products & Brands	Services for Professionals
  	     	 	   

The customer at the centre

Retail

The online and offline offerings were linked even more closely in the first half of 2021 in order to be present wherever its customers are.



Net sales development

In the first half of 2021, the “Retail” business area generated net sales of CHF 834.3 million (+14.4%, excluding Coop Vitality). CHF 616.9 million (+9.6%) thereof was attributable to “Local Pharmacies” (POS) and CHF 217.5 million (+30.9%) to “Pharmacies at Home” (mail-order and home care). The main drivers of revenue growth in the “Local Pharmacies” sector were the various services offered to combat the COVID-19 pandemic, in particular also the distribution of COVID-19 self-tests. Mediservice generated a pleasing growth with new drugs for rare diseases in the “Pharmacies at Home” sector. Government-mandated drug price reductions caused sales to decline by -1.1% during the reporting period. Excluding this effect, net sales in the “Retail” business area would have risen by 15.5%.

By way of comparison: medication sales (prescription [Rx-] and OTC products) in the Swiss pharmacy market grew by 2.5% (IQVIA, Pharmaceutical Market Switzerland, in the first half of 2021).

Further development of the pharmacy network

The number of own pharmacies as of the end of June 2021 was 367 locations (net plus one compared to the end of 2020). Two new pharmacies were acquired and one new pharmacy opened during the first half of the year. At the same time, two locations were closed down as part of the optimisation of the pharmacy network. At the end of the first half of the year, the number of partner pharmacies was 150 (minus six compared to the end of 2020).

Own pharmacies and shareholdings

	30.06.2021	31.12.2020	Change
Amavita pharmacies ¹⁾	179	179	-
Sun Store pharmacies ¹⁾	94	94	-
Coop Vitality pharmacies ²⁾ (joint venture with Coop)	88	87	1
Mediservice specialty pharmacy ¹⁾	1	1	-
Majority holdings in other pharmacies ¹⁾	5	5	-
Total own points of sale	367	366	1

¹⁾ Fully consolidated

²⁾ Consolidated at equity

Independent partners

	30.06.2021	31.12.2020	Change
Amavita partners	5	5	-
Winconcept partner pharmacies	145	151	-6
Total independent partners	150	156	-6

Distribution of coronavirus self-tests at pharmacies

On 7 April 2021 one of the largest distribution campaigns in the history of the Swiss pharmacies was launched. To combat the COVID-19 pandemic, five COVID-19 self-test kits could be obtained free of charge per person per month upon presentation of a health insurance card. Amavita and Sun Store customers can also have their five tests sent to their home monthly via a subscription.

The Federal Council passed the corresponding resolution a few days prior to the launch, which gave pharmacy staff little time to prepare for the distribution of the self-tests. Another logistical challenge was that the self-tests were delivered to pharmacies in packs of 25 and had to be repackaged by them into sets of five. The regulatory requirements meant that the pharmacies had to repackage the self-tests so they could be dispensed to customers.



Thanks to the hard work of all the pharmacy staff, supported by numerous employees from other Service and Business Units, sufficient tests were available at all pharmacies from the outset of the dispensing campaign.

Focus on customer needs

The importance of pharmacies as the first point of contact for healthcare advice was once again increased in the period under review due to COVID-19. By the end of 2020, the pharmacies of the Galenica Group were already offering antigen and PCR tests. In spring 2021, services to combat COVID-19 were expanded with the offer of vaccination by the pharmacies. Additional pharmacy staff has been specially trained for this purpose and the available space in the pharmacies has been adapted accordingly. By the end of June 2021, the pharmacies of the Galenica Group have performed over 80,000 antigen and PCR tests. Additionally, more than 150 Amavita, Sun Store and Coop Vitality pharmacies in 12 cantons were granted permission to vaccinate and have administered over 38,000 doses.

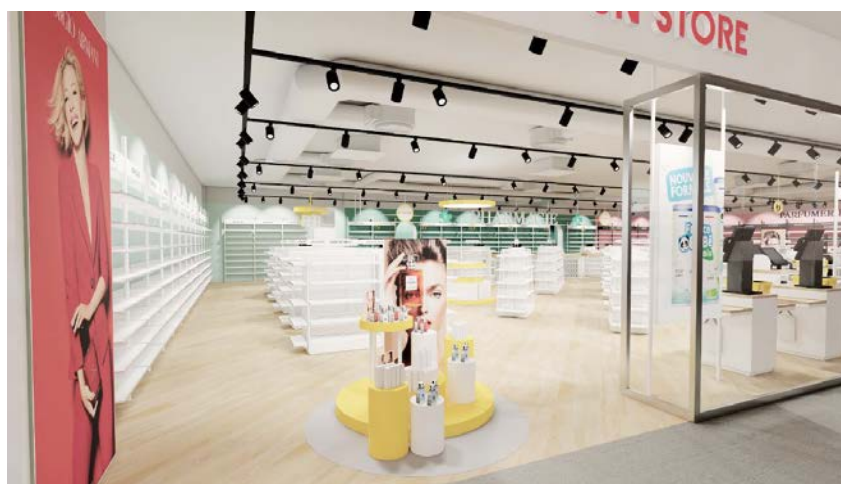
«The modernisation of the appearance improves customer guidance in the Sun Store pharmacies and enhances the customer experience.»

Mail-order pharmacy gathers pace

Galenica also linked its online and offline offerings even more closely in the first half of 2021 in order to be present wherever its customers are. Including COVID-19 self-test subscriptions, sales generated by the Amavita and Sun Store mail-order pharmacies doubled in the first six months of 2021; even disregarding COVID-19-related products, they still rose by an encouraging pleasing 31.4%. Since early 2021, Sun Store and therefore all the Galenica Group's pharmacy formats are offering the services of a mail-order pharmacy, which allows patients to order their prescription medication to be delivered directly to their home.

A fresh look for Sun Store

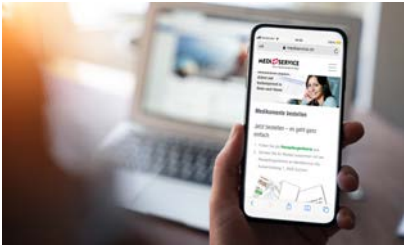
Galenica is also investing in physical pharmacies and aims to further improve the quality of the advice and services it offers. From the second half of 2021 onwards, the appearance of the Sun Store pharmacies will be gradually updated in accordance with a new concept. In particular, the branches will optimise their customer guidance in order to improve the shopping experience and self-operated payment machines will be added to expand the payment options. The ongoing modernisation of the window display concept for the Amavita stores was continued.



↑ New pharmacy layout for Sun Store

Successful partnership with onlinedoctor.ch

Amavita's pilot project with the online-based dermatologists' network [onlinedoctor.ch](https://www.onlinedoctor.ch) was a success and will be rolled out in around 110 Amavita pharmacies throughout Switzerland in the second half of the year. This will enable Amavita to offer customers an even better, easily accessible service for dermatological ailments: in addition to an expert initial consultation and treatment at the pharmacy, people with skin problems will also receive professional support for complex issues from onlinedoctor.ch, including a medical report and any necessary drug prescriptions.



Consistently high generic substitution rate

The generic substitution promoted by Galenica also curbed sales due to lower drug prices. The generic substitution rate remained stable at 72% at the end of the reporting period. This contribution by Galenica to minimising the effects of cost increases in the Swiss healthcare system will therefore have a lasting impact.

Mediservice – strong development with drugs for rare diseases

The specialty pharmacy Mediservice, which focuses on caring for people with chronic and rare diseases, saw a substantial increase in sales of new drugs for rare diseases during the period under review. Mediservice thus made a significant contribution to the strong growth of the “Pharmacies at Home” sector.

Dynamic development thanks to acquisitions and new products

Professionals

The systematic expansion of the portfolio of products and services expanded the offering for Professionals even further and strengthened this business area's position in the market.



Net sales development

In the first half of 2021, the “Professionals” business area generated net sales of CHF 88.5 million (+5.4%). CHF 59.6 million (+9.1%) thereof was attributable to “Products & Brands” and CHF 28.9 million (-1.5%) to “Services for Professionals”. Sales in the “Products & Brands” sector, which mainly comprises the business activities of Verfora, were driven by the broadened partnerships with Angelini Pharma and Allergosan in 2020 as well as the Hedoga Group, which was acquired in July 2020. In addition, the popular ointment Vita-Merfen[®] was relaunched on the market at the end of 2020. Due to the absence of a seasonal flu season, cold remedies suffered a substantial decline in sales, just as travel-related products.

By way of comparison: the consumer healthcare market declined by 3.7% year-on-year (IQVIA, Consumer Health Market Switzerland, first half of 2021, excluding COVID-19 self-tests).

In the “Services for Professionals” sector, the decline in sales at Winconcept and the year-on-year normalisation of sales at Bichsel Laboratory were offset in part by strong sales growth at Medifilm.

Dynamic trend at “Products & Brands”

COVID-19 continued to define the business of “Products & Brands” in the first half of 2021. Sales of products for colds plummeted by over 30%, with some cough medicines down by as much as 70%. The probiotics segment performed well, despite the persistently low footfall in pharmacies: sales of Omni-Biotic[®] from the Allergosan Institute, which has been part of Verfora's portfolio since the first quarter of 2020, saw continued strong growth.

Acquisitions and...

The acquisition of Dr. Wild & Co. Ltd.'s range of pharmaceutical products with well-known brands such as Vitamin D3 Wild Oil[®] and VI-DE 3[®] in May 2021 has further expanded Verfora's leading position in the Swiss consumer healthcare market and reinforced its standing as a competent partner in the B2B market. This move has secured Verfora the rights to strong brands and high-potential marketing authorisations that ideally complement the current portfolio. With this acquisition Verfora will establish its own physician field service.



↑ More info

...new products

In May 2021, the product Algifer® Dolo Duo was added to the Algifer® range – the first painkiller in Switzerland to combine the active ingredients ibuprofen and paracetamol in one tablet. This new duo of active ingredients therefore acts in two ways to treat mild to moderate pain, for example in joints and ligaments, following injuries or in the back.

Continuing COVID-19 situation affecting sales development

At the Bichsel laboratory, sales returned to a normal level again following the extraordinarily high sales in the previous year. In the first half of 2020 in particular, the Bichsel Group recorded significantly higher demand for infusion and injection solutions, emergency medications and disinfectants due to COVID-19, which stabilised again in the reporting period. The development of Winconcept was also hampered by COVID-19 in the first half of the year.

Increased production capacities at Bichsel

The growth potential in the home care market is reflected in the increasing demand for home care services in the field of clinical nutrition and infusion therapies. In order to be able to also meet future demand, Bichsel increased its capacities with the addition of a new, more modern filling plant for solutions in plastic bottles. This also further improves both efficiency and occupational and product safety.



[Click here for the outlook](#)



↑ More info

40 years of Perskindol®

Perskindol® celebrates its 40th anniversary in 2021. This anniversary is being extensively celebrated in the form of great competitions, attractive offers and a strong media presence.

Incidentally, Perskindol® was developed by a Swiss tennis player and businessman. After extensive research, he launched the first Perskindol® product on the market in 1981. In the years that followed, the range of products was constantly expanded and adapted to the needs of customers. In addition to the pain-relieving therapeutic products, a variety of care products are available to support well-being when playing sports and in everyday life.

Logistics & IT Segment

Optimisation and further development of logistics and other services

Logistics & IT

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

Net sales

+7.4%

Logistics & IT CHF 1,377.9 million

EBIT adjusted¹

+17.2%

Logistics & IT CHF 26.3 million

Number of employees

1,676

Galenica Group 7,095

Net sales and operating result

The “Logistics & IT” segment generated net sales of CHF 1,377.9 million (+7.4%) in the first half of 2021. CHF 1,328.8 million (+7.4%) thereof was attributable to the “Wholesale” sector and CHF 50.5 million (+4.4%) to the “Logistics & IT Services” sector. “Logistics & IT” therefore clearly exceeded the growth of the overall market of 3.4% (IQVIA, Pharmaceutical Market Switzerland, first half of 2021).

COVID-19 continued to impact sales in the “Logistics & IT” segment in the first half of 2021. Additional sales, driven primarily by the coronavirus pandemic, contributed an estimated +4.1% to sales growth. In addition, further gains were made in market share in the physicians segment. On the other hand, the absence of a flu and cold season impacted sales negatively. The negative impact on sales development due to the government-mandated drug price reductions also continued and amounted to -1.2% in the reporting period. Excluding this effect, net sales in the segment would have risen by 8.6%.

The adjusted¹ operating result (EBIT), i.e. excluding the influence of the IFRS 16 (Leases) accounting standard, rose by 17.2% to CHF 26.3 million year-on-year. The adjusted¹ return on sales (ROS) for the first half of 2021 was 1.9% (first half of 2020: 1.8%), Additional COVID-19-related sales in particular contributed to this development.

Investments totalled CHF 14.4 million in the reporting period (first half of 2020: CHF 15.3 million) and were largely used for the modernisation and renovation of the Galexis distribution centre in Lausanne-Ecublens as well as for the gradual roll-out of the new ERP software at [Alloga](#) and [Galexis](#).

¹⁾ Excluding the effects of IAS 19 and IFRS 16. See chapter Alternative performance measures.

Logistics & IT



COVID-19 defined first half of the year

Wholesale

Galenica's logistics companies support the authorities with their COVID-19 vaccine logistics and manage compulsory pandemic inventories for its customers. It has also put separate inventory and sales logistics in place to distribute COVID-19 self-tests.



Net sales development

The strong sales growth of +7.4% to CHF 1,328.8 million is partly based on additional sales due to the COVID-19 pandemic. On the other hand, further market share gains were realised with physicians and medical practices, so that sales in this segment increased by 10.5%. This was mainly attributable to offers for oncologists and rheumatologists. In this group of customers, [Galexis](#) was able to position itself as a partner for specialised physicians.

By way of comparison: The physician market grew by 7.2% in the first half of the year 2021 (IQVIA, Pharmaceutical Market Switzerland, first half of 2021). As was the case in 2020, non-essential operations and elective interventions in hospitals and by specialist doctors were postponed nationwide in the first half of 2021 due to COVID-19. As a result, hospitals (+2.3%, IQVIA, Pharmaceutical Market Switzerland, first half of 2021) lagged behind the overall market (+3.4%, IQVIA, Pharmaceutical Market Switzerland, first half of 2021).

Support in assuring COVID-19 vaccine logistics

In Switzerland, the military pharmacy takes priority, after which each canton determines its own necessary COVID-19 vaccine logistics. As a result, the distribution concept differs from canton to canton. The logistics companies of the Galenica Group are supporting the authorities to secure COVID-19 vaccine logistics, particularly [Alloga](#) in the Canton of Bern and [Unione Farmaceutica Distribuzione \(UFD\)](#) in Ticino.

Galexis has put in place separate inventory and distribution logistics for the distribution of COVID-19 self-tests to manage the major logistical challenge. In the first four weeks after the launch alone, Galexis and UFD delivered over four million self-tests to pharmacies.

Pandemic inventory with protective materials

Various drugs were temporarily unavailable during the first lockdown in 2020. In 2021, no such shortfalls occurred as a result of COVID-19. Demand for protective materials such as face coverings, disinfectants and gloves decreased over the course of the first half of the year. In connection with COVID-19, the authorities directed pharmacies and doctors to maintain compulsory pandemic inventories of such products. Galaxis and UFD are therefore offering to maintain these pandemic inventories for their customers.

Optimisation and expansion of storage capacities

In Oensingen (canton of Solothurn), a new central warehouse for medical technology is in the process of being commissioned at Galaxis. Since June 2021, this warehouse has also served as a second location for handling UFD's "E>Box" logistics service. All deliveries of online orders received by the [Amavita](#), [Sun Store](#) and [Coop Vitality](#) online shops were previously picked and dispatched by UFD in Barbengo-Lugano, which resulted in delivery times of 48 hours. Thanks to the new storage capacities in Oensingen, around 30,000 items can now be delivered within 24 hours.



↑ Oensingen distribution centre

The Galaxis distribution centre in Niederbipp (Canton of Bern) is also being expanded and its capacity further increased with a focus on increasing its storage capacity for all product groups, but in particular for medication. The refurbishment and modernisation of the distribution centre in Lausanne-Ecublens proceeded according to plan in the reporting period.



↑ Construction site of the Galaxis Lausanne-Ecublens distribution centre

ERP roll-out ongoing

Work on the roll-out of the new ERP system at Galaxis commenced with the implementation phase.

Further development of digital offerings

Logistics & IT Services

Alloga migrated other partners to the new ERP system while HCI Solutions programmed a digital interface for COVID-19 tests and vaccinations. A pilot project on the electronic transfer of prescriptions was also launched.



Net sales development

“Logistics & IT Services” generated net sales of CHF 50.5 million (+4.4%) in the first half of 2021. [Alloga](#) and [HCI Solutions](#) as well as internal Group IT services contributed to this result.

ERP roll-out ongoing

Work on the roll-out of the ERP system progressed at Alloga: well-known pharmaceutical partners could be integrated into the new system.

HCI Solutions programmes interface for coronavirus tests and vaccinations

HCI Solutions’ activities were also strongly defined by COVID-19 in the period under review. [Documedis](#)[®], the software for doctors and pharmacies, was approved by the Federal Office of Public Health (FOPH) as a reporting solution for coronavirus tests and vaccinations, whereupon HCI Solutions programmed the corresponding interfaces for the software connection. Since then, pharmacies and medical practices have been able to use the two new functions “Documedis[®] VAC” and “Documedis[®] Rapid Test” to capture patient data for vaccinations and tests, print confirmations and transmit the corresponding data to the relevant authorities at the touch of a button.

New features in Documedis[®]

In the period under review, Documedis[®] was expanded with the addition of several functions, including those relating to primary outpatient medical care and the calculation of liver and kidney insufficiency and body mass index.

These new software functions are certified as medical devices, which is a major advantage given the EU regulation on medical devices implemented in Switzerland in May 2021: This means that other IT solutions no longer need to be certified separately if they are based on the already certified Documedis[®] solutions.

[Click here for the outlook](#)



Pilot project on the electronic transfer of prescriptions

The e-prescription is an important driver of the mail-order pharmacy because it enables the entire procedure to take place digitally and marks another contribution for patient safety.

Doctors still write prescriptions out by hand or print them on paper and sign them with their legally valid signature. Since 1 January 2020, the Ordinance on Medicinal Products (VAM) has permitted prescriptions to be transmitted electronically. This requires patients to be allowed to choose the pharmacy from which they wish to obtain the medication.

Following on from its preparatory work, HCI Solutions launched a pilot project on the reliable and secure electronic transmission of prescriptions in the first half of 2021. The corresponding IT solution “E-prescription” (“E-Rezept”) was developed by HCI Solutions and its partner company AD Swiss Net. Medi24, Switzerland’s leading telemedicine provider, is the first medical practice to participate in this pilot project.

Once the patient has given their consent, the Medi24 team issues an electronic prescription. The patient then selects the pharmacy that receives the encrypted e-prescription. The three pharmacy formats Amavita, Sun Store and Coop Vitality and the specialty pharmacy Mediservice are currently participating in this pilot project.

Financial report

Alternative performance measures

Definitions of alternative performance measures

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

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

The alternative performance measures are unaudited.

IAS 19 – Employee benefits

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

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

IFRS 16 – Leases

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

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

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

Organic growth of net sales

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

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

Organic growth of net sales first half of 2021

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

¹⁾ Including eliminations of intercompany net sales

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

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

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

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

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

¹⁾ Including eliminations of intercompany net sales

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

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

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

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

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

¹⁾ Including eliminations of intercompany net sales

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

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

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

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

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

¹⁾ Including eliminations of intercompany net sales

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

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

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

Adjusted consolidated statement of income

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

Adjusted consolidated statement of income first half of 2021

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

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

²⁾ Calculated as EBIT divided by net sales

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

Adjusted consolidated statement of income first half of 2020

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

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

²⁾ Calculated as EBIT divided by net sales

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

Free cash flow

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

Free cash flow

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

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

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

Cash conversion

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

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

Capital management

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

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

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

Total assets

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

Net debt

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

¹⁾ Excluding non-interest-bearing financial liabilities

Shareholders' equity

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

Equity ratio

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

¹⁾ Calculated as shareholders' equity divided by total assets

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

Gearing

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

¹⁾ Calculated as net debt divided by shareholders' equity

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

Debt coverage

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

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

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

Consolidated interim financial statements 2021

Consolidated statement of income

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

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

Unaudited figures

Consolidated statement of comprehensive income

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

Unaudited figures

Consolidated statement of financial position

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

2021 figures are unaudited

Consolidated statement of cash flows

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

Unaudited figures

Consolidated statement of changes in equity

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

Unaudited figures

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

Notes to the consolidated interim financial statements of the Galenica Group

1. Group organisation

General information

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

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

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

2. Accounting principles

Basis of preparation

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

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

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

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

Estimation uncertainty and assumptions

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

Seasonal influences on operations

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

Income taxes

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

Scope of consolidation

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

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

Amendments to IFRS

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

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

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

3. COVID-19 pandemic

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

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

4. Operating segment information

Operating segment information first half of 2021

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

Operating segment information first half of 2021

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

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

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

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

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

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

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

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

Operating segment information first half of 2020

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

Operating segment information first half of 2020 (restated)

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

¹⁾ Figures as at 31 December 2020

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

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

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

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

5. Business combinations

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

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

The purchase consideration amounted to CHF 3.6 million and was fully settled in cash. The fair value of the provisional net assets amounts to CHF 0.3 million at the acquisition date. The goodwill of CHF 3.3 million was allocated to the operating segment Products & Care and corresponds to the added value of the pharmacies based on their locations. Transaction costs were insignificant.

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

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

Business combinations

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

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

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

6. Net sales

Net sales first half of 2021

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

Net sales first half of 2021

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

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

Net sales first half of 2020

Net sales first half of 2020 (restated)

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

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

7. Financial assets and financial liabilities measured at fair value

Fair value

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

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

8. Employee benefit assets

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

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

9. Contingent liabilities and commitments

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

10. Subsequent events

The following business combinations occurred between 30 June 2021 and 2 August 2021, the date that the consolidated interim financial statements were released for publication.

Acquisition of pharmacies. Galenica acquired 100 % of the interests in pharmacies at various locations in Switzerland. The purchase consideration was CHF 5.9 million, the fair value of the provisional net assets resulting from these additions was estimated at CHF 3.3 million at the acquisition date. Since the transactions were concluded shortly before the consolidated interim financial statements were issued, it was not possible to disclose the additional information required by IFRS.

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

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

There were no further significant events after the reporting date.

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Galenica Ltd.
Corporate Communications
Untermattweg 8
P.O. Box
CH-3001 Bern
Phone +41 58 852 81 11
Fax +41 58 852 81 12
info@galenica.com
www.galenica.com

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