



Annual report 2023
of the Galenica Group
and Galenica Ltd.

Milestones 2023

January



Verfora acquires Padma Ltd.

With the acquisition, Verfora expands its complementary medicine portfolio and supplements its range of reimbursable medicines.

February



Aid for earthquake victims in Turkey/Syria

We are saddened about the fate of these people. Galenica doubles employees' private donations to Swiss Solidarity.

March



The new Galenica branding is launched

Inspired by the network concept, the new corporate design, with the logo as its focal point, serves primarily as a symbol of a new beginning and transformation.

April



Leading online pharmacy in Switzerland

Switzerland's leading online pharmacy is created in a joint venture under the name Mediservice. Redcare will hold 51% and Galenica 49%.

May



Rebranding of Sun Store pharmacies in German-speaking Switzerland

The ten Sun Store pharmacies in German-speaking Switzerland are being transferred to the Amavita world. This generates synergies, particularly in the marketing area.

June



Galenica acquires 16% stake in AD Swiss Net Ltd.

With "BENECURA public", we further advance integrated and networked healthcare in Switzerland.

July



High-ranking visit to Padma

With the visit of His Holiness Sakya Trizin, head of the Sakya School of Tibetan Buddhism, and the third-ranking Tibetan Lama, Padma experiences a rare highlight.

August



Ambassador visits Galaxis

As part of the FDFA Ambassadors' Conference, a group of ambassadors visits the Galaxis site in Niederbipp.

September



New Head of People & Culture

Arianne Hasler joins Galenica as Head of the People & Culture Service Unit (formerly Human Resources) and becomes a member of the Executive Committee.

October



Opinio employee survey – only online for the first time

The online survey is conducted from 17 October to 15 November. A participation rate of 72% and the new employee recommendation rate of 76, which has increased by two points, are gratifying.

November



Opening of the Amavita pharmacy at the main station in Zurich

After a three-year renovation phase, the team of the Amavita Bahnhof Apotheke located at Zurich main station is able to welcome its customers back to its original location in renovated and redesigned premises.

December



Joint venture with Planzer

The new company, called Health Supply Ltd., aims to make the transportation of medicines and other products to healthcare providers more efficient and sustainable.

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Highlights

Overview

Galenica continues to grow in financial year 2023: The Galenica Group grew strongly with an increase in sales of 4.4% in financial year 2023 and generated consolidated net sales of CHF 3,746.0 million. Adjusted for the extraordinary sales in connection with COVID-19 (self-tests, COVID-19 vaccinations and rapid tests) in the prior-year period, growth amounted to a high 5.0%.

Highlights of the 2023 financial year Consultations and services

138,000

+14% compared to previous year

Vaccinations

44,000

in Galenica Group pharmacies

Employee survey

76

Satisfaction and motivation score among employees of the Galenica Group

Adjusted¹ EBIT increased by 0.4% to CHF 191.3 million, despite special factors in the amount of CHF 9.8 million. Without these special factors, adjusted¹ EBIT would have increased by 5.5% to CHF 201.1 million. Thanks to this solid result, the Board of Directors will propose to the Annual General Meeting a dividend at the previous year's level (CHF 2.20 per share).

Highlights of the 2023 financial year

- Around 138,000 customers made use of the healthcare services and consultations offered by Galenica pharmacies in 2023, 14% more than in the previous year.
- Compared to the previous year, demand for vaccinations in Galenica pharmacies increased by 18% (excluding COVID-19 vaccinations).
- Together with Redcare Pharmacy, Galenica established Switzerland's leading online pharmacy, adding a pure only pharmacy to its offering.
- After more than three years of renovation work, the Amavita Bahnhof Apotheke opened its new retail premises at Zurich's main station in November 2023.
- With the acquisition of Padma, Verforda further expanded its complementary medicine offering, thereby increasing its overall market share in the Swiss consumer healthcare market to 10.3%.
- The home care offerings in the Galenica network, in particular those of Lifestage Solutions, Bichsel and Medifilm, were linked more closely in the year under review and performed very successfully, with demand significantly higher than in the previous year.
- Galexis actively contributed to improving security of supply of medicines in Switzerland through its "Safety Stock" initiative.
- The Documedis[®] medical and pharmacy software was technically further developed in the reporting year. In 2023, over 270 million "Clinical Decision Support Checks" (CDS) were carried out on the basis of Documedis[®] solutions, 145% more than in the previous year.

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

Financial key figures

Net sales
in million CHF



■ Products & Care²⁾: 1,635.6
■ Logistics & IT²⁾: 3,077

EBIT adjusted³⁾
in million CHF



■ Products & Care^{2) 3)}: 152.3
■ Logistics & IT^{2) 3)}: 42.3

Number of employees
at 31 December 2023



■ Products & Care: 5,808
■ Logistics & IT: 1,819
■ Group Services: 275

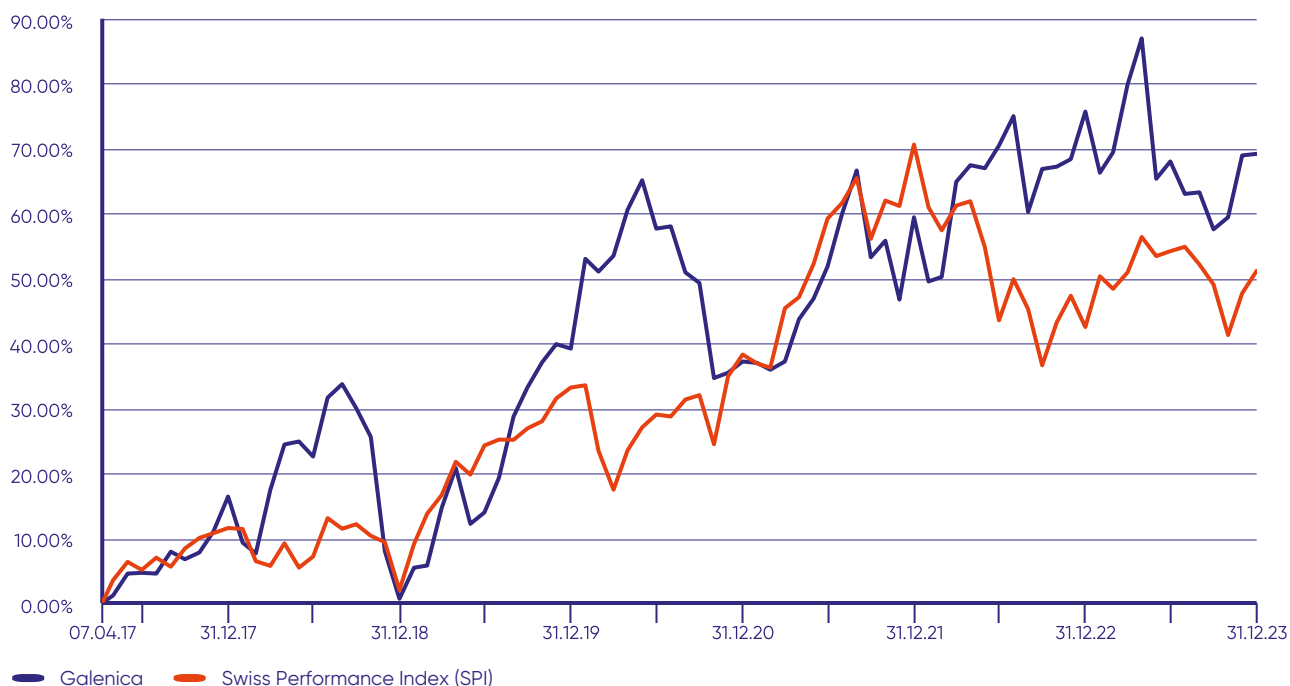
in million CHF	2023	2022 ¹⁾	Change
Net sales	3,746.0	3,588.5	4.4%
Products & Care ²⁾	1,635.6	1,584.0	3.3%
Logistics & IT ²⁾	3,077.0	2,933.3	4.9%
EBIT	199.1	193.1	3.2%
EBIT adjusted³⁾	191.3	190.6	0.4%
in % of net sales	5.1%	5.3%	
Products & Care ^{2) 3)}	152.3	143.3	6.3%
in % of net sales	9.3%	9.0%	
Logistics & IT ^{2) 3)}	42.3	49.2	-14.2%
in % of net sales	1.4%	1.7%	
Profit from continuing operations	165.7	157.3	5.3%
Profit from continuing operations adjusted³⁾	161.6	157.2	2.8%
Total assets	2,991.0	2,612.8	14.5%
Shareholders' equity	1,475.2	1,249.5	18.1%
Equity ratio	49.3%	47.8%	
Capital contribution reserves	199.9	254.8	-21.5%
Net debt adjusted³⁾	362.1	294.6	22.9%
Debt coverage adjusted ³⁾	1.5 x	1.2 x	
Gearing adjusted ³⁾	24.4%	23.2%	
Investment in property, plant and equipment and intangible assets	78.8	70.7	11.5%
Cash flow from operating activities adjusted³⁾	173.5	184.4	-5.9%
Free cash flow³⁾	49.3	57.9	-14.7%
Employees at reporting date (FTE)	5,907	5,631	4.9%

¹⁾ Restated (refer to chapter Consolidated financial statements of the Galenica Group, note 4 of the Annual report 2023)

²⁾ Reported for each segment not taking into account Group Services and Eliminations

³⁾ For details to the adjusted key figures refer to chapter Alternative performance measures of the Annual report 2023

Share price performance in percent



Share information

in CHF	2023	2022
Share price at reporting date	72.75	75.55
Highest share price for the year	82.20	79.00
Lowest share price for the year	65.10	60.55
Market capitalisation at reporting date in million CHF	3,625.3	3,763.6
Earnings per share from continuing operations ¹⁾²⁾	3.31	3.15
Earnings per share adjusted from continuing operations ¹⁾²⁾³⁾	3.23	3.15
Shareholders' equity per share ²⁾	29.52	25.04
Gross dividend per share ⁴⁾	2.20	2.20
– of which paid out from retained earnings	1.10	1.10
– of which paid out from reserves from capital contributions	1.10	1.10
Dividend yield ⁵⁾	3.0%	2.9%
Pay-out ratio adjusted ¹⁾⁶⁾	68.2%	69.9%
Price-earnings ratio (P/E) adjusted ¹⁾⁷⁾	22.6	24.0

¹⁾ Restated (refer to chapter Consolidated financial statements of the Galenica Group, note 4 of the Annual report 2023)

²⁾ Attributable to shareholders of Galenica Ltd.

³⁾ Net profit adjusted divided by average number of outstanding shares

⁴⁾ According to Board of Directors' proposal to Annual General Meeting of 10 April 2024

⁵⁾ Gross dividend per share in relation to the share price at reporting date

⁶⁾ Gross dividend per share in relation to earnings per share adjusted from continuing operations

⁷⁾ Share price at reporting date in relation to earnings per share adjusted from continuing operations

Non-financial key figures

Key figures

Galenica reports key employee figures on employment, occupational health and safety, training and development as well as diversity and equal opportunities. In addition, further key figures on patient safety and health as well as procurement and supply security are published.

Aspect	Unit	2023	2022
Employment			
Employees	number	7,902	7,608
Investment in training	Mio. CHF	5.4	4.5
Apprentices in training	number	896	838
Patient safety and health			
Availability of medicinal products on average	%	98.8	99.0
Energy consumption			
Energy consumption (within and outside of the organisation)	GJ	254,500	205,734
Energy intensity	MWh/ FTE	11.97	10.77
Emissions			
Direct and indirect GHG emissions	tCO ₂ e	12,669	10,052
Intensity of GHG emissions	tCO ₂ e/ FTE	2.14	1.98
Waste			
Total weight of waste generated	t	3,653	3,228
Water			
Water withdrawal	m ³	1,149,293	976,438

Management report

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We create added value for the healthcare system (GRI 2-22)

Dear Shareholders, Ladies and Gentlemen,



Dr Markus R. Neuhaus, Chair of the Board of Directors, und Marc Werner, CEO

The 2023 financial year was characterised by opportunities, changes and challenges. At 4.4%, we once again achieved strong growth and further developed Galenica. Due to special effects, however, we were unable to fully meet our ambitious earnings targets. Nevertheless, with EBIT on a par with the previous year, we achieved a good result and are pleased to be able to propose a stable dividend of CHF 2.20 per share. We have compiled a detailed operational review of the 2023 financial year for you in the Management Report.

Management Report 2023

At the beginning of the year, we embedded our network philosophy even more strongly in our strategy. The Galenica network consists of our Business Units, which work closely together, create common platforms and thus lay the foundation for a continued successful future. With our new logo and branding for the Galenica network, we have created a strong symbol of our company's performance. We offer patients and customers even more closely interconnected and integrated solutions from a single source with our products and services and can meet their needs, both today and tomorrow, in a more seamless, efficient and, above all, personal way.

“The expanded healthcare services in our pharmacies not only meet customer needs, they also help to curb the increasing cost pressure in the healthcare sector.”

Added value for our customers – offline and online

Last year, we further expanded the range of advice and healthcare services in our pharmacies and further improved the customer experience in bricks-and-mortar pharmacies with new store design and advisory concepts. The impressive figures show that the healthcare services provided by our competent employees are very popular: 14% more consultations were held – around 138,000 in 2023. Demand for vaccination services in pharmacies is also high. A total of 44,000 vaccine doses were administered in 2023, mainly against influenza and TBE, an increase of 18% (excluding COVID-19 vaccinations). These low-threshold offers not only meet customer needs, but also help to curb the increasing cost pressure in the healthcare sector. This is also recognised by other service providers in the healthcare system – in 2023, for example, additional health insurers added pharmacy services to their supplementary models and are offering reimbursement for them.

Spotlight Consultation Plus

“We will continuously develop the online shops into information centres.”

We not only made further progress offline in 2023, but also online. For example, we launched the beta version of the Amavita web shop, which is based on a new technology. True to our omni-channel strategy, the online presence complements bricks-and-mortar points of sale and, above all, serves as a digital gateway to the Galenica network. We will continuously develop the online shops into information centres and strengthen our position as providers of competent and reliable content on health topics. This allows customers to obtain information digitally and to be directed to the right place, such as the nearby Amavita bricks-and-mortar pharmacy, as needed. We were also able to launch new digital offerings that provide our customers added value through ease of use, such as the digital Prescription Manager.

Spotlight Prescription Manager

“In a joint venture with Redcare Pharmacy, we have created the leading online pharmacy in Switzerland.”

Strong partnerships create a broader offering and greater efficiency

To provide our customers with the best possible online offering, we established a joint venture with Redcare Pharmacy (formerly Shop Apotheke Europe) in spring 2023. As part of this joint venture, we have merged the business activities of Mediservice and shop-apotheke.ch, creating Switzerland's leading online pharmacy. With Redcare Pharmacy, we have teamed up with a strong international partner, enabling us to build up a comprehensive, online-only offer.

In the logistics area, we were also able to take another major step towards efficiency and sustainability in 2023. Together with Planzer, we established the joint venture Health Supply, which will in future bundle all transport services already provided by Planzer and other transport service providers on behalf of the Galenica Group. This will allow us to reduce the complexity that has arisen so far from working with various transport service providers and prepare for future challenges in the local distribution of medications.

Strong partnerships create a broader offering and greater efficiency

We were also able to expand our offerings in the home care sector in 2023. For economic reasons alone, service providers in the healthcare sector will have to ensure in the coming years that patients are cared for at home for longer or can return home more quickly after a hospital stay. This reduces rising healthcare costs and improves patients' quality of life in the long term.

Our Home Care Coordination Service, which was set up at the start of 2023, established itself and evolved during the financial year. The current focus is on people with Parkinson's disease. This service helps patients and their relatives to organise their treatment and to procure products and medical aids. We were able to gain initial positive experiences with established partnerships in 2023: This coordination service is a much appreciated relief for patients, relatives and the caring therapy network. With our investment in Farmadomo Home Care Provider SA, we will also significantly expand our home care offering in Ticino in 2024.

Spotlight Home Care

In addition to our services for patients and their relatives, we also offer unique services in the Galenica network for nursing homes and home care organisations. In order to bundle these services even better in the future, we are expanding existing applications and platforms that are already established in home care organisations and nursing homes into a central digital platform for all services in the home care sector. Similar to the new pharmacy online shop, which serves as the digital gateway to the Galenica network for private customers, one platform should also bundle and connect all offerings for healthcare professionals in future.

"Today more than ever, sustainability has become a central pillar of business activity."

Sustainability as a central pillar of entrepreneurial activity

In 2023, we made significant progress towards achieving our sustainability goals. The use of Clinical Decision Support Checks increased by 145% to an impressive 270 million in the reporting year. This is an important aspect in the area of patient safety, our most relevant ESG topic.

Last year, a photovoltaic system was installed on the roof of our logistics site in Niederbipp, which can cover up to a third of the electricity demand there. This is an important step in achieving our goals of reducing greenhouse gas emissions at our locations and promoting the use of renewable electricity sources. With the joint venture with Planzer, Health Supply, we can also take another step towards sustainable logistics solutions. The joint venture serves as a hub for developing, testing and implementing sustainable transport solutions – such as alternative drive systems for delivery vehicles. Galexis is already currently testing electric drives and biogas engines.

Spotlight Sustainability Galexis

Today more than ever, sustainability has become a central pillar of business activity. In a world of constant change, we take responsibility for our impact on the environment, society and the economy. Our annual report therefore not only reflects our financial performance, but also provides an insight into our activities to shape a more sustainable future. You can read about what we do and the specific successes we have achieved in the individual areas in our [GRI report](#) and the [report on non-financial matters](#).

Together we are stronger

For the achievements of the Galenica network in the 2023 financial year, we would first and foremost like to thank all employees who give their best every day for the health and safety of our customers and patients. We would also like to thank you, dear shareholders, for your trust in us. We would also like to thank our partners who share our vision, as well as our customers who entrust us with their health and well-being every day.

Bern, 12 March 2024

The image shows two handwritten signatures in black ink. The signature on the left is 'Markus Neuhaus' and the signature on the right is 'Marc Werner'. Both are written in a cursive, flowing style.

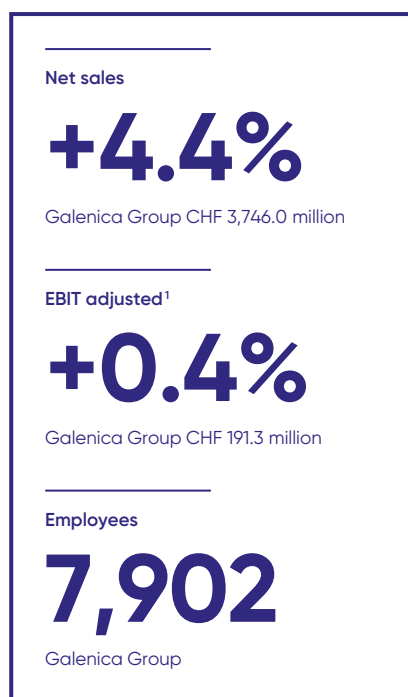
Dr Markus R. Neuhaus
Chair of the Board of Directors

Marc Werner
CEO

Financial Performance Group

Management report

Galenica Group sales performed well in 2023, growing 4.4% to CHF 3,746.0 million. The adjusted¹ EBIT increased slightly to CHF 191.3 million.



Strong sales development

Galenica Group sales performed well in 2023, growing 4.4% to CHF 3,746.0 million. Growth was driven in particular by the “Logistics & IT” segment, with sales growth of 4.9%. The “Products & Care” segment also performed well with sales growth of 3.3%, supported by the strong performance of 12.3% in the “Products & Brands” segment.

Adjusted for the exceptional sales related to COVID-19 (self-tests, COVID-19 vaccinations and rapid tests) in the prior-year period, the Galenica Group grew by 5.0%, with COVID-19-adjusted growth of 4.2% in the “Products & Care” segment and 5.5% in the “Logistics & IT” segment.

By way of comparison: the Swiss pharmaceutical market grew by 4.9% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2023). This growth was driven by increased sales of high-priced medications. Sales volumes declined by -0.2% (IQVIA, Pharmaceutical Market Switzerland, 2023).

Special factors impact EBIT growth

EBIT increased year-on-year by 3.2% to CHF 199.1 million. The adjusted¹ operating result (EBIT), i.e. excluding the impact of the IFRS 16 (Leases) and IAS 19 (Employee Benefits) accounting standards, increased slightly by 0.4% to CHF 191.3 million. The adjusted¹ return on sales (ROS) fell by 5.3% year-on-year to 5.1%. The flat EBIT development was due to special factors totalling CHF 9.8 million.

On the one hand, HCI Solutions was obliged by the Swiss Competition Commission (COMCO) to pay a penalty of CHF 3.8 million for a well-known 2017 ruling still pending before the Federal Supreme Court. On the other hand, extraordinary value adjustments on customer receivables of around CHF 6.0 million occurred in the first half of 2023, especially in the wholesale business with doctors. In the second half of the year, a provision of CHF 3.0 million was also recognised for a possible sanction in the ongoing COMCO proceedings in the matter of “substantial central regulation”. However, these extraordinary costs were offset by an extraordinary valuation adjustment to inventories in the same amount. Adjusted for these special effects in the amount of CHF 9.8 million, adjusted¹ EBIT would have increased by 5.5% to CHF 201.1 million.

Adjusted¹ net profit from business activities increased by 2.8% to CHF 161.6 million (previous year: CHF 157.2 million). The reported net profit from business activities was CHF 165.7 million (previous year: CHF 157.3 million, +5.3%).

Completion of the strategic partnership and joint venture with Redcare Pharmacy N.V. (formerly Shop Apotheke Europe) resulted in a profit of CHF 120.4 million (profit from discontinued operations). Thanks to this extraordinary result, adjusted¹ net profit increased to CHF 282.0 million (previous year: CHF 165.7 million). The share package of nearly 8% in Redcare Pharmacy received as part of the transaction generated an increase in value of EUR 95.5 million (CHF 83.0 million) in 2023.

Balance sheet remains strong

The Galenica Group's balance sheet remained strong. Equity increased year-on-year to CHF 1,475.2 million (+18.1%), positively impacted by the transaction gain of CHF 120.4 million in connection with the establishment of the joint venture with Redcare Pharmacy and the appreciation of the equity stake in Redcare Pharmacy.

However, adjusted¹ net debt, i.e. excluding lease liabilities, increased by CHF 67.5 million compared to the end of December 2022 and amounted to CHF 362.1 million, which corresponds to 1.5× adjusted¹ EBITDA. The increase in net debt is attributable in particular to the ordinary investments in long-term assets, the establishment of the strategic investment in Redcare Pharmacy, acquisitions of subsidiaries and the building up of stocks to ensure the ability to deliver and guarantee the security of supply for medications.

Investments in the 2023 financial year totalled CHF 78.8 million (previous year: CHF 70.7 million). They were mainly attributable to the introduction of the new ERP (Enterprise Resource Planning) system at Galaxis, 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 increase in investment activity compared to the previous year is due in particular to a temporarily more intensive expansion and renovation of pharmacies.

Before changes in net working capital, at CHF 201.3 million, adjusted¹ operating cash flow remained slightly below the previous year's level (CHF 220.4 million). Free cash flow after acquisitions amounted to CHF 49.3 million (previous year: CHF 57.9 million).

¹ Excluding the effects of IAS 19 and IFRS 16. See chapter "[Alternative performance measures](#)".

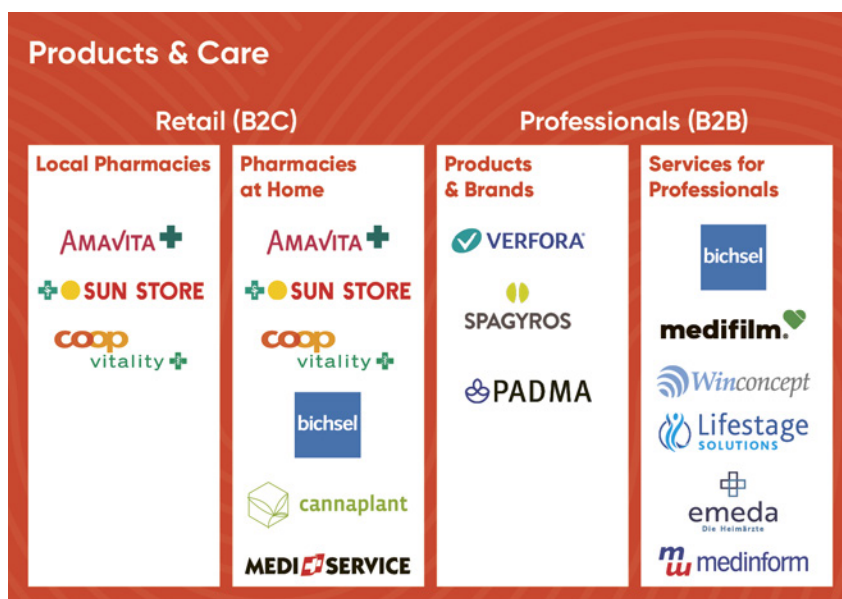
Products & Care

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 key figures

The “Products & Care” segment generated net sales of CHF 1,635.6 million (+3.3%) in the 2023 financial year. Of this, CHF 1,385.6 million (+1.8%) was attributable to the “Retail” business area (B2C), with the “Local Pharmacies” sector contributing CHF 1,306.9 million (+1.6%, excluding Coop Vitality) and the “Pharmacies at Home” sector contributing CHF 78.9 million (+6.6%, excluding Mediservice). Adjusted for the extraordinary additional sales in connection with COVID-19 in the previous year, sales growth for “Local Pharmacies” amounted to +2.7%.

The “Professionals” (B2B) business area increased sales to CHF 256.1 million (+11.9%), with the “Products & Brands” sector contributing CHF 177.1 million (+12.3%) and the “Services for Professionals” sector contributing CHF 78.9 million (+11.0%).

The adjusted¹ operating result (EBIT), i.e. excluding the impact of the IFRS standard 16 (Leases) accounting standard, increased by 6.3% to CHF 152.3 million in the 2023 financial year and the adjusted¹ return on sales (ROS) increased from 9.0% to 9.3%. EBIT growth was positively impacted by an extraordinary valuation adjustment to inventories booked in the second half of 2023 in the amount of CHF 3.0 million. Without this effect, EBIT would have increased by 4.2% and ROS would have been 9.1%.

Investments in the “Products & Care” segment amounted to CHF 29.3 million (previous year: CHF 15.5 million). The increase in investment activity compared to the previous year is due in particular to a temporarily more intensive expansion and renovation of pharmacies.

¹ Excluding the effects of IFRS 16. See chapter “Alternative performance measures”.



Sustainable generic substitution rate

Due to lower generics prices, the generics substitution promoted by Galenica curbed sales. Compared to the previous year, it increased by 0.4 percentage points to 75.2% at the end of 2023. As a result, Galenica's contribution to reducing price hikes in the Swiss healthcare system will continue to make an impact in the long term.

“Retail” business area (B2C)

Local Pharmacies

In the 2023 financial year, the “Local Pharmacies” sector achieved net sales of CHF 1,306.9 million (+1.6%, excluding Coop Vitality). Adjusted for additional sales in connection with COVID-19, sales growth for “Local Pharmacies” amounted to 2.7%. In addition, government-ordered price reductions led to a decline in sales of -1.4% in 2022. Without this effect, net sales in the “Local Pharmacies” sector would have increased by 3.0%. At +0.2%, the expansion of the pharmacy network had only a negligible impact on sales growth.

By way of comparison: drug sales from bricks-and-mortar pharmacies in Switzerland (prescription [Rx] and OTC products) grew by 4.4% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2023).

The non-medications segment of the Consumer Healthcare market declined by -1.3% in the reporting year (IQVIA, Consumer Health Market Switzerland, 2023, Nutrition, Personal Care, Patient Care, excluding COVID-19 self-tests, excluding OTC).

Pharmacy services are in high demand

The bricks-and-mortar pharmacies of the Galenica Group can look back on a successful year. They were once again able to demonstrate their importance for the low-threshold healthcare of the population. The number of vaccinations, particularly against flu and TBE, carried out by trained pharmacy staff increased by 18% to around 44,000 doses in 2023 (without COVID-19). The group of corporate customers – companies that offer their employees a flu vaccination – also grew significantly. Due to the closure of vaccination centres, pharmacies once again played an important role in COVID-19 vaccinations, especially for at-risk groups. Depending on cantonal regulations, the Swiss population was also able to obtain immunisation from pharmacies against herpes zoster, tick-borne encephalitis (TBE) and whooping cough. In addition to vaccination, there is also considerable demand for other advisory services for particularly common health problems. For example, the number of advisory and service consultations held in the financial year



increased by 14% to 138,000 (previous year: 121,000). To position the services and advice offered in pharmacies even more clearly for patients in future and to further professionalise them, the pilot project for the “Consultation Plus” concept was launched at the Amavita Zollikofen (Canton of Bern) in October 2023. Consultation Plus focuses on customer concerns that require a special level of discretion.

Spotlight Consultation Plus

Valuable interdisciplinary collaboration

Following a successful pilot phase in 2023, around 200 Amavita, Sun Store and Coop Vitality pharmacies will be able to add a telemedical consultation to their pharmacy-based basic care with “Book a Doc” in 2024. The initiative is a good example of tangible added value for customers, who receive not only a medical consultation directly at the pharmacy within 15 minutes, but also any pharmacist approved medication they may need. With “Book a Doc”, Galenica is also promoting interdisciplinary collaboration between players in the healthcare sector – to the benefit of all parties involved.

Health insurers recognise the services provided by pharmacies

The advice provided by pharmacy staff, such as for frequent, uncomplicated urinary tract infections, linked to the corresponding direct dispensing of prescription medication, is also gaining in importance. Demand will increase in future thanks to communication from health insurers cooperating with Galenica. Remuneration for pharmacy services such as vaccinations, advice and preventive care is also increasingly being covered by health insurers in alternative or supplementary insurance models and communicated to policyholders. Galenica is committed to this strategic objective, not least on behalf of the entire industry and was able to conclude important agreements with renowned health insurers in the 2023 financial year.

Site optimisation in Geneva as a contribution to nationwide basic care

One reason for the noticeably high level of acceptance and popularity of bricks-and-mortar pharmacies is the strategic decision to consistently focus on customer needs. Two events from the 2023 financial year are particularly noteworthy in this regard: a pharmacy in Geneva was on the verge of closure due to the lack of succession planning and an unfavourable competitive situation – an unpleasant situation for regular customers, including many chronically ill, elderly patients. Galenica decided to acquire the small pharmacy and integrated it into the nearby Amavita pharmacy on Place Claparède. This is an ideal solution for its regular customers, clients and an important contribution to ensuring that basic services are as comprehensive as possible.

In 2023, seven pharmacies were acquired and one new location opened. At the same time, there were seven store closures as part of optimisation measures. At the end of 2023, the network of Galenica's own pharmacies comprised a total of 369 pharmacies (net +1). In addition, the rebranding of the Sun Store pharmacies to Amavita in German-speaking Switzerland was completed in 2023.

Own points of sale

	31.12.2023	31.12.2022	Change
Amavita pharmacies ¹⁾	188	179	+9
Sun Store pharmacies ¹⁾	85	92	-7
Coop Vitality pharmacies ²⁾	89	89	-
Specialty pharmacy Mediservice ²⁾	1	1	-
Majority holdings in other pharmacies ¹⁾	6	7	-1
Total own points of sale	369	368	+1

¹⁾ Fully consolidated

²⁾ Consolidated at equity



Reopening of a vibrant pharmacy

The Amavita Bahnhof Apotheke at Zurich main station is another example showing the pharmacies' crucial role in providing essential services. It is the largest pharmacy in Switzerland in terms of floor space and is open every day, including on Sundays and public holidays, from 7 a.m. to midnight. Deliveries are made to the pharmacy five times a day, so that even people passing through can get the products they need within a very short time. Since autumn 2023, the 100-strong team, which responds to customer needs in more than 20 languages, has been working in the premises of the historic station building once again. The site was carefully renovated over the course of three years and now shines in new splendour.

Spotlight Pharmacy Main Station



Pharmacies at Home

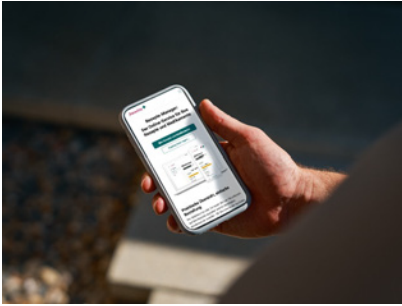
With sales of CHF 78.9 million (+6.6%, excluding Mediservice), the “Pharmacies at Home” sector achieved strong growth. The net expansion with Cannaplant, the leading provider of formulations for medicinal cannabis products, and the sale of Careproduct contributed 2.6% to sales growth. The organic growth of 4.0% was due in particular to Bichsel’s sales in the area of clinical nutrition.

Switzerland’s leading online pharmacy

For the specialty pharmacy Mediservice, the highlight of the financial year was the founding of a joint venture with Redcare Pharmacy (formerly Shop Apotheke Europe). Thanks to the acquisition of its Swiss business activities, i.e. the online shop, Mediservice succeeded in becoming Switzerland’s leading online pharmacy. The joint venture offers a unique customer promise: the shipping of prescription medications, combined with recognised home care services and the most comprehensive range of products for health, beauty and care. Another important milestone was the rebranding of the online shop www.redcare-apotheke.ch, as one of the first countries to do so. In the past few months, Mediservice has focused on the integration as well as customer and partner communication, expanding the online pharmacy range and coordinating synergies between the business units.

New Amavita online shop

Galenica’s pharmacy formats also have a presence in the digital space. At the beginning of October 2023, Galenica launched the beta version of Amavita’s online shop, which is based on a new technology. True to Galenica’s Omni-Channel strategy, the online presence complements bricks-and-mortar points of sale and, above all, serves as a digital gateway to the Galenica network. Galenica is therefore planning to develop its online shops into actual information centres and to strengthen its position as a provider of competent and trustworthy content on health topics: this allows customers to obtain information digitally and to be directed to the right channel, such as the Amavita bricks-and-mortar pharmacy, as needed. The new online shop is now being continuously developed further and made available to all customers step by step. From summer 2024, the Sun Store and Coop Vitality online shops will also be based on this new technology.



Prescription Manager as a digital helper

People with chronic conditions who regularly need several medications usually have to renew their repeat prescriptions after six or twelve months. Many patients struggle with this task, which in turn poses a risk to adherence with and efficacy of their therapy. With this in mind, the specialists at Galenica developed a simple solution that is also easy to use for elderly people: the Prescription Manager. This digital helper makes it easy to manage repeat prescriptions and conveniently order medication, either to your home or to the pharmacy of your choice. You are also made aware of this before a prescription expires. From 2024, all Galenica pharmacy formats will have an interface to the Prescription Manager.

Spotlight Prescription Manager



Making life easier thanks to the Home Care Coordination Service

In 2023, Galenica established the Home Care Coordination Service. This helps patients to organise and coordinate their treatment and to procure products and medical aids. The current focus is on people with Parkinson's disease. Over time, this poses major challenges for those affected and their relatives. In collaboration with the Inselspital and the association Schweizer Netzwerk Parkinson Mittelland (Swiss Parkinson's Network Mittelland), an important partnership has been established, with initial positive experiences: this coordination service is a welcome relief for patients and relatives, as well as for the caring therapy network. For Galenica, this is a good opportunity to draw attention to the added value that its network brings.

Spotlight Home Care

Galenica expands home care offering

The home care offerings of Bichsel, the specialist in artificial nutrition and intravenous therapies, performed very well in the 2023 financial year, with growth significantly higher than in the previous year. As of January 2024, Galenica acquired a 33% stake in Farmadomo Home Care Provider SA, the leading home care organisation in the field of clinical nutrition and blister packaging of medicines in the canton of Ticino. Farmadomo's activities align with Bichsel's Home Care offerings (clinical nutrition) and Medifilm (blister packaging of medications). However, both Medifilm and Bichsel have a limited presence in Italian-speaking Switzerland. Farmadomo has successfully tapped into this attractive and growing market in recent years and made good use of its local presence. This means that patients in Ticino will also be able to benefit from the Galenica network's comprehensive home care offering in future.



“Professionals” business area (B2B)

Products & Brands

The “Products & Brands” sector achieved sales of CHF 177.1 million (+12.3%) in the 2023 financial year. Of this, CHF 141.5 million (+8.0%) came from the Swiss market and CHF 35.7 million (+33.6%) from exports involving distribution partners. The strong growth in exports was driven by the recovery in demand for products such as travel and cold products, as well as the expansion of storage capacities abroad, for Perskindol® for instance, due to a regulatory change that will soon come into effect.

The expansion-related growth effect for “Products & Brands” thanks to the acquisition of Padma AG and the exclusive distribution of Boiron’s homeopathic medicines amounted to +7.3%.

By way of comparison: the consumer healthcare market grew by 0.7% year-on-year (IQVIA, Consumer Health Market Switzerland, 2023, excluding COVID-19 self-tests).

Wide range of complementary medicine offerings

Thanks to the acquisitions of Padma Ltd. in January 2023 and the cannabis specialist Cannaplant (consolidated sales in the “Pharmacies at Home” segment) at the end of 2022, Verfora was able to strengthen its strategic areas in both complementary medicine and the physicians’ business. The company remains the market leader in the traditional consumer healthcare market – with accelerated growth compared to its competitors. In the 2023 financial year, the focus in the “Professionals” business area was mainly on integration tasks and exploiting synergies resulting from the takeovers. At Coop Vitality in particular, Padma products are well established in the range, while distribution of Padmed Circosan N, the product for treating mild circulatory disorders, through the Verfora medical field service still has potential.



Services for Professionals

The "Services for Professionals" sector generated sales of CHF 78.9 million (+11.0%) in the 2023 financial year. Growth was generated in particular by the strong performance of Lifestage Solutions Ltd. and with blister packaging solutions from Medifilm.

Bichsel improves offering for hospitals

Hospitals are important customers of the medicinal products manufactured by Bichsel. Their feedback was valuable for certain adjustments to our services and process optimisations over the course of 2023. This made it possible to align the Bichsel portfolio even more closely with the needs of the hospitals, representing a further step towards making some of the critical drugs that are missing on the market available. It will also improve capacity utilisation and use of the two production sites.

Lifestage as a central digital platform

The Galenica network offers a unique range of services for retirement and nursing homes and home care organisations throughout Switzerland. In addition to clinical nutrition mentioned above (Bichsel), it also includes pharmaceutical care (pharmacy network), patient-specific blister packaging of medications (Medifilm), consumables and care materials (Lifestage) and mobile care home doctors (Emeda). Galenica is expanding the Lifestage application, which is already established in home care organisations, retirement and nursing homes, into a central digital platform for all these services. Similar to the new online shop, which serves as the digital gateway to the Galenica network for private customers, one platform should also bundle and network all services for healthcare professionals in future.

Initiative to network healthcare professionals

Galenica also attaches importance to networking outside the digital space. In November 2023, for example, it invited around 100 healthcare professionals to an interdisciplinary exchange. Representatives of health insurers, pharmacies, hospitals, doctor networks and home care organisations dealt with specific cases from practice, such as acute care (hospital services in the fields of medicine, surgery and gynaecology), women's health and diabetes management. The intensive group work focused on one question: what should be done to give patients a sense of added value rather than complexity?

New blister packaging machines for Medifilm

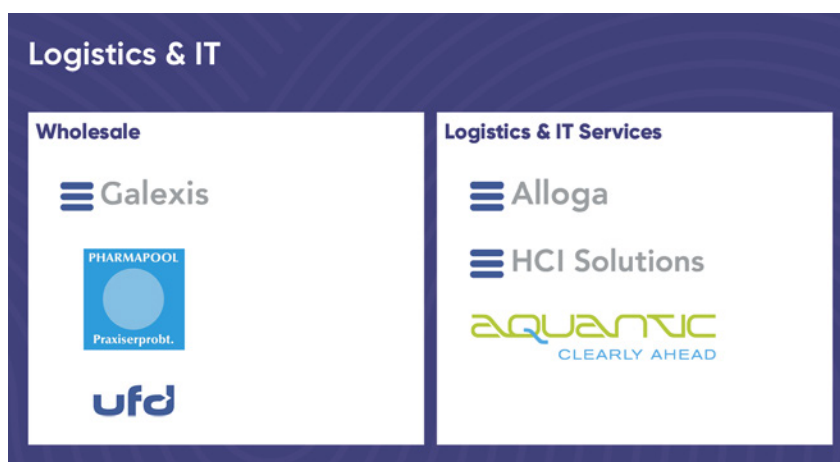
In the 2023 financial year, Medifilm laid the groundwork for commissioning new blister packaging machines in the first half-year of 2024. As a result, Medifilm will be able to significantly increase its capacity and thus meet the steadily increasing demand for patient-specific blister packaging in the usual high quality and reliability. In the 2023 financial year, Medifilm was able to increase the number of patients via the supporting pharmacies by more than 10% to newly around 14,300. In addition, over 70 new institutional clients were acquired for the supply of medifilms.

Logistics & IT

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. The focus is 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 key figures

The “Logistics & IT” segment achieved net sales of CHF 3,077.0 million (+4.9%) in the 2023 financial year. Of this, CHF 2,952.7 million (+4.7%) was attributable to the “Wholesale” sector and CHF 144.0 million (+10.1%) to the “Logistics & IT Services” sector. Government-ordered price reductions led to a decline in sales of -1.7% in 2023. Without this effect, the segment’s net sales would have increased by 6.6%.

The adjusted¹ operating result (EBIT), i.e. excluding the impact of the IFRS 16 (Leases) accounting standard, fell by -14.2% year-on-year to CHF 42.3 million and the adjusted¹ return on sales (ROS) fell from 1.7% to 1.4%. The decline in EBIT was due to special effects totalling CHF 12.8 million. On the one hand, extraordinary value adjustments on customer receivables of around CHF 6.0 million occurred in the first half of 2023, especially in the wholesale business with doctors. On the other hand, HCI Solutions was obliged by the Swiss Competition Commission (COMCO) to pay a penalty of CHF 3.8 million for a well-known 2017 ruling still pending before the Federal Supreme Court. In the second half of the year, a provision of CHF 3.0 million was also recognised for a possible sanction in the ongoing COMCO proceedings in the matter of “substantial central regulation”. Adjusted for these special effects, adjusted¹ EBIT would have increased by 11.8% to CHF 55.1 million and ROS would have been 1.8%.

Investments totalled CHF 46.4 million (previous year: CHF 52.8 million). These were primarily used for the gradual introduction of the new ERP software at Alloga and Galaxis and for the development of the digital infrastructure in connection with the strategic “Omni-Channel” programme.

¹ Excluding the effects of IFRS 16. See chapter “Alternative performance measures”.



Wholesale

In the “Wholesale” sector, sales grew by +4.7% to CHF 2,952.7 million. Adjusted for additional sales in connection with COVID-19, sales growth amounted to 5.3%. The pharmacy customer segment recorded growth of 6.3% (adjusted for additional COVID-19 sales) thanks to further market share gains. The wholesale business with doctors generated growth of 3.6%.

By way of comparison: market growth of bricks-and-mortar pharmacies amounted to 4.4% in the 2023 financial year. The physician market grew by 7.8% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2023).

The wholesale companies Galexis, Pharmapool and Unione Farmaceutica Distribuzione can look back on a successful financial year. In addition to its operational strengths and the generally positive market development, Galexis in particular also benefited from acquisition successes: for example, a major pharmacy chain from French-speaking Switzerland opted for the Galenica Group wholesaler’s offering in 2023.

Availability of medications remains a challenge

Although the situation eased thanks to increased production and stockpiles by pharmaceutical companies, the availability of medications remained problematic in some cases in 2023. In particular, narcotics, diabetes drugs and vaccines were not always available. Due to the low availability of certain medicines, generics producer Sandoz and Galenica launched the “Safety Stock” initiative in the first half of 2023. The associated increase in stocks at the distribution centres in Niederbipp and Lausanne-Ecublens proved to be effective: the higher availability reduced supply bottlenecks and eased the pressure on bricks-and-mortar pharmacies somewhat.

New ERP system

The introduction of the ERP (Enterprise Resource Planning) system at Galaxis is proceeding according to plan. The new solution will be rolled out in 2024 at the Lausanne–Ecublens site. The completion of this major project is scheduled for 2025 with the roll-out at the main distribution centre in Niederbipp.



More sustainability at the sites

At the Niederbipp site, construction work began in autumn 2023 on a wild bee garden. The previously unused grassland has been transformed into a habitat for endangered wild bees – a small but important contribution to greater biodiversity, particularly for Galenica Group employees. Another sustainability measure, this time to reduce greenhouse gas emissions, is the installation of photovoltaics on the roof of the distribution centre in Niederbipp. The system comprises 5,700 solar modules and will be able to supply up to one-third of the site's electricity needs. A solar system is also currently being installed in Lugano, at the site of Unione Farmaceutica Distribuzione.

Spotlight Sustainability Galaxis

Logistics & IT Services

The “Logistics & IT Services” sector generated net sales of CHF 144.0 million (+10.1%) in the 2023 financial year. Of this, CHF 70.5 million (+14.5%) was attributable to the outsourcing of internal Group IT services. The growth in sales with third-party customers of +6.3% to CHF 73.4 million was mainly due to the dynamic development of logistics services from Alloga as well as the IT services from Acquantic and HCI Solutions.

Greater efficiency and sustainable transport solutions in pharmaceutical logistics

In the reporting year, Galenica took an important step towards greater efficiency and sustainability in pharmaceutical logistics: in mid-December 2023, Galenica and logistics company Planzer announced the establishment of a joint venture called HS Health Supply Ltd. Health Supply will in future bundle all transport services that are already carried out by Planzer and other transport service providers on behalf of the Galenica Group. This will enable Galenica to reduce the complexity that has arisen so far in collaboration with various transport service providers and plan more effectively, particularly in urban regions. The joint venture will also be active in the development and implementation of sustainable transport solutions. Health Supply is also tasked not least with reducing the greenhouse gas emissions of both partners. Health Supply's transport services are also available to other market participants. The logistics companies of the Galenica Group will continue to carry out deliveries themselves.

Comprehensive offering at Alloga

Pre-wholesale specialist Alloga had a good 2023 financial year. The ongoing investments in cooling technology and special logistics paid off: in addition to its robust basic business, Alloga was able to take over distribution from a leading manufacturer of vaccines. In the reporting year, Alloga also laid the foundations for transporting substances with high safety requirements in accordance with Good Distribution Practice (GDP) guidelines. The introduction of ERP at Alloga will be completed at the beginning of 2024. By the end of the 2023 financial year, two-thirds of business had already been processed smoothly in the new ERP system.



Commitment to greater patient safety

HCI Solutions was once again committed to increasing patient safety thanks to digital solutions in the reporting year. Medication is the most common form of medical therapy. It requires a complex interaction between doctors, pharmacists, nursing staff and patients. Lack of information or media disruptions when transferring prescriptions and medication plans often lead to errors that can endanger the safety of patients.

The medication master data from HCI Solutions, which is integrated into over 280 software systems and platforms, significantly reduces the risk of mixing up medications. With the help of Documedis[®], a certified Clinical Decision Support (CDS), service providers can check a prescription for undesirable drug interactions and with the patient's risk data. More than 23 million audits are carried out every month. This trend is on the rise, entirely in the spirit of improved treatment quality and increased patient safety. Documedis[®] also supports and integrates the national standards for eMediplan and e-prescriptions (eRX). The eMediplan is a patient-friendly overview of the medications to be taken. The falsification-proof eRX enables service providers to exchange prescriptions digitally. Both formats can be imported and processed by medical and pharmacy systems, eliminating the need for time-consuming and error-prone manual entry of information. In the past year, 1.2 million medication plans were issued via Documedis[®], and use here too is growing rapidly. The eRX is still in the pilot phase. HCI supports the leading associations FMH and Pharmasuisse as an expert partner in the private sector. HCI will develop Documedis[®] into a comprehensive medication platform for doctors, pharmacists and nursing staff in the coming years.

Spotlight Patient Safety

External environment

Management report

The development of healthcare costs became one of the main concerns of the Swiss population in 2023. As a result, Parliament is proposing a large number of measures. However, these are unlikely to provide a lasting solution to problems such as cost trends, the shortage of skilled workers and bottlenecks in the supply of medicines. The Federal Council and Parliament see potential in the promotion of digital transformation. In addition to market policy developments, Galenica also faces a number of other factors, such as changing customer needs and an ageing society.



Number of employees in the Swiss healthcare sector

509,791

Full-time equivalents (2022, source: Federal Statistical Office)

New parliamentary elections and change of Minister of Health

New elections to the Federal Parliament were held in autumn 2023. Around a quarter of all Council members were newly elected. There has been a shift to the right in the National Council, while the composition of the Council of States has remained almost identical. The 52nd legislature 2023 to 2027 began with the start of the winter session in December 2023.

By adopting the proposal for a uniform financing of outpatient and inpatient services (EFAS) from 2009, the National Council and the Council of States demonstrated at the first session in December 2023 that they are willing to forge compromises that are acceptable to the majority.

Alain Berset, the long-serving Minister of Health, announced his resignation in June 2023. He headed the FDHA from 2012 to 2023. Elisabeth Baume-Schneider has taken over the Department of Home Affairs from 1 January 2024.

Cost pressure

Our first-class healthcare system costs money. Rising health insurance premiums are putting a major strain on the Swiss population. The pressure to halt cost growth is increasing.

Business activities in the Galenica network are characterised by process efficiency, synergies, the positioning of pharmacies as a cost-conscious and easy access point in the Swiss healthcare system, and cost awareness. With its digitalisation initiatives, Galenica is working specifically on numerous initiatives with savings potential.

The development of premiums as the main concern of the population and Parliament

In 2024, the average health insurance premium will increase by 8.7%. Innovative therapies, more visits to the doctor, more expensive medications and the reduction in the reserves held by health insurers are the main reasons for this increase in costs.

At 40% and a rapid increase of 16%, health issues and health insurance premiums are the new main concern in Switzerland (source: Credit Suisse Worry Barometer 2023, GfS).

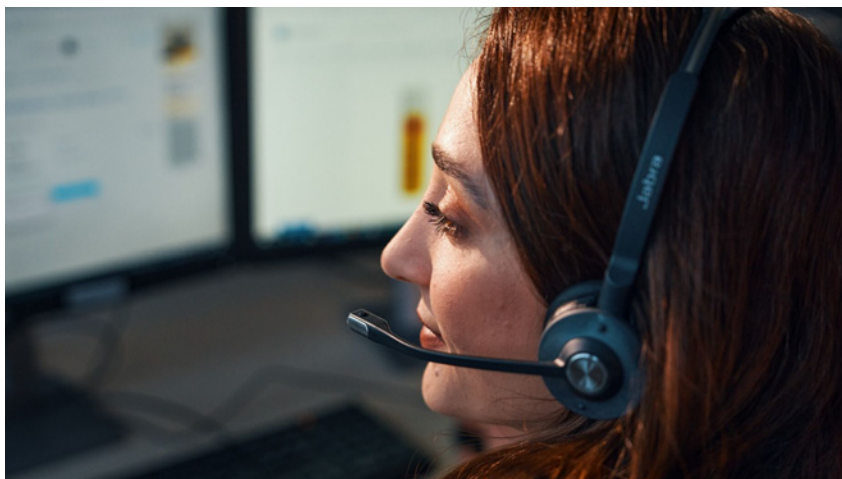
Several factors are causing premiums to rise faster than overall costs, such as medical innovation, a growing and ageing population and the implementation of the “outpatient before inpatient care” principle. Politically, the development of the total costs is usually criticised. Population growth creates a gap between total cost growth and per capita cost growth, which is growing at a much slower rate.

In the National Council and Council of States, several parliamentary initiatives have been submitted that pursue four main directions: a moratorium on benefits in basic insurance, a moratorium on premiums in basic insurance, enabling foreign purchases (lifting the territorial principle) and abolishing the contractual obligation between service providers and health insurers.

For many middle-income households who do not benefit from cantonal premium reductions, premium trends are problematic. As a solution, the Social Democratic Party of Switzerland (SP) proposes that a maximum of 10% of income should be used for health insurance premiums. Parliament rejects the “premium relief initiative”. It has drawn up an indirect counterproposal at legislative level on premium reductions, which the SP considers insufficient.

Parliament also rejects the federal popular initiative “For lower premiums – to curb healthcare costs (cost brake initiative)” submitted by the party known as the Centre (formerly CVP). For the Initiative Committee, an indirect counterproposal that Parliament had drafted at the level of legislation does not go far enough.

The indirect counterproposals come into force if the initiatives are withdrawn or rejected by the people and the cantons.



Pharmacies in Switzerland

1,839

(2023, source: Pharmasuisse)

The second package of measures to contain healthcare costs is being discussed

With the second package of cost containment measures, the Federal Council is pursuing three objectives: it wants to reduce any increase in volume that is not medically justified, curb the rising costs of basic health insurance and improve the quality of healthcare provision. The Federal Council's proposal met with major criticism from interested parties during the consultation process.

The National Council completed its deliberations on the Federal Council's proposal in 2023. It clarified two points that are important for pharmacists:

1. As part of cantonal or national programmes, pharmacists can bill preventive measures such as vaccinations through basic insurance without a doctor's prescription.
2. “Pharmaceutical services to optimise drug therapy prescribed by a doctor and patient adherence, as well as the associated performance or arrangement of analyses and provision of substances and items used for examination or treatment, which are carried out in interprofessional consultation with the attending physicians” can be billed through basic insurance.

The second package of cost containment measures in the healthcare sector makes a significant contribution to the positioning of the pharmacy as a low-threshold access point to services and advice in the healthcare sector and thus makes a positive contribution to cost containment. The Health Committee of the Council of States began discussions in autumn 2023.



Hospitals in Switzerland

278

(2022, source: Federal Statistical Office)

Therapeutic Products Act and ordinances

HIO/HIBO: Revision of distribution share for prescription drugs to take effect in mid-2024

In September, the Federal Council decided to improve rapid access to safe medicines (individual reimbursement). It also adopted measures to promote generics and biosimilars, such as increasing the deductible if patients prefer an original preparation. The annual recurring savings potential is estimated at CHF 250 million. The new provisions has entered into force on 1 January 2024.

In December, the Federal Council came out in favour of a revision of the distribution share for prescription drugs. Until now, the distribution share of more expensive drugs was higher than that of cheaper ones, so there was an incentive to sell more expensive drugs. The revision reduces the price of many more expensive drugs and increases the price of some cheaper drugs. There will now also be a uniform distribution share for medicinal products with the same active ingredients. The compensation for the service providers is therefore always the same, regardless of whether it is an original preparation or a cheaper generic. The measures are intended to further promote the dispensing of cheaper generics and biosimilars. Annual savings of CHF 60 million are expected. The amendment to the regulation on the distribution share for prescription drugs will enter into force on 1 July 2024.

At its December meeting, the Federal Council also approved the extension to the end of 2024 of the collective agreements for the remuneration of pharmacists (SBR IV/1), which expired at the end of 2023.

Consultation on partial revision of the Therapeutic Products Act – proposal for mail-order business to follow later

In December, the Federal Council opened the consultation process for a revision of the Therapeutic Products Act (stage 3a). The proposal has three main focuses. Firstly, Switzerland should largely adopt the EU regulation for advanced therapy medicinal products (ATMPs). Secondly, e-prescriptions and e-medication plans, as well as recurring medication reconciliation, should be made mandatory. Drug safety in paediatrics is also to be increased through the mandatory use of electronic systems for calculating individual drug dosages in children. Thirdly, a high degree of equivalence with EU legislation for veterinary medicinal products should be established.

The consultation process will last until 22 March 2024. The proposal is expected to be submitted to Parliament in 2025.

According to the FOPH, the revision to simplify the mail-order business of non-prescription medicinal products should be proposed in revision stage 3b. The consultation process is not expected to open until 2025 at the earliest. Interested associations are examining whether the process can be speeded up by Parliament taking action on its own initiative.



Other important influences

Digitalisation

Our world is becoming increasingly digital, but the healthcare sector still has some catching up to do. Complex issues such as patient safety and data protection are slowing down some digitalisation initiatives or holding back service providers. With its strong IT expertise and promising e-health initiatives, Galenica is committed to an efficient, secure and increasingly digital healthcare system. For the benefit of all stakeholders and for the benefit of patients.

In 2023, the Federal Council presented various proposals in order to catch up on to the digital transformation in the healthcare sector.

Consultation on comprehensive revision of the electronic patient record

The electronic patient record (EPR) is facing strong headwinds. Nevertheless, the Federal Council wants to adhere to the EPR and promote the dissemination of electronic patient records with two bills.

In summer 2023, the Federal Council invited interested parties to comment on the comprehensive proposal for revision of the EPR as part of a consultation process. Central elements of the partial revision of the Federal Act on the Electronic Patient Record (EPRA) are:

- Compulsory for all healthcare professionals responsible for outpatients
- Opt-out or voluntary basis for patients
- Central storage for dynamic data (medication overview, vaccination record)
- Use of technical infrastructure for additional B2B services

– EPR access for researchers

The proposal has met with a positive response. Several stakeholders – including the influential Swiss Conference of the Cantonal Ministers of Public Health (GDK) – are proposing to introduce a single central data platform. The previous system of decentralised data storage has encountered significant technical problems that have not yet been fully solved. Several organisations and political parties propose bringing forward the EPR obligation for outpatient service providers. The dispatch and the bill should be submitted to parliament by the end of June 2024. It is not scheduled to enter into force until 2028 at the earliest.

EPRA transitional funding

In order to ensure the financing of the reference communities until the comprehensive revision comes into force, the Federal Council is proposing transitional funding to Parliament.

The National Council dealt with the matter in December. It supports the Federal Council's proposal, but has decided to bring forward the EPRA obligation for outpatient service providers.

The Council of States will discuss the EPRA transitional funding in 2024. The aim is for the proposal to enter into force on 1 January 2025.

DigiSanté funding proposal

The use of artificial intelligence has great potential, but also entails considerable risks. In November 2023, the Federal Council approved the DigiSanté programme for the promotion of digital transformation in the healthcare sector and sent a dispatch and credit commitment to Parliament.

DigiSanté comprises around 50 projects and is divided into four packages: (1) Prerequisites for digital transformation; (2) National infrastructure; (3) Digitalisation of government services and (4) Secondary use for planning, control and research. It has a term of ten years (2025 to 2034).

In the case of several projects, the legal basis must first be established before funding can be granted from the commitment credit.

Interconnectedness

Today's patients rightly expect a seamlessly connected healthcare system. The networking of the various service providers is crucial, and consolidations can also contribute to reducing interfaces. Cooperation between the private sector, the public sector and academia must be strengthened, which is also in line with the Federal Government's DigiSanté initiative.

Galenica is involved in various industry associations to promote constructive cooperation between healthcare service providers.

Changing consumer needs

Customers today expect a presence in both the digital and analogue worlds. They like to use online search engines for information, which makes them (supposedly) better informed. Prevention and a health-conscious lifestyle are important to many people. At the same time, demographic change is leading to an increase in the number of patients under external control.

With its Omni-Channel strategy, home care offerings and reputation as a leading healthcare network, Galenica has succeeded in positioning itself as a reliable partner for healthcare services.

Ageing society

The population in Switzerland is getting older and older. This development brings challenges with it. Places in nursing homes are scarce. Elderly people also want to stay at home for as long as possible.

Galenica's home care offerings are of great importance against the backdrop of demographic change.

Climate change

Climate change with regular heat waves is affecting the health of the population. For companies, it entails rising energy costs, additional regulations and disclosure requirements.

Galenica believes that responsible action contributes significantly to the long-term success of the company and has a positive impact both within and outside the company. Sustainability is therefore an integral part of Galenica's corporate management.

Diversity and equal opportunities

Mixed teams are more successful and companies that recognise this have a competitive advantage. The challenges of our time can only be solved if the potential of all employees can be utilised. Diversity is therefore a corporate obligation.

The Galenica network is committed to diversity and brings together people from all language regions of Switzerland and from more than 80 countries and all ages. We are convinced that the different languages, age groups and backgrounds of our employees are what make Galenica's development and success possible.

Shortage of skilled workers

The shortage of qualified specialists affects the entire sector and remains a major challenge for healthcare in Switzerland. No pharmacies without pharmacists!

Galenica is at the forefront of promoting the next generation of professionals and the attractiveness of pharmaceutical and medical professions. A dedicated task force addresses the problem and develops creative ideas for attracting young talent and maintaining the attractiveness of job profiles.

Outlook

- Switzerland's healthcare system remains in good shape. Cost growth, overburdened hospital emergency wards, bottlenecks in the supply of medicines, a shortage of nursing staff, a shortage of new GPs and the backlog in terms of digital transformation remain the focus of healthcare policy.
- Even in the new legislature, the primary task of healthcare policy remains to ensure efficient and affordable care.
- Because the supply shortages among skilled workers will continue, the willingness in Parliament to deviate from the "medical diagnosis and treatment monopoly" in the Health Insurance Act (HIA) and to create new care models is likely to increase. Pharmacists and nursing experts APN (Advanced Practice Nursing) in particular could play a more important role in basic care.
- The Federal Council is expected to present measures to eliminate or alleviate bottlenecks in the supply of medicinal products in 2024.
- The Galenica Group is committed to political solutions that enable efficient service provision at economic cost. It also proposes strengthening interprofessional collaboration and creating new care models. It is firmly opposed to measures aimed at rationing and jeopardising the already difficult supply situation.

Opportunities and risks

Management report

Galenica defines risk as the possibility of an event or action leading to immediate financial loss or other adverse consequences. Galenica has a risk management process in place that supports the Board of Directors, the Executive Committee and the respective management teams of the Group companies in identifying and assessing potential risks in good time and taking the necessary preventive measures. The goal of this process is to identify and assess significant risks at all management levels and to manage them while making conscious use of the opportunities the process provides.



As part of Group-wide Galenica Risk Management (GRM), the companies in the Group conduct a risk assessment at least twice a year. In spring, the risk managers identify the risks across the Group, categorise and assess them and define measures for managing them. This standardised process is based on a risk matrix in which the most important strategic and operational risks and their possible effects – particularly in terms of financial reputation – are identified according to predefined criteria and then evaluated according to their probability of occurrence and impact. These risks are recorded in a risk matrix for each Service Unit and, depending on their significance, also included in the Group's risk matrix. In spring, the focus is on the management,

identification and assessment of risks, and in autumn on the management of measures. In doing so, the risk managers review the measures and deadlines as well as any significant changes to risks. Controlling supports the risk managers in this process and ensures accurate reporting at the appropriate level.

The Board of Directors of Galenica receives a summary of the most important risks and measures from the Executive Committee at least twice a year. The Board of Directors approves the GRM. Inputs and comments on risk assessments and measures are implemented as part of the subsequent risk management process, if necessary.

Most important risk cluster and measures (pursuant to Art. 964a et seq. CO)

Galenica divides its risks into risk clusters and defines measures for each risk:

Risk cluster	Risk description	Measures
Patient safety	Incorrect delivery/dispensing of medication (incl. blister packaging) to patients (health risk), damage to patient due to an internal process error.	Further development of the Quality Management System in the pharmacy in order to have more time in the pharmacy for patient safety. Deviation management form, data evaluation and regular internal exchanges on improvements (e.g. e-prescription and article scanning).
		Employer branding Social Media Campaign Strategic & Social Recruiting New Career Site
Employees	Shortage of skilled workers and high staff turnover.	Safety Stock Initiative in collaboration with pharmaceutical companies to ensure supply via larger warehouses. Increased spare stock of critical parts.
	Delivery delays/availability of products/raw materials. Availability of spare parts.	Forward-looking planning and increased inventory coverage for sensitive raw materials. Examining alternative procurement options and renegotiating or obtaining postponement of price increases.
Procurement market	Price pressure due to the general situation in various areas (inflation/price increase).	Risk assessment and differentiated procurement.
	Elimination/Expiry expiration date special procurements.	Protection of employees through appropriate working conditions (air conditioning, etc.). Protection and upgrading of sites against climate risks such as flooding. Alternative and independent power supply (photovoltaics, heat pumps, etc.) to maintain operations, e.g. in the event of power outages. Introduction of sustainable logistics solutions.
Sustainability	Many of Galenica's sustainability risks are reflected in the existing risk clusters. In 2023, climate risks are predominantly represented in the sustainability cluster. These are primarily natural hazards caused by climate change.	

The GRM identifies sustainability risks in the above-mentioned risk clusters. These are essentially outside-in risks. In the 2024 financial year, the risk clusters and measures will be continuously developed and enriched, especially in the area of climate risks.

Internal control system

As part of its risk management system, Galenica operates an internal control system (ICS) to ensure reliable internal and external financial reporting and to prevent misstatements and errors about business transactions. The ICS offers the necessary processes and controls to ensure that risks in connection with the quality of the company's financial reporting can be identified and managed in good time. A thorough review of the existence of the processes and controls of the Galenica ICS is carried out annually by the external auditors at the time of the interim audit. The results of these reviews are reported to the Audit and Risk Committee. Management takes appropriate measures to continuously improve business processes in the areas of purchasing, procurement, investment, sales, human resources, general financial management and reporting, and IT controls.

Internal Audit

Internal Audit carries out audits of operational and strategic risk management and the ICS in accordance with the audit plan determined by the Audit and Risk Committee. It carries out audits, analyses and interviews throughout the Group and supports the Service Units in achieving their objectives by ensuring an independent assessment of the effectiveness of internal control processes. Internal Audit prepares regular reports on the audits carried out and reports directly to the Audit and Risk Committee in writing. The activities of Internal Audit are conducted through contracts issued to external service providers.

Outlook 2024

Management report

Galenica will continue to implement the initiatives formulated in the strategic programmes in a focused manner. This includes further linking and expanding the range of products and services across all sales channels.

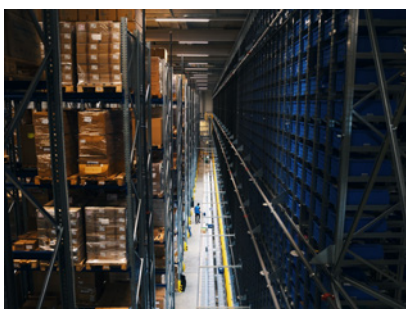


Products & Care

- The pharmacy network is being continuously optimised and expanded, including through investments in the store design and advisory concept at physical points of sale.
- The online shops of the Galenica pharmacies are undergoing technical and qualitative improvements by gradually switching to a new technological platform and expanding the online offerings. The Galenica pharmacies' loyalty programme is also being further developed.
- The importance of the pharmacy as the first point of contact for health questions is to be developed further. To this end, customer access to advice and services will be further simplified and the service portfolio will be better adapted to customer needs. In addition, Galenica is committed to ensuring that the advice and services

provided in pharmacies are reimbursed by other health insurance providers within the scope of supplementary insurance.

- In order to increase employee motivation and counteract the shortage of qualified employees, the roles of pharmacy assistants are starting to incorporate additional competencies and responsibilities in pharmacies. Targeted development opportunities are also to be created for this purpose.
- In the home care and care home sector, the cooperation between Bichsel, Mediservice, Medifilm, Lifestage Solutions and Emeda will be further expanded so that customers can fully benefit from the added value and new offers. The aim is to attract more customers. In addition, the applications and platforms established with customers will be bundled into a central digital platform.
- As of January 2024, Galenica acquired a 33% stake in Farmadomo Home Care Provider SA, the leading home care organisation in the field of clinical nutrition and blister packaging of medicines in the canton of Ticino. Galenica is thus also significantly expanding its home care offerings in Ticino.



Logistics & IT

- Following the successful pilot projects, the “electronic prescription” is to be implemented as a new standard for service providers. Galenica is also actively participating in the development of national standards.
- The “Documedis®” software solution from HCI Solutions is to be introduced for more doctors, care homes and hospitals. The use of “Clinical Decision Support Checks” is also to be further promoted in the interests of greater patient safety.
- At the Niederbipp site, Galaxis is planning to expand capacity for B2B and B2C logistics.
- The implementation of the defined measures for achieving the sustainability goals is also a top priority. For example, further pilot projects with [alternative drive](#) systems for delivery vehicles, such as hydrogen, are to be launched and the necessary charging infrastructure for company vehicles is to be set up at relevant locations.

Guidance 2024

Galenica expects sales growth of between 3% and 5% for the 2024 financial year. Galenica expects adjusted¹ EBIT to increase by between 8% and 11%. Adjusted for the special factors in the 2023 financial year in the amount of CHF 9.8 million, this results in a stable development of the adjusted¹ EBIT margin (ROS) at 5.4%. Galenica strives for strong yet sustainable dividend growth and plans a dividend for 2024 at least at the previous year’s level.

About us

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Purpose of the company

About us

Galenica is the largest healthcare network in Switzerland and plays a key role in the Swiss healthcare market. We want to sustainably and successfully strengthen our market position and further develop our core competences.

Our purpose is based on the long-term vision of giving our best every day for the health, well-being and safety of our patients and the Swiss population. We manifest our vision in our customer promise to support people at all stages of life on their journey to health and well-being. With personal and expert advice and a unique range of products and services. Anytime and anywhere in Switzerland. Our five core values help us deliver on the customer promise and make our vision a reality.

Vision

Health and well-being are at the heart of what we do. They are the reason we give our best every day.

Values

We built trust
We show respect
Together, we are stronger
We act as entrepreneurs
We participate with passion

We are a network of Business Units and like-minded partners, where everyone is passionate about their brand, but cooperation and sharing are the highest currency for maximising customer added value. Where practice, simplicity and the future are more important than theory, perfection and the past. With these values, we shape and combine our products, services and expertise around the major customer needs of today and tomorrow in order to be able to meet them even better – in a more seamless, more efficient and, above all, more personalised way.

Customer promise

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

Business model (GRI 2-6)

About us

Galenica is active in the healthcare industry and offers healthcare services and products throughout Switzerland. Its customers include patients, pharmacies, drugstores, physicians, hospitals, care homes, health insurances and pharmaceutical companies.

The business activities of the Galenica Group comprise two segments. The "Products & Care" segment consists of the "Pharmacies", "Healthcare" and "Products & Marketing" Service Units. They develop and market health services and products via various channels – in pharmacies, online and at home – to private customers and patients as well as to business customers and partners. The "Logistics & IT" segment consists of the "Wholesale & Logistics" and "IT & Digital Services" Service Units. They develop and operate the logistics, IT and digital infrastructure and digital platforms for the entire Galenica Group and for customers and partners in the healthcare industry.

The Galenica Group's value chain comprises production, packaging, logistics, marketing and information, retail and medication use.

Inputs

Financial capital

- Equity/shareholders
- Debt capital

KPIs

1.5x Debt Coverage

Produced capital

- Buildings (owned/rented)
- Infrastructure (transport/IT)
- Production equipment (internal/external)
- Fleet (own/partner)

KPIs

15% Electric vehicles

369 Pharmacies

78.8 mio. CHF investments in tangible and intangible assets

Intellectual/innovation capital

- Brands
- Distribution licences
- Own developed software
- Investments in digital services
- Skilled personnel

KPIs

80 own and partner brands

3.6 mio. CHF Investments in own developed

Human capital

- Number of employees
- Training/further education
- Personnel expenses
- Cultural development

KPIs

7,902 Employees

551.0 mio. CHF Personnel expenses

5.4 mio. CHF Investment in further education

Social capital

- Strong long-term partnerships
- Regulators
- Suppliers
- Customers

KPIs

1,300 Suppliers

26 Memberships in associations

Ecological capital

- Energy use
- Fossil fuels
- Renewable resources
- Water
- Land

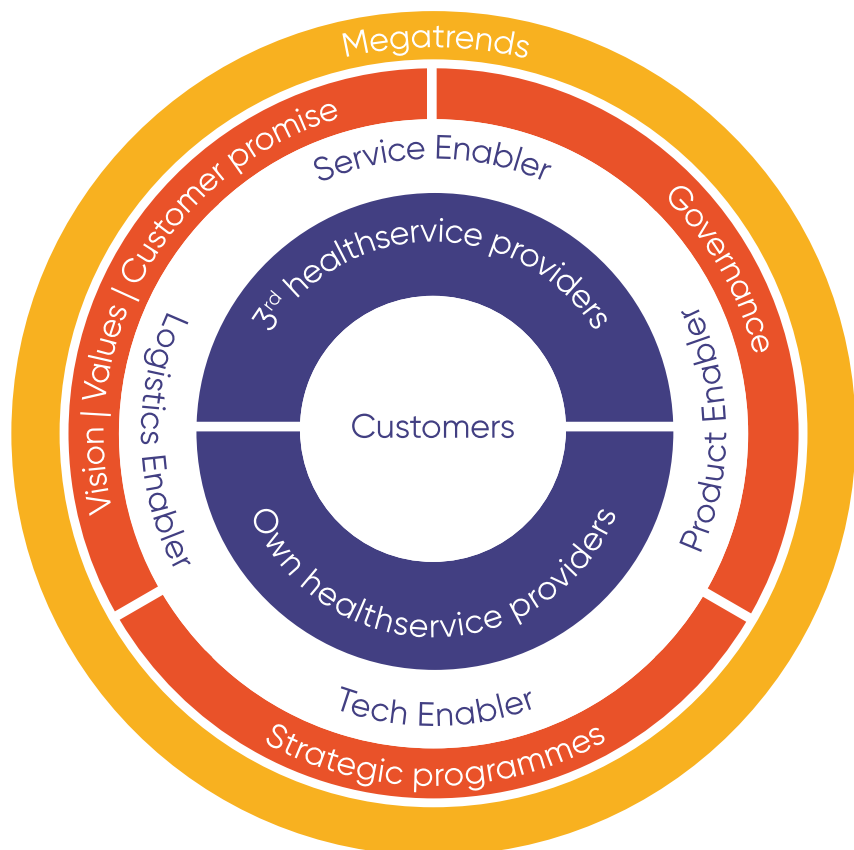
KPIs

46% Electricity from renewable sources

15% Renewable drives for vehicle fleet

1,149,293m³ Water withdrawal

Business model



Outputs / Impacts

Financial capital

- Sales/profit
- Operating Cash Flow
- Dividend

KPIs

5.1% ROS
3.0% Dividend yield

Produced capital

- Pharmacy network
- Products
- Security of supply/procurement

KPIs

500,000 products & packages shipped
GDP standards

Intellectual/innovation capital

- Services in pharmacies
- Own software licensing
- Customer journey
- Efficient processes
- Patient safety
- Prevention
- Generics substitution

KPIs

270 mio. CDS.CE Checks

138,000 Health services provided

Human capital

- Employee satisfaction
- Motivation
- Recommendations/employer attractiveness
- Safe working environment

KPIs

12% Fluctuation rate

51.7% Women in management

0.47% Absence rate

76 Motivation score

76 Recommendation score

Social capital

- Broader product range
- Reimbursement health insurance
- Efficiency gains
- Expansion of expertise
- Representation of interests
- Long-term contracts
- Integrity in supply chains
- Reputation
- Customer satisfaction

KPIs

5 Co-operations with health insurance

92.5% Net Promoter Score (target achievement)

Ecological capital

- Emissions
- Water consumption

KPIs

85,972 GJ Electricity consumption

12,669 tCO₂e GHG emissions**Outcomes****Contribution to the SDGs**

Galenica Strategy

About us

In its corporate strategy, Galenica focuses on the five strategic programmes Omni-channel, Care, Professionals, Efficiency and Transformation in order to achieve its vision of "giving our best every day for health and well-being".

Each strategic programme is based on identified developments and megatrends in Galenica's business environment and ensures that the company is able to respond flexibly to changes. As a result, Galenica is well equipped for the opportunities and challenges of the healthcare sector of the future.

Further information on the megatrends can be found in the [External environment section](#).

Measures and objectives have been defined for each strategic programme. Of the total of 15 corporate objectives, around one third are in the area of sustainability. This ensures that Galenica's strategy and activities have a positive impact on society, the environment and the economy.

Strategic objectives



Omni-Channel programme

Best customer experience anytime and anywhere

- Build the required digital infrastructure to more efficiently connect our offline and online channels
- An interconnected infrastructure that integrates and coordinates both, the personal and digital touchpoints

Further development and networking of all online and offline channels

- Offline: constantly enlarge and optimise the pharmacy network
- Online: improve our online shops and our offerings for patients at home

Expansion of product range

- Expansion of product & service offerings according to our customer's expectations

Megatrend

- Changing customer needs
- Digitalisation
- Interconnectedness
- Cost pressure in healthcare system

ESG impact

Patient health, data protection

- Customer satisfaction: more efficient and convenient healthcare improves well-being and health of our customers
- Data protection as a prerequisite for digital services
- Customer satisfaction: better healthcare services
- Affordability of healthcare: Galenica supports substitution by generics

Care programme

First point of contact for healthcare advice

- Support our customers as their first point of contact for healthcare advice in our pharmacies, digitally and at home
- Implementation and development of needs-based healthcare and therapeutic services, from prevention right through to therapy

First-class healthcare services

- For patients who we can reach directly through our pharmacies or at home
- For patients who we only reach indirectly via an interface with homes or home care organisations

Preferred cooperation partner

- Be preferred cooperation partner of other important players in the Swiss Healthcare System

Megatrend

- Changing consumer needs
- Digitalisation
- Interconnectedness
- Cost pressure in healthcare system
- Home care
- Ageing society

ESG impact

Patient health, patient safety

- Better healthcare services: improved availability of healthcare services in pharmacies
- Affordability of healthcare: services in pharmacies are lower priced than from doctors
- Better healthcare services, allowing patients to stay at home during treatments
- Increased patient safety with services for nursing homes
- We offer our customers the greatest possible added value through new cooperation models and strong partnerships

Professionals programme

First-choice partner for healthcare professionals

- We offer specialist retailers and our pharmacies an attractive product range and comprehensive services
- We are a leader in healthcare logistics and digital solutions for the Swiss healthcare market
- We also want to expand the digital gateway for B2B customers

Leader in e-health

- Our vision is to be a leader in the field of digital health services notably by developing and marketing innovative solutions to promote digitalisation and by setting standards in the provision of health databases
- An important element are digital platforms that we either develop ourselves or in which we participate as a partner.

Patient safety and security of supply

- We want to be the first choice when it comes to logistics services for all market players

Megatrend

- Changing customer needs
- Digitalisation
- Interconnectedness

ESG impact

Patient safety, reliable procurement and supply

- Thanks to digital e-health offers, partnerships and services adapted to market needs, we can reduce process costs and relieve the system
- Our digital solutions reduce medication errors and increases therapy adherence
- Availability of medicine: Galenica's logistics companies manage to make and keep more than 99% of medicines available throughout Switzerland within 24 hours

Efficiency programme

Simple and efficient, for customers, partners and employees

Our ongoing responsibility is to streamline our offerings even further and to organise the company itself in a way that is simpler and easier to understand for our customers and partners as well as for our employees:

- by systematically making use of our synergies,
- by working together to simplify our processes and systems,
- by harmonising them across the Group
- by digitalising them - where this makes sense

Process and cost optimisation

- We realise our projects in the modernisation of the distribution centre in Lausanne-Ecublens and the implementation of the ERP system at Alloga and Galexis

Sustainable use of resources

- Reduction of CO₂ emissions by increasing efficiency in logistics, installation of solar panels on operating sites

Megatrend

- Digitalisation
- Cost pressure in healthcare system
- Climate change

ESG impact

IT security is key for sustainable business operation

- IT security for sustainable business operations

Waste, recycling, emissions and climate change

Reducing emissions and combating climate change

Transformation programme

Making employees fit for the future

- We support the continuous development of our employees
- Reducing mental health problems within the workforce through new working models
- Decisions shall be taken where the greatest knowledge is

Decision-making by competent, agile teams

- We want to work with as few hierarchies as possible and instead build strong teams that work together across organisational boundaries

Promoting equal opportunities and diversity

Megatrend

- Diversity and equal opportunities
- Employee satisfaction addresses the lack of qualified staff

ESG impact

Retention of qualified employees, employee motivation and development

- Employee satisfaction addresses the lack of qualified staff
- Employee motivation and development

Diversity and equal opportunities

- Employee satisfaction

Sustainability

About us

Sustainability is an integral part of Galenica's corporate management. This is based on the steadfast belief that proactive and responsible action contributes significantly to the long-term economic success of a company and has an impact both within and outside a company.

Our sustainability principles

We firmly believe that our Group can achieve long-term commercial success only if we also bear responsibility for society and use natural resources sparingly and efficiently.

This conviction is reflected in the three key sustainability principles of Galenica, in addition to our customer promise. Supported by the Executive Committee, they form an essential part of the Group's corporate culture.

Company value

We increase the value of the company in the long term by having a sustainable impact.

Employees

We oblige our employees to act responsibly and ensure they have a safe, flexible and supportive working environment.

Resource efficiency

We use resources sparingly and efficiently and reduce negative environmental impacts.

With these guiding principles, we educate and motivate employees to continuously increase our resource intensity, efficiency, capacity for innovation and, ultimately, competitiveness. On the other hand, the lively, ongoing dialogue with the various stakeholders helps to identify requirements and expectations at an early stage and to maintain Galenica's strong reputation.

Our key sustainability topics are integrated into the corporate vision and the objectives of the strategic programmes and are therefore part of the corporate strategy.

Sustainability organisation (GRI 2-12, 2-13, 2-17)

The Board of Directors bears ultimate responsibility for the economic, environmental and social impact of the Galenica Group. The Governance, Nomination and Sustainability Committee (GNSC) advises the Chair of the Board of Directors and the entire Board of Directors on sustainability matters. The Committee consists of the Chair of the Board of Directors, the Vice Chair and other members who are elected by the Board of Directors on the proposal of the Chair of the Board of Directors. Among other things, the Committee reviews the relevance matrix and the sustainability goals on an annual basis and ensures that the corporate strategy is geared towards sustainable management. In the reporting year, the GNSC discussed the topic of sustainability twice. The Board of Directors approves the sustainability goals and monitors progress in achieving them. The topic of sustainability was discussed by the Board of Directors four times in 2023. The Executive Committee is responsible for implementing the sustainability goals and integrating sustainability into day-to-day business.

The Sustainability Committee (SC) is led by the Chief Transformation Officer and plays an advisory and coordinating role. The Committee develops specific proposals for implementing the sustainability strategy for the attention of the Executive Committee and the Board of Directors. The main task is to systematise internal sustainability management and external reporting and to ensure that the measures are implemented. The Committee is structured in such a way that, in addition to be able to cover all key sustainability topics, all Business and Service Units and the Executive Committee are also represented on the Committee by a responsible person.

The SC met four times in the reporting year. In between Committee meetings, several smaller meetings were held by individual working groups to discuss the progress made with the sustainability goals and the implementation of the measures. In 2023, the measures were further specified or already implemented. This is mainly done in the Business Units. The SC coordinates the activities and the Chief Transformation Officer regularly reports to the Executive Committee and the Board of Directors.



Sustainability organisation

Materiality matrix (GRI 2-14, 3-1, 3-2)

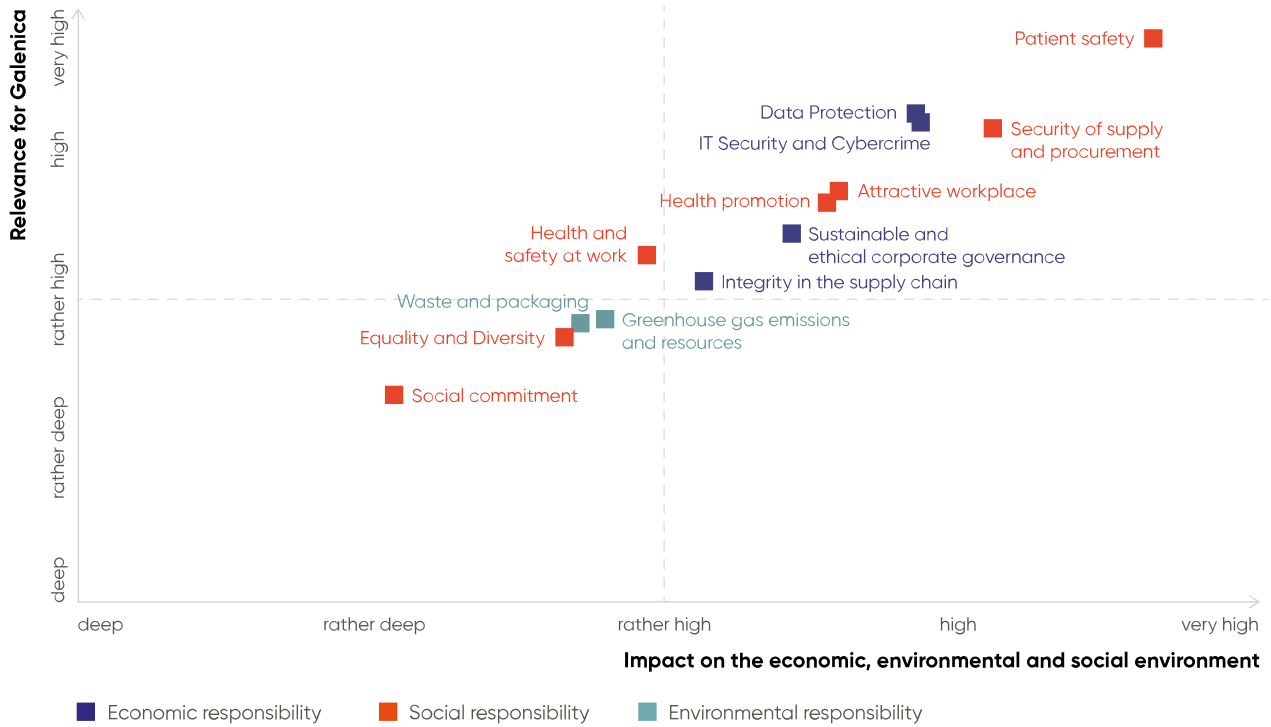
In 2023, Galenica conducted a materiality analysis based on the dual materiality principle. First, the impact of Galenica’s business activities on the social, environmental and economic environment was assessed through interviews with experts and stakeholders relevant to Galenica. We also drew on legal requirements, information from ESG standards and ratings, and peer comparisons to determine the impact. The identified impacts of business activities were summarised into overarching topics and discussed by the Executive Committee and the Board of Directors. Using an online survey, internal and external stakeholders – investors, partners, suppliers, customers, associations, employees and authorities – were asked about the key topics. They had to assess each from two perspectives and assign a score from very low to very high:

- Relevance for Galenica (outside-in perspective)
- Relevance for the social, environmental and economic environment of Galenica (inside-out perspective)

We have evaluated the results of the online survey and summarised them in the matrix below. The materiality matrix was acknowledged by the Executive Committee and the Board of Directors.

Further information on managing the material topics can be found in the section [Sustainability organisation](#).

Galenica provides information on the development of material topics once a year in its sustainability report. The Board of Directors is responsible for reviewing and approving the reported information.



Our sustainability goals

The SC has defined specific targets for all material sustainability topics, which were approved by the Executive Committee and the Board of Directors at the end of 2021. In 2023, the SC adjusted some of the goals. This was approved by the Executive Committee and the Board of Directors at the end of 2023.

Corporate governance

We train all employees in compliance at least once a year.

Twice a year, we carry out measures to raise employee awareness in the area of data protection.

We make our employees aware of IT security and cybercrime.

Patients and customers

We will increase the use of Clinical Decision Support Checks (CDS.CE) to 500 million by 2025 and 1 billion by 2030.

Starting in 2025, our top 10 suppliers are to be audited every three years for compliance with the Supplier Code of Conduct.

Customer satisfaction is at the heart of everything we do. NPS is used to systematically measure the satisfaction of end customers and determine the gap compared to the average of the competition.

We are increasing the number of healthcare services provided by 10% annually until 2027.

Employees

We will increase the motivation rate of our employee survey to 75 out of 100 points and the participation rate to 75% by 2024.

We will reduce the time-to-hire for IT and pharmacist positions by 10% by 2024 and reduce the Group-wide fluctuation by 6%.

We will improve diversity in all Service Units and keep the proportion of female managers at 50%.

We will reduce the number of cases due to mental illness.

We will reduce the absence rate of occupational and non-occupational accidents by 10% by 2024.

Environment

From 2025, we will be sourcing 100% of our electricity from renewable sources at all our locations.

We will reduce the greenhouse gas emissions produced by all our operations, processes and supply chains by 25% by 2025 and by 50% by 2030.

We will replace 40% of the fossil fuels in our vehicle fleet with renewable alternatives by 2028.

We will reduce our municipal waste by 50% by 2025.

The target for the time to hire with regard to retaining qualified employees has been adjusted as well as the additional parameter fluctuation, as the overriding objective of retaining qualified employees cannot be achieved simply by reducing the time to hire. The new objective is as follows: We will reduce the time to hire for pharmacy staff and IT (difficult hires) by 10% by 2024 and Group fluctuation by 6%.

In the 2023 materiality process, health promotion was also identified as a new relevant topic and positioned in the relevance matrix. A new objective has also been defined for this new topic: We will increase the number of healthcare services provided by 10% annually until 2027. In addition, a new NPS target was defined on the topic of customer satisfaction: Customer satisfaction is at the heart of everything we do. NPS is used to systematically measure the satisfaction of end customers and determine the gap compared to the average of the competition.

With the measures taken and implemented in 2023, achievement of the targets is generally realistic and on track. A few targets have been delayed slightly due to new or adapted processes and expanded data bases. Only the target "We train all employees in compliance at least once a year" was rated as critical at the end of 2023, as a quota of 100% is hardly achievable due to holiday absences or illness.

Progress towards our sustainability goals can be found in the GRI report.

Progress of the sustainability goals

Dialogue with stakeholders (GRI 2-29)

Galenica maintains relationships with its stakeholders that are characterised by transparency, honesty and mutual trust. Galenica's stakeholders include individuals, interest groups and organisations who directly or indirectly influence or are affected by the company's values, actions and performance.

A meaningful stakeholder engagement is characterised by continuous two-way communication and depends on the goodwill of all those involved. Galenica strives for successful collaboration by promoting regular exchange through various communication channels. This allows the various stakeholder groups to proactively voice their concerns and expectations of the company at any time. Galenica is addressing the issues arising from this and shaping further dialogue in accordance with the current challenges and needs of its stakeholders. This ensures that the topics are relevant to stakeholders and that the dialogue brings added value for both sides. The Executive Committee regularly discusses the concerns and priorities of the various stakeholder groups and reports to the Board of Directors. In this way, stakeholder concerns are incorporated into the decision-making process as far as possible.

Stakeholder group	Why we are committed	How we are committed	Topics discussed in 2023
Customers	<ul style="list-style-type: none"> – Increase customer satisfaction – Determine potential for improvement 	<ul style="list-style-type: none"> – Customer surveys 	<ul style="list-style-type: none"> – Satisfaction with healthcare services – Low-threshold access to healthcare services
Shareholders	<ul style="list-style-type: none"> – Increase trust in the company – Money – Galenica as an attractive and secure investment 	<ul style="list-style-type: none"> – Dialogue at AGM – Annual communication via AR – IR Day and roadshows – Direct investor dialogue 	<ul style="list-style-type: none"> – Galenica's role in Swiss healthcare – Further development of the company – Innovation and new business areas
Suppliers	<ul style="list-style-type: none"> – Continuous improvement process in quality management – Transparency – Providing a seamless service – Supply chain integrity – Ensuring ability to deliver 	<ul style="list-style-type: none"> – Code of Conduct for Suppliers – Direct dialogue between Purchasing and delivery partners – Satisfaction survey of key suppliers – Safety Stock initiative 	<ul style="list-style-type: none"> – Quality aspects – Costs and prices – Innovations – Supply chain integrity – Product availability
Scientific institutions	<ul style="list-style-type: none"> – Promoting young talent – Training for healthcare professions 	<ul style="list-style-type: none"> – Financing of the Chair of the University of Bern (Pharmacy) – Lectures on vocational training 	<ul style="list-style-type: none"> – Quality of teaching – Attractiveness of healthcare professions (retail pharmacy)
Current and potential employees	<ul style="list-style-type: none"> – Attracting and retaining qualified employees – Employee satisfaction and motivation 	<ul style="list-style-type: none"> – Active recruitment – Fringe benefits – Fair employment conditions – University marketing / events – Position Galenica as an employer of choice 	<ul style="list-style-type: none"> – Galenica as an attractive employer – Attractiveness of healthcare professions
Authorities and associations	<ul style="list-style-type: none"> – Political influence – Ensuring sustainable business operations 	<ul style="list-style-type: none"> – Membership of association boards – Regular dialogue with relevant associations – Meetings with politicians, authorities 	<ul style="list-style-type: none"> – Galenica's role in Swiss healthcare – Opportunities and risks of liberalisation in the healthcare sector – Costs / cost containment

Protecting its stakeholders is a top priority for Galenica. The company complies with the applicable laws and regulations, specifically in the areas of data protection, occupational health and safety, investor protection, environmental protection and consumer protection. Suspicions of non-compliance with laws and regulations can be reported via the external whistleblower reporting office. Details can be found in the section [Sustainable and ethical corporate governance](#).

Galenica employees have access to other points of contact. The MOVIS social counselling service supports them with issues relating to health and work-life balance, and individual case management ensures appropriate work arrangements for people with health issues or mental disabilities.

Galenica ensures that its customers are protected by providing patient-oriented advice in pharmacies and in the home care sector. Advice is individually tailored to the needs of patients and takes into account the latest medical findings. More information can be found in the chapters on [Patient safety](#) and [Health promotion](#).

Memberships of associations and interest groups (GRI 2-28)

Galenica is involved in various healthcare and industry associations in order to represent its interests. Membership in these organisations allows us to help shape the framework conditions for Galenica and strengthen our network. In addition, we gain new insights into our business activities through exchanges with other companies and organisations. In the reporting period, Galenica was a member of the following associations and interest groups:

ASSGP, Association of the Swiss Self-Medication Industry

Blistersuisse

GESKES, Society for Clinical Nutrition in Switzerland

GSASA, Swiss Association of Public Health Administration and Hospital Pharmacists

Helvecura Genossenschaft, compulsory storage organisation for therapeutic products

Refdata, Refdata Foundation

Avenir Suisse

Medswiss.net Trägerverein, Swiss Umbrella Association of Physician Networks

pharmalog, Swiss Pharma Logistics Association

pharmaSuisse, Swiss Association of Pharmacists

ScienceIndustries, Business Association for Chemistry-Pharma-Biotech

Swiss Medtech, Swiss Medical Technology Association

GFH Healthcare Retailers Association

VIPS, Association of Pharmaceutical Companies in Switzerland

VSVA, Association of Swiss Mail-order Pharmacies

Association QualiCCare, Association for the Improvement of Quality in Treatment of Chronic Diseases in Switzerland

ASTAG, Swiss Commercial Vehicle

Association Freedom Healthcare Alliance

GIRP, European Healthcare Distribution Association

HIV, Trade and Industry Association of the canton of Bern

eHealth Interest Group

SGGP, Swiss. Society for Health Policy

SMVO, Swiss Medicine Verification Organisation

SVKH, Swiss Association for Therapeutic Products in Complementary Medicine

Swissholdings, Association of Industrial and Service Groups in Switzerland

VNL Schweiz, Verein Netzwerk Logistik e.V., Logistics Network Association

Our contribution to the Sustainable Development Goals

The Sustainable Development Goals (SDGs) form the global reference framework for sustainable development. The Galenica Group is committed to the SDGs. As Switzerland's leading fully integrated healthcare provider, we make an important contribution to SDG 3 (Health and Well-being). This objective is central to our business activities and is in line with our customer promise to support people at every stage of life on their journey towards health and well-being. We also contribute to SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 10 (Reduced Inequalities) and SDG 16 (Peace, Justice and Strong Institutions) through our corporate activities.



Patient safety and health

Patient safety and health are a top priority for us. With personal and competent advice and a unique range of products and services, we support our patients in all life situations at every stage of their lives, promote their well-being and enable people of all ages to lead a healthy life.



Emissions and climate change

We promote the use of renewable energies in distribution and the use of public transport and electromobility by our employees. We always take measures to increase energy efficiency into account and examine the feasibility of installing photovoltaic systems. In addition, we have defined specific targets for reducing greenhouse gas emissions, replacing fossil fuels and using exclusively renewable energy sources at all operation sites. We also rely on supply chain partnerships in accordance with SDG 17 to promote recycling with regard to the climate, water and waste. With these measures, we are contributing to the fight against climate change.



Waste and recycling

In addition to traditional municipal waste, we also produce medical and chemical waste. The prevention, reduction, recycling and professional disposal of waste is of central importance to us. We also contribute to biodiversity conservation by disposing of medications properly. Environmentally friendly waste management forms the basis for responsible consumption and production.



IT security and cybercrime

With the increasing digitalisation of the healthcare system, the risk of cyber attacks is growing. This is why IT security is highly important at Galenica. As a healthcare provider, we process sensitive information and data. We ensure that they are protected against unauthorised access and unauthorised changes or loss. Protecting IT systems is key to a peaceful and inclusive society as well as strong institutions.



Data protection

Protecting patients and customer data is a top priority for us. We respect and protect the personal data and privacy of patients when processing their data. Our Data Protection Policy contains general rules on the organisation and responsibilities of the Galenica Group with regard to data protection. Data protection is an important basis of a peaceful and inclusive society as well as strong institutions.



Reliable procurement and supply chain

We work closely with suppliers to ensure the greatest possible availability of medicines. An IT-based scheduling system also helps us to optimise procurement and logistics processes. Reliable provision of medicines to the population is key to promoting health and well-being.



Employee motivation and development

Our employees play a key role in our success. We consistently promote employee motivation and development by offering our employees attractive and fair employment conditions, modern and flexible working models and various programmes and opportunities for further development. We also support the next generation of qualified employees by training apprentices. Through all these measures, we are supporting sustainable labour and economic growth in Switzerland.



Retention of qualified employees

Retaining qualified employees in the healthcare professions and IT sectors is a major challenge in Switzerland. Our recruitment strategy includes measures to promote the company's image as an employer, positioning and university marketing for pharmaceutical students in order to secure qualified employees. In doing so, we are supporting sustainable labour and economic growth in Switzerland.



Occupational health and safety

The physical and mental health of employees is very important at Galenica. This is why we take all possible precautions to protect the health and safety of all employees in the workplace. We also operate preventive case management in order to identify potential health risks at an early stage and ensure a quick return to work after an illness or accident. We are thus making a significant contribution to the health and well-being of our employees.



Diversity and equal opportunity

We are committed to diversity and equality and bring together people from 89 countries and all age groups. Three-quarters of employees are women. Our Code of Conduct states that we do not tolerate any discrimination or harassment. We also ensure that salaries are equal between men and women. We ensure equal opportunities and are committed to reducing inequalities. In doing this, we also contribute to SDG 5 (Gender Equality).



Corporate Governance

Good and transparent corporate governance is crucial for us to manage the company effectively and efficiently. In addition, corporate governance forms the basis for a peaceful and inclusive society based on equal participation of all people, as well as strong institutions.



Compliance

We attach great importance to conducting our business activities ethical and legal manner. All of our business activities are conducted in accordance with applicable laws, and respect for human rights is nonnegotiable for us. This is how we contribute to a peaceful and inclusive society.

Corporate Reporting

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Corporate Governance

Corporate Reporting

The Corporate Governance report outlines the structures, processes, and regulations on which well-functioning corporate governance at Galenica is based. Galenica meets the requirements of Swiss law and those stated in the SIX Swiss Exchange Directive on Information relating to Corporate Governance (Directive Corporate Governance) and follows the recommendations of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*. The structure of this Corporate Governance report is based on the SIX Swiss Exchange Directive Corporate Governance. The remuneration and profit-sharing for top management are disclosed in a separate Remuneration report, Chapter Remuneration awarded for 2023 and 2022.



Group structure and shareholders (GRI 2-1, 2-15)

Structure of the Group

Galenica is headquartered at Untermattweg 8, 3027 Bern, Switzerland. It is a corporation under Swiss law and, as a holding company, owns all the companies in the Galenica Group directly or indirectly. Galenica has been listed on the SIX Swiss Exchange since 7 April 2017 (ticker symbol: GALE). Shares in Group companies are not publicly traded.

The Group's structure and the consolidated subsidiaries and associates are shown in the Consolidated financial statements 2023 ([Note 32, Group companies](#)). The addresses of the main Group companies as well as the [Articles of Association](#) of Galenica and the Organisational Regulations and the charters of the committees of the Board of Directors can be accessed on the [Galenica website](#).

Shareholders

As at 31 December 2023, Galenica had 19,277 shareholders, five of which, according to documents submitted to Galenica and the SIX Swiss Exchange, were major shareholders holding 3% or more of the voting rights in Galenica Ltd.

Major shareholders as at 31 December 2023 (holding 3% or more of the voting rights)

Shareholders	Number of shares	Shares in %
UBS Fund Management (Switzerland) AG, Switzerland	2,671,158	5.3
Credit Suisse Funds AG, Switzerland	2,495,385	5.0
Alecta Pensionsförsäkring, Sweden	2,000,000	4.0
BlackRock, Inc., USA	1,579,198	3.2
Swisscanto Fondsleitung AG, Switzerland	1,533,324	3.1

No other shareholder disclosed exceeding the 3% threshold of shares.

The transactions disclosed to the Stock Exchange Disclosure Office pursuant to Article 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinMIA) can be viewed on the Disclosure Office website of the [SIX Swiss Exchange](#).

As of 31 December 2023, the pension fund of the Galenica Group was not registered.

Cross shareholdings

Galenica has no cross shareholdings in companies outside the Galenica Group.

Number of registered shareholders as at 31 December 2023

Number of shares	Shareholders	Shares in %
1 - 100	4,429	0.5%
101 - 1,000	12,441	9.6%
1,001 - 10,000	2,132	11.2%
10,001 - 100,000	233	14.4%
> 100,000	42	27.3%
Total registered shareholders/shares	19,277	63.0%
Unregistered shares		37.0%
Total		100.0%

Registered shareholders per type as at 31 December 2023

	Shareholders in %	Shares in %
Individual Shareholders	95.0%	35.1%
Legal entities	5.0%	64.9%
Total	100.0%	100.0%

Registered shareholders per country as at 31 December 2023

	Shareholders in %	Shares in %
Switzerland	95.6%	83.6%
Germany	2.5%	1.0%
USA	0.1%	3.4%
GB	0.1%	9.0%
Other countries	1.7%	3.0%
Total	100.0%	100.0%

Structure of the share capital

Share capital

As at 31 December 2023, the fully paid share capital of Galenica amounted to CHF 5,000,000, divided into 50,000,000 shares, each with a nominal value of CHF 0.10. Galenica shares (securities no. 36 067 446, ISIN CH036 067 446 6) are listed on the SIX Swiss Exchange. As at 31 December 2023, 49,832,180 shares were outstanding (not including treasury shares). The market capitalisation amounted to CHF 3,625.3 million.

Capital band and conditional capital in particular

According to Article 3b of the [Articles of Association](#), the share capital may be increased by a maximum of CHF 500,000 by exercising conversion rights or option rights. As of 31 December 2023, Galenica had no conditional capital. For authorised capital, see below.

Changes in the capital

In 2021, the Annual General Meeting did not approve the Board of Directors being authorised to increase the Company's share capital by a maximum of CHF 500,000 at any time up to 12 May 2023, by issuing a maximum of 5,000,000 fully paid-up registered shares, each with a nominal value of CHF 0.10. Therefore, Galenica no longer has any authorised capital.

Further information about changes in the share capital, reserves during the last three financial years and distributable profit during the last three financial years can be found in the [Financial statements 2023](#) of Galenica Ltd., Note Shareholders' equity.

Participation and dividend certificates

Galenica has no participation or dividend certificates.

Registration of shareholders

Buyers of shares are entered in the shareholders' register upon request as shareholders with voting rights if they declare explicitly that they have acquired the shares in their own name and for their own account.

Registration and voting rights

Each registered share entitles the holder to one vote at the Annual General Meeting. Pursuant to Article 13 of the [Articles of Association](#), voting rights at Galenica are restricted to 5% of the share capital.

Legal entities and partnerships, other groups of persons or joint owners who are interrelated through capital ownership, voting rights, common management or are otherwise linked, as well as individuals or legal entities or partnerships that act in concert to circumvent this provision, are treated as one single entity.

The Board of Directors may refuse registration in the shareholders' register if purchasers do not declare explicitly, upon request, that they have acquired the shares in their own name and for their own account. The Board of Directors is also authorised to cancel any entries in the shareholders' register that came about on the basis of incorrect information or to change these into entries without voting rights, and vice versa.

The Board of Directors may approve exceptions to the voting rights restrictions in order to permit the participation of strategic partners in Galenica in an amount not exceeding 20% of the share capital. The Board did not exercise this right in the year under review.

Registration of nominees

A nominee may be registered with voting rights up to a limit of 2% of the share capital entered in the commercial register. Shares in excess of this limit can only be registered if the nominee in question discloses the name, address, and number of shares of the person for whose account the nominee holds 0.5% or more of the share capital entered in the commercial register (Article 6(2) of the [Articles of Association](#)). Galenica has signed an agreement of this nature with three nominees.

Convertible bonds and options

Galenica has no outstanding convertible bonds, nor has it issued any traded options.

Board of Directors (GRI 2-9, 2-10, 2-15)

Board of Directors

Board Committees

Audit & Risk Committee	Remuneration Committee	Governance, Nomination and Sustainability Committee
------------------------	------------------------	---

The Board of Directors of Galenica is responsible for the overall management and ultimate supervision of the Group. It determines the strategic goals, the general ways and means to achieve them while harmonising strategy, risks, and financial resources, and issues instructions and oversees the managers responsible for conducting the company's businesses. The Board of Directors pursues the aim of increasing enterprise value on a sustainable basis and ensures a balanced relationship between management and control (corporate governance). It decides on the Group's medium-term planning, budget, and annual objectives. The values and essential framework of the company's activities are also determined by the Board of Directors. For the Board of Directors, sustainability is of central importance and bears ultimate responsibility for the economic, environmental and social impact of the Galenica Group. The Board of Directors approves the sustainability goals and monitors progress in achieving them. With regard to personnel, the Board of Directors is responsible for the selection and deselection of the members of the committees, the CEO, and the members of the Corporate Executive Committee, as well as the organisation of the remuneration system.

The specific duties of the Board of Directors of Galenica are based on the Swiss Code of Obligations (in particular Article 716a CO), the company's [Articles of Association](#), and its [Organisational Regulations](#). Pursuant to the Articles of Association, the Board of Directors consists of five to nine members.

The Board of Directors consisted of seven members as of the end of 2023.

Board of Directors competence and evaluation

In selecting the members of the Board of Directors, care is taken to ensure that the relevant competences for Galenica’s activities are represented and that the necessary specialised expertise is available. The Board of Directors evaluates current and prospective members of the Board according to a competence matrix to ensure that an appropriate mix of relevant skills and experience is represented. Particular attention is paid to diversity and complementarity.

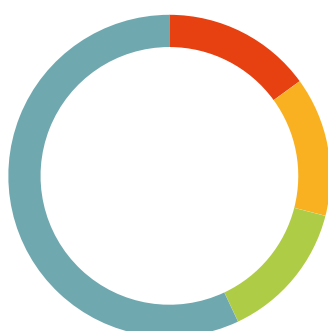
In 2022, an assessment was carried out with external support (Thomas Hammer, Board Consulting). The Board of Directors is a well-constituted team of optimum size, with a range of experience, complementary expertise and a good combination of different personalities. The Board of Directors and the committees of the Board of Directors carried out a self-assessment in 2023.

Competences

	Markus R. Neuhaus	Pascale Bruderer	Bertrand Jungo	Judith Meier	Solange Peters	Andreas Walde	Jörg Zulauf
Industry Experience		x	x	x	x	x	
Digitalisation		(x)	(x)		(x)		x
Regulations/Politics	x	x		x	x	x	
Leadership/Big Corp.	x		x	x			x
Finance/M&A	x					x	x
Legal/Compliance	x					x	x
HR/Remuneration	x		x	x	x	x	
Sustainability	x	x				x	x

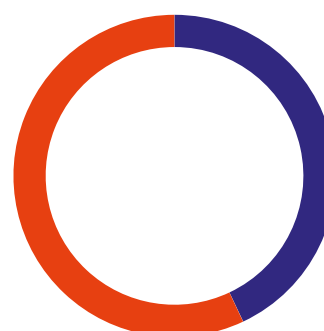
An (x) in brackets refers to substantive experience that was gained through intensive engagement in the corresponding area, but without formally holding a position of responsibility or having completed an educational programme in the respective field.

Age



- 40 - 45: 0%
- 45 - 50: 15%
- 50 - 55: 14%
- 55 - 60: 14%
- 60 - 65: 57%
- 65 - 70: 0%

Gender



- Female: 43%
- Male: 57%

The number of appointments that a member of the Board of Directors may hold in comparable positions at other commercial companies is limited to seven, of which four may be appointments at listed companies, and is limited to fifteen appointments at other legal entities such as foundations and associations with a for-profit purpose. These limits must not be exceeded, unless the appointment is temporary. These restrictions do not apply to appointments at companies controlled by the company or carried out on behalf of the company or companies controlled by it. An appointment at a Group of legal entities which are under uniform control is deemed a single appointment (Article 17(3) of the [Articles of Association](#)).

None of the members of the Board of Directors hold an executive role within Galenica or in any of the companies within the Group in the year under review or has held such a role in any of the three financial years prior to the year under review.

Based on the criteria of the Swiss Code of Best Practice for Corporate Governance, all members are therefore independent.

Disclosure of potential conflicts of interest

No member of the Galenica Board of Directors has any significant relations with Galenica or any of its subsidiaries.

Election and term of office

Each member of the Board of Directors and the Chairman are elected individually by the Annual General Meeting for a term of office of one year until the end of the next Annual General Meeting. Re-election is permissible. Upon reaching the age of 70, the members of the Group Board of Directors must resign from office with effect from the next Annual General Meeting. The Board of Directors may, however, propose to the Annual General Meeting that they be re-elected in individual cases (Article 3.4 of the [Organisational Regulations](#)).

Internal organisation

The Chairman calls a meeting of the Board of Directors at least four times a year and prepares and leads the meetings. The individual agenda items are set by the Chairman. He decides on a case-by-case basis whether to involve additional persons in the consultations of the Board of Directors. The Corporate Executive Committee also participates in part of every meeting to report on ongoing business and to explain in more detail the documentation in light of the decisions to be taken. Any member of the Board may request that the Chairman calls a meeting of the Board of Directors and that items be included on the agenda. The members of the Board receive the documentation they need to prepare for the agenda items in a timely manner, normally seven days before the meeting in question. The Board of Directors constitutes a quorum when the majority of its members are present. Minutes are kept, recording all discussions and resolutions.

As part of its risk management, the Board of Directors receives from the Corporate Executive Committee an overview of the most important risks, along with preventive measures to be implemented Group-wide as part of the risk management process. This is provided when circumstances require it, but at least twice a year. The Board of Directors approves the overview.

A commitment to abiding by the law and guidelines (compliance) and acting with integrity is the cornerstone of the corporate culture of the Galenica Group and is a consistent focus of its corporate governance. The Board of Directors ascertained the current status of the various compliance measures at a meeting held during the year under review. The Code of Conduct of the Galenica Group is particularly important for the Board of Directors. It sets out all of the key principles relating to corruption, bribery, gifts and the provision of hospitality for all employees.

The Galenica Group operates mostly in Switzerland nevertheless the Group is within the scope of the OECD Pillar Two model rules. Since the Pillar Two model legislation is enacted in the jurisdictions relevant to Galenica as per January 2024, Galenica has reviewed its corporate structure considering the introduction of Pillar Two model rules.

Committees

The Board of Directors forms the following committees from its members:

- Governance, Nomination and Sustainability Committee
- Remuneration Committee
- Audit and Risk Committee

The committees prepare the business of the Board of Directors in the areas of activity assigned to them and submit recommendations to the entire Board of Directors. They meet as often as business requires and report to the Board of Directors on their activities and results. They draw up their own agendas and keep minutes.

Each committee has its own duties and responsibilities, which are stipulated in a charter.

Committees of the Board of Directors and their chairs and members 2023

	Name	Member since	Independent	Remuneration Committee (RC)	Audit and Risk Committee (ARC)	Governance, Nomination and Sustainability Committee (GNSC)
Board of Directors	Markus R. Neuhaus Chairman	2019	Yes			Chairman
	Pascale Bruderer Vice-Chairwoman	2020	Yes	Member		Member
	Bertrand Jungo	2018	Yes	Chairman	Member	Member
	Judith Meier	2022	Yes		Member	
	Solange Peters (since AGM 2023)	2023	Yes	Member		
	Andreas Walde	2017	Yes	Member	Member	
	Jörg Zulauf (Since AGM 2023)	2023	Yes		Chairman	
Honorary Chairman	Etienne Jornod					
General Secretary	Barbara Wälchli					

Governance, Nomination and Sustainability Committee

The Governance, Nomination and Sustainability Committee comprises three members. This committee supports the Board of Directors in the ultimate direction and supervision of the Company and the Group. It supports the Board of Directors in determining the appropriate size, function, and needs of the Board, as well as the identification of individuals qualified to become or be re-elected as Board members. It also evaluates the appointment of and changes to the members of the Executive Committee and is kept informed about the succession planning for the Senior Management levels.

The Committee assists the Board in advising on the sustainability strategy, targets, initiatives and legislation regarding ESG topics. It includes monitoring progress on sustainability goals.

Remuneration Committee

The Remuneration Committee is composed of four members of the Board of Directors who meet the independence criteria set forth in the Organisational Regulations. The Remuneration Committee carries out the following duties in particular:

- Proposes a remuneration strategy and objectives for the Group and the members of the Corporate Executive Committee to the Board of Directors;
- Proposes the salaries and remuneration for the members of the Board of Directors, the Chairman and the CEO to the Board of Directors;
- Approves the remuneration for the members of the Corporate Executive Committee (excluding the CEO) according to the proposal of the CEO and in agreement with the Chairman of the Board of Directors.

The regulations in the [Articles of Association](#) governing remuneration as well as the activities and focuses of the Remuneration Committee in the year under review are detailed in the [Remuneration report](#).

Audit and Risk Committee

The Audit and Risk Committee comprises four members and supports the Board of Directors in fulfilling its duties with regard to accounting, financial and non-financial reporting, risk management, and compliance, as well as internal and external audits. The Audit and Risk Committee carries out the following duties in particular:

- Audits reports by the Corporate Executive Committee on the company's compliance and risk management process;
- Monitors measures taken by the Corporate Executive Committee for compliance with internal and external regulations;
- Evaluates the effectiveness of the external auditor and approves its fees;
- Evaluates the internal audit programme, takes note of reports from Internal Audit and checks whether the Corporate Executive Committee has used appropriate measures to implement Internal Audit's recommendations;
- Submits recommendations to the Board of Directors on the Group's capital structure, financing of investments and acquisitions, and setting of long-term objectives;
- Reviews the non-financial reporting.

Frequency of meetings of the Board of Directors and its committees in 2023

In 2023, the Board of Directors held eleven meetings. Each meeting lasted between two to seven hours, including a two-day strategy meeting. The Remuneration Committee met three times, the Audit and Risk Committee nine times. The Governance Nomination and Sustainability Committee met five times. Furthermore, various videoconferences regarding specific issues were held.

In principle, all the members participate in all the meetings of the Board of Directors. Attendance of meetings of the Board of Directors in 2023 was 96%, and that of committee meetings was 100%.

The CEO and CFO attended each meeting of the Board of Directors and the Audit and Risk Committee. The Board of Directors and its Committees invite members of the Corporate Executive Committee and the Extended Corporate Executive Committee to attend the meetings related to specific topics.

Attendance in Board Meetings and Committees

	Board of Directors	Audit and Risk Committee (ARC)	Remuneration Committee (RC)	Governance, Nomination and Sustainability Committee (GNSC)
Number of meetings	11	9	3	5
Average duration (hours)	4	2	1,5	1
Meeting attendance	96%	100%	100%	100%

	Board of Directors	Audit and Risk Committee (ARC)	Remuneration Committee (RC)	Governance, Nomination and Sustainability Committee (GNSC)
Number of meetings	11	9	3	5
Daniela Bosshardt*	5*			2*
Pascale Bruderer	9		2**	5
Michel Burnier*	5*		1*	
Bertrand Jungo	11	9	2**	5
Judith Meier	11	9		
Markus R. Neuhaus	11	3*	1*	5
Solange Peters**	5**		2**	
Andreas Walde	11	9	3	
Jörg Zulauf**	6**	6**		

* (member until May 2023)

** (member since May 2023)

Information and monitoring tools of the Board of Directors with respect to management

Risk management

Galenica has a risk management process in place which enables the Board of Directors, the Corporate Executive Committee, and the relevant management of Group companies to identify and assess potential risks in a timely manner and take the preventive measures necessary. The goal of this process is to identify and assess significant risks at all management levels and to manage them while making conscious use of the opportunities the process provides.

As part of Group-wide Galenica Risk Management (GRM), the companies in the Group conduct a risk assessment at least twice a year. This standardised process is based on a risk grid in which the most important strategic and operational risks and their possible effects – particularly from a financial and reputational perspective – are identified in line with pre-defined criteria and then evaluated in accordance with the probability of their occurrence and their effect. These risks are entered into a risk matrix for each Service Unit and, depending on the importance, also incorporated into the Group risk matrix.

The Board of Directors of Galenica receives an overview of the most important risks from the Corporate Executive Committee when circumstances require it, but at least twice a year. The Board approves the overview, adding information as needed, and where required takes decisions on any preventive measures necessary, which will then be implemented Group-wide as part of the risk management process.

Galenica defines risk as the possibility that an event or an action will lead to immediate financial loss or other negative consequences.

Additional information about the management of financial risks can be found in the [Notes to the consolidated financial statements 2023, Note 27 Financial risk management](#).

Internal control system

As part of its risk management system, Galenica operates an internal control system (ICS) to provide reliable internal and external financial reporting and to prevent false information and errors about business transactions. The ICS provides the necessary processes and controls to ensure that risks relating to the quality of the company's financial reporting can be detected and managed in a timely manner. A thorough review of the existence of the processes and controls of the Galenica ICS is carried out annually by the external auditors at the time of the interim audit. The results of these reviews are reported to the Audit and Risk Committee. Appropriate measures are taken by management to continually improve the company's processes with regard to the process areas of purchasing, procurement, investments, sales, HR, general financial management and reporting, as well as IT controls.

Internal Audit

Internal Audit carries out audits of operational and strategic risk management and the ICS in accordance with the audit plan determined by the Audit and Risk Committee. It carries out reviews, analyses and interviews across the Group and helps the Service Units to meet their targets by ensuring an independent assessment of the effectiveness of the internal control processes. Internal Audit regularly produces reports on its audits and reports directly to the Audit and Risk Committee in writing. The activities of Internal Audit are conducted through contracts issued to external service providers.

Management

Corporate Executive Committee

Marc Werner CEO Galenica Group	Felix Burkhard Finance	Virginie Pache Pharmacies	Daniele Madonna Healthcare	Dr Thomas Szuran Products & Marketing	Andreas Koch Wholesale & Logistics	Lukas Ackermann IT & Digital Services	Arianne Hasler People & Culture
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Extended Corporate Executive Committee

Christina Hertig Corporate Communications	Barbara Wälchli Legal & Board Services	Jürg Pauli Transformation
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The Board of Directors has delegated the management of the company to the CEO in accordance with the Organisational Regulations. The CEO assumes operational management of the Galenica Group and heads both the Corporate Executive Committee and the Extended Corporate Executive Committee. The CEO reports to the Chairman of the Board of Directors. The Board of Directors maintains regular contact with the CEO and the members of the Corporate Executive Committee and the Extended Corporate Executive Committee.

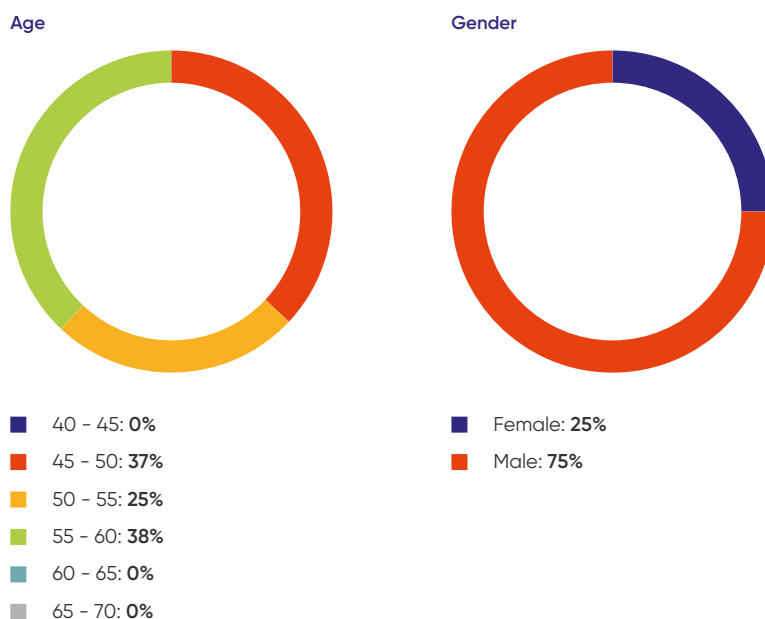
Corporate Executive Committee

The instructions and resolutions of the Board of Directors are implemented for each of the Group's Service Units by the Corporate Executive Committee and the Extended Corporate Executive Committee under the leadership of the CEO. The Board sets appropriate objectives for the CEO and those members of the Corporate Executive Committee allocated to the relevant Service Unit and approves the budget. The Board of Directors receives monthly reports, which include key figures and reporting on important events and developments, and on the planning cycle. In the first quarter, the results for the previous year are compared with the planning for the current financial year. In the first quarter of the current financial year, the annual financial statements for the previous year are prepared, and in the second quarter, an initial forecast for the current financial year is drawn up. The third quarter sees the preparation of the half-year financial statements, and the fourth quarter a further forecast together with the budget for the following year and medium-term planning for the subsequent two years.

If a member of the Executive Committee wishes to accept appointments with comparable functions at other commercial companies, this requires the approval of the Board of Directors and is limited to five appointments, of which a maximum of one per member of the Executive Committee may be at a listed company; the maximum number of appointments per member of the Executive Committee at other legal entities such as non-profit foundations and associations is

limited to ten. Only temporary exceedances are permitted. These restrictions do not apply to appointments at companies controlled by the Company or carried out on behalf of the Company or companies controlled by it. Appointments in different legal entities which are under uniform control are deemed a single appointment (Article 20 (4) of the [Articles of Association](#)). None of the members of the Corporate Executive Committee reached this limit in 2023.

Further information on the other duties of the Board of Directors and the Corporate Executive Committee can be found in the Organisational Regulations published on the [Galenica website](#).



Information and monitoring tools

The Board of Directors monitors the Corporate Executive Committee and supervises its working practices. The Galenica Group has a comprehensive electronic information management system. The Board of Directors receives a written report on a quarterly basis and is informed on a monthly basis about the Group's financial and operating performance. In addition, operating performance, opportunities, and risks are discussed in depth at meetings attended by members of the Corporate Executive Committee.

Management contracts

No management contracts exist as specified under point 4.4 of the Annexe to the SIX Swiss Exchange Directive Corporate Governance.

Remuneration, Shareholdings and Loans

The regulations in the [Articles of Association](#) governing remuneration (incl. profit-sharing, loans, credits, and pension benefits) of members of the Board of Directors and the Corporate Executive Committee, as well as those governing votes by the Annual General Meeting on remuneration can be found in the [Remuneration report](#).

Shareholders' rights to participate

The Annual General Meeting is held each year within six months of the close of the financial year (Article 10(1) of the [Articles of Association](#)).

Extraordinary General Meetings shall be convened as required by resolution of the Annual General Meeting or by the Board of Directors or, if necessary, by the auditor. Shareholders may request that a General Meeting be convened, provided they together hold at least 5% of the share capital or of the votes. Their request that the meeting be convened must be made in writing. The items on the agenda and motions must be included in the request. (Article 10(2) of the [Articles of Association](#)).

Each share recorded as a share with voting rights in the shareholders' register entitles the holder to one vote at the Annual General Meeting. Shareholders are also entitled to dividends and have other rights pursuant to the Swiss Code of Obligations.

Results of the ballots taken at the Annual General Meetings are made available on the [Galenica website](#) after each meeting.

Voting restrictions and proxy voting

According to Article 13(3) of the [Articles of Association](#), a shareholder may be represented at the Annual General Meeting by the independent proxy holder, their legal representative or, based on a written proxy form, by another authorised representative who does not need to be a shareholder. There are no rules that deviate from legal provisions relating to attendance of the Annual General Meeting.

A shareholder or a beneficiary with voting rights may register for shares which, when added to shares already registered as voting shares in the purchaser's name, do not exceed 5% of all voting shares (Article 13(1) of the [Articles of Association](#)).

Procedure and conditions for lifting restrictions on voting rights

Shareholders may request that items be placed on the agenda provided that they together hold at least 0.5% of the company's share capital or votes. Subject to those prerequisites, shareholders may request that motions relating to agenda items be included in the convocation of the Annual General Meeting. The shareholders may submit a brief statement of reasons for the inclusion of agenda items or motions. This must be included in the convocation of the Annual General Meeting. Such a request must be received by the company in writing at least 40 days prior to the meeting, stating the agenda item, motion or motions (Article 10(3) of the [Articles of Association](#)). Unless otherwise provided by law or the Articles of Association, the Annual General Meeting shall pass resolutions and conduct elections by a majority of the shares bearing voting rights represented.

Quorums under the Articles of Association

Unless otherwise provided by the Swiss Code of Obligations, the Annual General Meeting passes resolutions and elections with the majority of the votes represented at the meeting.

Convening of the Annual General Meeting

The [Articles of Association](#) do not differ from the relevant legal regulations as regards the convening of the Annual General Meeting and the setting of the agenda.

The Annual General Meeting is convened by the Board of Directors no later than 20 days before the date of the meeting. The shareholders are invited to attend by a notice placed in the Swiss Gazette of Commerce (SHAB). The Board of Directors may designate additional publication organs. The meeting may also be convened by sending a letter or e-mail to the addresses stated in the shareholders' register (Article 28 of the [Articles of Association](#)). The following information must be included in the notice convening the Annual General Meeting: The date, the starting time, the form and the location of the Annual General Meeting; the items on the agenda; the motions of the Board of Directors and a brief explanation of the motions; if applicable, the motions of the shareholders together with a brief explanation of the reasons; the name and address of the independent proxy holder (Article 11(2) of the [Articles of Association](#)).

Inclusion of items on the agenda

Shareholders may request that items be placed on the agenda provided that they together hold at least 0.5% of the company's share capital or votes. Subject to those prerequisites, shareholders may request that motions relating to agenda items be included in the convocation of the General Meeting. The shareholders may submit a brief statement of reasons for the inclusion of agenda items or motions. This must be included in the convocation of the General Meeting. Such a request must be received by the company in writing at least 40 days prior to the meeting, stating the agenda item, motion or motions (Article 10(3) of the [Articles of Association](#)).

Shareholders' register

There are no regulations in the [Articles of Association](#) regarding a deadline for entry in the shareholders' register. However, for practical reasons the shareholders' register remains closed to entries for several days prior to an Annual General Meeting. This will be the case from Wednesday 3 April 2024 for financial year 2023 and from Thursday 3 April 2025 for financial year 2024. Shareholders entered in the shareholders' register by Tuesday 2 April 2024 and Wednesday 2 April 2025 respectively may exercise their voting rights at the corresponding Annual General Meeting.

Instructions to the independent proxy holder may be given in writing and also electronically through a platform called Nimbus Shapp[®], which is used by Galenica. The invitation to the Annual General Meeting, which will be sent to all shareholders on or around 19 March 2024, includes the required login information to create a personal user profile (Article 13(3) of the [Articles of Association](#)). The instructions must be received by the independent proxy holder by the evening of the penultimate day before the Annual General Meeting, i.e. by Monday 8 April 2024 for the 2024 Annual General Meeting and by Tuesday 8 April 2025 for the 2025 Annual General Meeting.

Change of control and defence measures

The obligation to make a public offer pursuant to Article 125 et seq. FinMIA has not been changed in the [Articles of Association](#). The employment contracts of the members of the Corporate Executive Committee and the members of senior management contain no provisions to this effect either.

Auditors

Ernst & Young AG, Bern, Switzerland, have been the Galenica Group's auditors since 2017. Daniel Zaugg, certified accountant and partner at Ernst & Young, has been the leading auditor since the business year 2021. The fees paid to the Group's auditors, Ernst & Young, in 2023 for their audit of Galenica and its subsidiaries totalled CHF 823,000.

The fees paid to Ernst & Young and their close collaborators for other services rendered to Galenica and its subsidiaries in the period under review amounted to CHF 126,000 for additional advice in audit matters.

In 2023, the auditors attended two meetings of the Audit and Risk Committee. The auditors presented their report to the Board of Directors at the meeting of 7 March 2023.

The auditors are regularly informed of new projects. Their activities are reviewed at least once a year by the Audit and Risk Committee. The criteria that are of particular importance in these reviews are: competence in reporting, understanding of the structure of the Group, quality of reporting, compliance with deadlines, independence, and costs. The auditors have direct access to the chair of the Audit and Risk Committee regarding the discussion of relevant issues.

Information policy

Corporate Governance

Galenica and its companies operate an active and transparent information policy towards all their stakeholder groups. Consistency and credibility are two fundamental principles that are reflected in factual, comprehensive, and objective communication.

Ad hoc announcements pursuant to Art. 53 LR

Price-sensitive facts are communicated in a timely manner via electronic media and in accordance with the SIX Swiss Exchange Directive.

Periodic publications

Once a year, Galenica publishes an annual report and a half-year report. The full versions of these publications are available on the [Galenica website](#). Galenica sends a printed version of the Annual report to shareholders by post mail only [upon request](#).

The invitation to the Annual General Meeting is sent to shareholders electronically or by mail and is additionally published in the "Swiss Official Gazette of Commerce".

Internet

All Galenica publications, all media releases, and other supplementary information about the Group can be found on the [Galenica website](#) (www.galenica.com).

Contact persons and important publication dates

For shareholders

For shareholders in relation to Corporate Governance:
Barbara Wälchli, Secretary of the Board of Directors
phone +41 58 852 85 78, aktienregister@galenica.com

For investors

Felix Burkhard, CFO
phone +41 58 852 85 31, investors@galenica.com

For the media

Christina Hertig, Head of Corporate Communications
phone +41 58 852 85 17, media@galenica.com

Agenda 2024/2025

- Annual General Meeting 2024: 10 April 2024
- Sales Update: 23 May 2024
- Half-year report 2024: 6 August 2024
- Sales Update: 24 October 2024
- Annual report 2024: 11 March 2025
- Annual General Meeting 2025: 10 April 2025

Further important dates can be found on the [Galenica website](#).

Fixed blackout periods

Members of the Board of Directors and the Executive Committee and all members of senior management and middle management and employees involved in preparing the financial statements are required to observe the prohibition on trading during the fixed blackout periods.

The fixed blackout periods in connection with the preparation of the regular financial reports generally last:

- for the annual results: from 1 January to the first trading day following publication;
- for the half-year results: from 1 July to the first trading day following publication.

Members of the Board of Directors

(GRI 2-9, 2-11)



Dr Markus R. Neuhaus

Chairman of the Board of Directors

Board member since 2019, born in 1958, Swiss citizen

Corporate Governance:
Independent member

Career highlights: Dr Markus R. Neuhaus held various roles at PwC from 1985 on, including CEO of PwC Switzerland from 2003 to 2012, member of PwC's Global Board from 2005 to 2007, member of the PwC Network Executive Team from 2010 to 2013, member of PwC's Office of the Global Chairman from 2013 to 2016, and Chairman of PwC Switzerland from 2012 to 2019.

Qualification: Master of law and doctorate in law from the University of Zurich. Certified tax expert. Various management courses at international business schools (Harvard, Insead, IMD).

Other main activities: Dr Markus R. Neuhaus is a member of the Board of Directors of Barry Callebaut AG and a member of the Board of Directors of Baloise Holding AG and Jacobs Holding AG. He also serves as Vice-Chair of the Board of Trustees of Avenir Suisse.



Pascale Bruderer

Vice-Chairwoman of the Board of Directors

Board member since 2020, born in 1977, Swiss citizen

Corporate Governance:
Independent member

Career highlights: Pascale Bruderer was a member of the National council from 2002 to 2011 (president of the National council 2009/2010) and a Member of the Council of States from 2011 to 2019. She was formerly a member of the Social Security and Health Committee. She served as president of the umbrella organisation for disabled people, Inclusion Handicap, and was the managing director of Krebsliga Aargau.

Qualification: Master's degree in political science from the University of Zurich and education at Harvard University (USA) and at the Executive School of the University of St. Gallen.

Other main activities: Pascale Bruderer is a member of the Board of Directors of the TX Group AG. Since 2019, she has been a member of the Board of Crossiety AG and since 2022, Chairwoman of the Board of Directors of Swiss Stablecoin AG.



Bertrand Jungo

Board member since 2018, born in 1965, Swiss citizen

Corporate Governance:
Independent member

Career highlights: From 2006 to 2017, he held the position of CEO of the Swiss department store group Manor. From 2017 until February 2020, he was CEO of Admeira AG, and from 2020 to July 2021, he served as a member of the Board of Directors at Admeira AG. He was also a member of the Advisory Board of the International Retail Summit (IRS) of the Gottlieb Duttweiler Institute (GDI) (2010 – July 2021).

Qualification: Degree as business administrator lic.rer.pol from the University of Fribourg.

Other main activities: Since August 2021, he has been a delegate of the Board of Directors of the AG Grand Hotels Engadinerkulm Holding. Furthermore, he is a member of the Board of Neoperl AG, Diaqua AG as well as at Zoologischer Garten Basel AG.



Judith Meier

Board member since 2022, born in 1962, Swiss citizen

Corporate Governance:
Independent member

Career highlights: From 2009 to 2016, Judith Meier headed Zurzach Care AG (formerly the Reha Clinic Group) as CEO, was a delegate from 2017 and Vice Chairwoman of the Board of Directors of Zurzach Care AG from 2019 to 2023. She is a co-founder of reha at home AG (founding year 2018). From 1989 to 2001, she was a member of the Great Council of the Canton of Aargau.

Qualifications: Executive Master of Health Service Administration (Eastern Switzerland University of Applied Sciences), qualified physiotherapist.

Other main activities: Since 2017, she has been a member of the Board of Directors of the Cantonal Hospital of Graubünden. She is a board member of reha andeer ag. She has been a member of "SCIANA The Health Leaders Network" since 2019 and a member of the Board of Trustees of the Emil-Burkhardt-foundation since 2021 and its vice president as of 2024.



Prof Dr med. Solange Peters

Board member since 2023, born in 1972, Swiss citizen

Corporate Governance:
Independent member

Career highlights: Solange Peters is a professor at the University of Lausanne and head of the department of medical oncology at CHUV. She began working at CHUV in 2002, where she started out in internal medicine; since 2006 she has worked in oncology. She is one of the world's leading experts in the field of lung cancer.

Qualifications: Dr. med., University of Lausanne.

Other main activities: Solange Peters has been a member of ESMO (European Society for Medical Oncology) for over 10 years, and ESMO Chairwoman for the past two years. She has also been President of the ICF (International Cancer Foundation) since 2021 and a member of the board of the Swiss Cancer League since 2017.



Dr Andreas Walde

Board member since 2017, born in 1962, Swiss citizen

Corporate Governance:
Independent member

Career highlights: After completing his studies and being admitted to the Swiss Bar, he held various legal and management positions in international chemical and pharmaceutical companies for more than 30 years with a focus on corporate governance, remuneration systems, sustainability, risk management, ethics and compliance, as well as on financial and corporate structures and M&A, e.g. at Roche (1988–1996), Clariant (1998–2010), Petroplus (2012–2013) and Vifor Pharma (2013–2022). His former positions include memberships on the board of several private and (non-Swiss) public listed companies.

Qualification: Attorney-at-law, master and doctorate in law from the University of Basel.

Other main activities: Dr Andreas Walde is a member of the board of scienceindustries and has served on the boards of SwissHoldings and the Society of Swiss Enterprises in Germany.



Jörg Zulauf

Board member since 2023, born in 1958, Swiss citizen

Corporate Governance:

Independent member

Career highlights: Jörg Zulauf spent 11 years in management positions at the Roche pharmaceutical Company in Switzerland, Korea and Germany, most recently as Head of the Vitamin Services World division (Finance & IT), which has operations worldwide. In 2000, Jörg Zulauf joined Migros-Genossenschafts-Bund Zürich, where he headed the Finance Department as Vice Chairman of the Corporate Executive Committee until 2022 and was a member of the Retail, Finance and Audit committees. Jörg Zulauf has also served as a member of the Board of Directors of Hotelplan, Migrosbank and Globus, as well as Chairman of the Migros Pension Fund.

Qualification: Master of Law and Attorney-at-Law, MBA (UCLA).

Other main activities: Jörg Zulauf is a member of the Board of Directors of Maerki Baumann & Co Ltd. He is also a member of the Board of Directors of Crealogix Holding AG. Since 2023, he has been Chairman of the Board of Directors at SV Group AG.

Members of the Executive Committee



Marc Werner
CEO

Member of the Executive Committee of the Galenica Group since 2020, born in 1967, Swiss citizen

Career highlights: His journey started as Head of Sales at Sinomec AG (1990 – 1995) before he moved on to serve as Head of Product Management Photofinishing at the Federation of Migros (1995 – 1996). He became Head of Marketing and Sales and Member of the Executive Board at Minolta AG (1997 – 2000) and then Head of Marketing & Sales at Bluewin AG (2000 – 2004). In 2005, he joined Swisscom as Head of Marketing & Sales. He moved into the roles of Head of Private Customers (2013 – 2015) and Member of the Group Executive Board before serving as head of Sales & Services (2016 – 2019).

Qualification: Federal certified marketing director and graduate of various Executive Education programmes at the IMD in Lausanne, University of St. Gallen, London Business School, and Harvard Business School.

Other main activities: Mandates by order of Galenica: Member of the Board of MediService AG, Well Gesundheit AG, Coop Vitality AG and AD Swiss Net AG.



Lukas Ackermann
Chief IT & Digital Services Officer

Member of the Executive Committee of the Galenica Group since 2022, born in 1972, Swiss citizen

Career highlights: Lukas Ackermann started off his career as Product Manager at Helsana Insurance Company AG and then became Deputy Head of Product Management (1999 – 2002). In 2002, he was appointed CEO of Medicall Ltd. Afterwards, he became Head of Health Care Market at Synesix Ltd (2008 – 2010). The two following years, Lukas Ackermann was Head of I-Lab at the University of St.Gallen, and from 2013 to 2020 he was General Manager / CEO of amétiq Ltd. Before Lukas Ackermann became Head of IT & Digital Services at Galenica Ltd at the Galenica Group in 2021, he was Managing Director of HCI Solutions Ltd.

Qualification: He obtained a Diploma in Natural Sciences from Federal Institute of Technology (ETH) Zurich and has a MAS MTEC from the Federal Institute of Technology (ETH) Zurich.



Felix Burkhard
CFO

Member of the Executive Committee of the Galenica Group since 2010, born in 1966, Swiss citizen

Career highlights: From 1991 to 1994, Felix Burkhard acted as Financial Auditor at Revisuisse PwC in Berne and 1995 as Head of Finance and Controlling at Amidro AG in Biel-Bienne. He joined the former Galenica Group in 1996 as Corporate Controller before becoming Deputy Head Retail Business sector in 2000. In 2008, he was named Head of the Amavita pharmacy chain and later Head Retail Business sector (2010 – 2015). Felix Burkhard then moved into the role of Head Strategic Projects (2015 – 2017). He has served as a member of the Corporate Executive Committee of the Galenica Group since 2010.

Qualification: Lic. oec. at the University of St. Gallen (HSG), and Swiss certified accountant.

Other main activity: Mandates by order of Galenica: Member of the Board of MediService AG.



Arianne Hasler
Chief People & Culture

Member of the Executive Committee of the Galenica Group since 2023, born in 1979, Swiss citizen

Career highlights: After completing her studies in 2006, Arianne Hasler began her professional career as an HR specialist at UBS Ltd. From 2007-2014, she worked as a senior sales and segment manager for Swiss private customers at UBS Ltd. and Zürcher Kantonalbank. During this time, she was responsible for various strategic sales projects. On moving to Raiffeisen Switzerland in 2014, Hasler assumed line management responsibilities, focusing on the formation and development of new topics and teams in the areas of staff development and HR. She began putting together the "Transformation" department within HR in 2020 and became responsible for the topics of "Transformation and Culture" and "Sustainable Cooperative" as part of the group strategy.

Qualification: EMBA HSG in Business Engineering, University of St. Gallen, St. Gallen (graduated 2021), MAS Coaching and Organisational Consulting, ZHAW – School of Applied Psychology, Zurich (graduated 2015), M.A. HSG exchange programme Master Affaires Internationales, Sciences Po, Paris (2005-2006), M.A. HSG in International Affairs and Governance, University of St. Gallen, St. Gallen (2004-2005)



Andreas Koch
Head of Wholesale & Logistics

Member of the Executive Committee of the Galenica Group since 2020, born in 1971, German and Swiss citizen

Career highlights: Between 2000 and 2009, Andreas Koch worked in different consulting and management functions in the field of supply chain management at various consulting firms. He then became Head of Supply Chain Management at Galexis AG – from 2011 also at Alloga AG – and was a member of both Executive Committees. In 2015, he rose to the position of Head of Alloga AG, after which he became Head of Galexis AG in 2019. In 2020, Andreas Koch took over the responsibility for the Services Business Sector at Galenica.

Qualification: He completed an apprenticeship as forwarding & logistics manager before studying business administration at the University of Mannheim, and graduated with a degree in business administration. He later completed the Programme for Executive Development (PED) at IMD Lausanne.

Other main activities: Mandates by order of Galenica: Member of the Board of Directors of Pharmalog and GS1 Switzerland.



Daniele Madonna
Chief Healthcare Officer

Member of the Executive Committee of the Galenica Group since 2017, born in 1977, Swiss citizen

Career highlights: After his studies, Daniele Madonna worked as a pharmacist at the Olympia Pharmacy and the Victoria Pharmacy in Zurich (2003 – 2004). He joined the former Galenica Group in 2004 as Manager of the Coop Vitality pharmacy in Tenero. He later acted as Regional Sales Manager at Coop Vitality (2010 – 2014). He was CEO of Coop Vitality AG (2014 – 2018) before becoming Head Retail Business sector in 2017. Since 2021, he has served as Chief Healthcare Officer at Galenica.

Qualification: He obtained the Federal Diploma in Pharmacy from the Federal Institute of Technology, Zurich (ETH), did further training as an FPH in Retail Pharmacy and a CAS in General Management at the University of St. Gallen (HSG), completed the Programme for Executive Development (PED) at IMD in Lausanne and attended the leadership program "Leading and Building a Culture of Innovation" at Harvard Business School in Boston (USA).

Other main activities: Member of the Board of pharmaSuisse. Mandates by order of Galenica: Member of the Board of Coop Vitality AG, MediService AG, Farmadomo Home Care Provider SA, Emeda AG and Apotheke im KSW AG.



Virginie Pache Jeschka
Chief Pharmacies Officer

Member of the Executive Committee of the Galenica Group since 2021, born in 1979, Swiss citizen

Career highlights: After completing her studies, Virginie Pache started working as a Junior Marketing Manager at Danone Schweiz AG (mineral water) in Fribourg (2003 – 2006). Afterwards, she became Category Manager and Head of Sales at L'Oréal – Apothekenkosmetik Schweiz AG (2006–2010). She then was appointed Head of Caudalie Suisse (and Poland ad interim) and afterwards Caudalie D-A-CH GmbH in Switzerland, then in Düsseldorf, Germany (2010–2018), before she became Head of Coop Vitality in 2018. Since 2021, she has served as Chief Pharmacies Officer at Galenica.

Qualification: Masters in Political Sciences – University of Lausanne and three semesters in Mainz (Germany).

Other main activity: Mandates by order of Galenica: Member of the Board of Coop Vitality AG.



Dr Thomas Szuran
Chief Products & Marketing Officer

Member of the Executive Committee of the Galenica Group since 2019, born in 1967, Swiss citizen

Career highlights: After having graduated from ETH Zurich, Thomas Szuran acted in various roles at Abbott Laboratories between 1997 and 2002, including being Sales & Marketing Manager for the Eastern European & Mediterranean region. He later became Sales Director at Pfizer Switzerland (Zurich) (2002 – 2005) and Country Manager at Pfizer in Israel (2005 to 2007). He joined Biomed AG in Dübendorf in 2008 as Marketing Director and was CEO of Biomed AG from 2011 to 2018. In 2019, Thomas Szuran became Head Products & Brands Business sector at the Galenica Group.

Qualification: Dr sc. nat. Federal Institute of Technology (ETH) Zurich

Other main activities: Since 2013, he has served as President of the Association of the Swiss Self-Medication Industry (ASSGP).
Mandates by order of Galenica: Member of the Board of Puravita AG.

Further information about the CVs of the Executive Committee and the Extended Executive Committee can be found on the [Galenica website](#).

Members of the Corporate Executive Committee 2023

Name	Member since	Role
Marc Werner	2020	CEO
Lukas Ackermann	2022	Chief IT & Digital Services Officer
Felix Burkhard	2017	CFO
Ariane Hasler	2023	Chief People & Culture
Andreas Koch	2020	Head of Wholesale & Logistics
Daniele Madonna	2017	Chief Healthcare Officer
Virginie Pache Jeschka	2021	Chief Pharmacies Officer
Thomas Szuran	2019	Chief Products & Marketing Officer

Remuneration report

Corporate Reporting

In this report, Galenica provides an overview of its remuneration model and remuneration principles. The following pages describe the remuneration system applicable to the Board of Directors and the Corporate Executive Committee and outline the process and responsibilities under which the remuneration of those two bodies is determined. The remuneration system as well as its reporting is in accordance with the Swiss Code of Obligations, the Directive of the SIX Swiss Exchange on Information Relating to Corporate Governance (Directive Corporate Governance) and the recommendations of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse.

Letter from the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of the Board of Directors and the Remuneration Committee of Galenica, I am pleased to present the Remuneration report for 2023.

The remuneration policy of Galenica aims to attract, motivate and retain best-in-class employees who are entrepreneurially minded, success-oriented and have high personal standards. The remuneration system is designed to support the achievement of the strategic goals defined by the Board of Directors and to provide appropriate remuneration in a competitive employment market and in a complex sector. It is aligned with the long-term Group strategy and its pay-for-performance philosophy. The remuneration system of Galenica aims to strengthen the overall market position of the company while delivering the expected returns to its shareholders.

The Galenica Group achieved a solid result in 2023, but did not quite reach the ambitious targets set at the beginning of the year. As a result, Galenica realised a payout factor of 47.2% for the short-term bonus while the vesting multiple of the LTI plan 2021–2023 due in 2024 was 132.9%. Further details on the performance achieved and the payouts under the incentive plans are provided in this report.

Following specific changes to the remuneration system of the Corporate Executive Committee back in 2021, two additional adaptations became effective as of the reporting year. On the one hand, the individual objectives in the STI were replaced by a collective environmental, social and governance (ESG) component. This means that while ESG had been included in one of the three individual objectives in 2022, it made up the entire 25% in 2023. The following two collective ESG KPIs were applied: Net Promoter Score (NPS) and employees who recommend Galenica as an employer, both being fundamental measures and key strategic goals for Galenica. On the other hand, the clawback and malus provisions were introduced in the STI as of 2023, further fostering the governance mechanisms in place. The Remuneration Committee concluded that the overall remuneration structure is appropriate and in line with market practice and that no further changes were necessary.

With respect to the remuneration programme for the Board of Directors, the Remuneration Committee conducted a benchmarking analysis and review of the remuneration structure and levels in 2022. The overall structure and levels were considered in line with market practice and, consequently, remained unchanged. However, the disclosure of the remuneration was improved by showing both net and gross figures. No adaptations were made in the reporting year or are currently planned going forward.

The Remuneration Committee will continue to regularly review the remuneration system to ensure that it is still fit-for-purpose in the evolving context in which the company operates.

The Remuneration report provides detailed information on our remuneration system and the remuneration awarded in 2023 to the Corporate Executive Committee and the Board of Directors and will be submitted to the shareholders at the Annual General Meeting on 10 April 2024 for a non-binding consultative vote.

We would like to thank our employees for their commitment and hard work, and you, dear shareholders, for your trust.



Bertrand Jungo
Chairman of the Remuneration
Committee

Governance: principles and responsibilities in setting compensation

The guiding principles for the remuneration of the Board of Directors and the Corporate Executive Committee as well as the responsibilities for the remuneration system of Galenica are defined in the Articles of Association of Galenica. They include the provisions on the Remuneration Committee (Article 21 of the [Articles of Association](#)) and remuneration (Article 22 of the [Articles of Association](#)).

Each year, the Board of Directors submits the maximum remuneration of the Board of Directors and the Corporate Executive Committee to the Annual General Meeting for binding approval. Such approval is prospective for the next financial year following the Annual General Meeting. In addition, the Annual General Meeting holds a consultative vote on the Remuneration report for the year under review (Article 22 (1) of the [Articles of Association](#)).

On the basis of the Articles of Association and the decisions of the Annual General Meeting, the remuneration strategy and the related remuneration system for the members of the Board of Directors and the Corporate Executive Committee are determined by the Board of Directors based on a proposal from the Remuneration Committee. The Board of Directors also decides on an annual basis on the individual remuneration of the Chair of the Board of Directors and the CEO. The remuneration of members of the Board of Directors is determined by the Board of Directors based on a proposal from the Remuneration Committee within the limits set by the Annual General Meeting.

Remuneration Committee

The Remuneration Committee consists of four members of the Board of Directors, all of whom are independent from Galenica and are elected annually by the Annual General Meeting. At the 2023 Annual General Meeting, Bertrand Jungo (Committee Chair), Pascale Bruderer and Solange Peters were newly elected as members of the Remuneration Committee while Andreas Walde was re-elected.

The Remuneration Committee reviews and approves the remuneration principles and programmes of Galenica, including the design of the incentive plans, determines the performance indicators and targets for the CEO and the other members of the Corporate Executive Committee at the beginning of the financial year and assesses the extent to which these targets have been achieved at year end. The Remuneration Committee is responsible for setting the individual target remuneration of the members of the Corporate Executive Committee and proposes the CEO's target remuneration to the Board of Directors in consultation with the Chair of the Board of Directors.

Responsibility for the remuneration process

Level of authority	CEO	Remuneration Committee	Board of Directors	Annual General Meeting
Remuneration policy		proposes	approves	consultative vote on the Remuneration report
Performance objectives for short-term bonus and long-term incentive		proposes	approves	
Remuneration of members of the Board of Directors		proposes	approves	approves maximum possible remuneration for the Board of Directors for the following year
Remuneration of the CEO		proposes (in consultation with CBD)	approves	approves maximum possible remuneration for the Corporate Executive Committee including the CEO for the following year
Remuneration of members of the Corporate Executive Committee	proposes (in consultation with the CBD)	approves	is informed	

CBD = Chair of the Board of Directors

Activities of the Remuneration Committee during the year

Subject	1 st quarter	2 nd / 3 rd quarter	4 th quarter
Remuneration policy		Review of shareholders' feedback Benchmarking and review (every 2-4 years)	Benchmarking and review (every 2-4 years)
Remuneration of Board of Directors		Review of remuneration regulations	Determination of remuneration (following year)
Remuneration of Corporate Executive Committee	Performance evaluation (previous year) STI payout (previous year) LTI vesting (previous period)	Benchmarking of remuneration levels (every 2-4 years)	Target remuneration (basic salary, following year) Target STI (following year) LTI allocation (following year)
Remuneration governance	Remuneration report AGM preparation		Preparation of Remuneration report Annual meeting schedule and topics (following year) Remuneration Committee self-assessment Galenica Group salary review (following year)

In 2023, the Remuneration Committee held three ordinary meetings according to the annual schedule, and no ad hoc meeting.

In 2023, all members attended all meetings, which corresponds to an attendance rate of 100%.

At each meeting of the Board of Directors, the Chair of the Remuneration Committee reports on the Remuneration Committee's current topics of discussion and decisions. The minutes of the meetings are made available to the members of the Board of Directors.

The Chair of the Board of Directors is invited to all meetings of the Remuneration Committee (right of attendance, no voting rights), except those dealing with his own remuneration. The CEO is invited to attend discussions on a case-by-case basis, but not to discussions that concern his performance or remuneration.

In the reporting year, the Remuneration Committee performed its regular duties, in particular setting performance targets and evaluating their achievement, determining the remuneration of the members of the Board of Directors and the Corporate Executive Committee and preparing the Remuneration report and the Annual General Meeting. In addition, the Remuneration Committee conducted a self-assessment of its functioning. It rated its discussions and decision-making as efficient and appropriate, and the support of the Board of Directors in matters of remuneration as effective.

Further details on the Remuneration Committee can be found in the [Corporate Governance section](#) (Chapter Remuneration Committee).

Benchmarking and external advisors

In order to ensure its continued attractiveness as an employer, Galenica regularly compares its remuneration system and levels with those of relevant peers. In terms of remuneration levels, Galenica considers a positioning at market median as being competitive.

The Remuneration Committee carried out a benchmarking analysis of the remuneration levels of the Corporate Executive Committee back in 2021. For this purpose, Klingler Consultants provided benchmarking data based on two different peer groups: a peer group of 21 Swiss listed companies of comparable size and a peer group of 25 private companies in the healthcare, retail and logistic sectors. The companies included in the peer groups are disclosed below. Overall, the benchmark study showed that the remuneration of the Corporate Executive Committee is below market levels when comparing with the Swiss listed peers and above market levels when comparing with the sector-based peers. This result can be explained by the fact that the sector-based peers do not offer a long-term incentive component, while Swiss listed peers typically do. Further, most Swiss listed peers have an international organisation. This is not the case at Galenica and could be a factor driving lower remuneration levels compared to other Swiss listed companies.

Peer groups to benchmark the remuneration levels of the Corporate Executive Committee

Swiss listed peers			Sector-based peers				
Also	Aryzta	Bachem	Retail and logistics:		Medical insurances:		
Belimo	Bell	BKW	Brack	Coop	Assura	Concordia	CSS
Bucher	Dätwyler	dormakaba	Digitec	Galliker	Group Mutuel	Helsana	KPT
Emmi	Forbo	Georg Fischer	Kühne+Nagel	Manor	Sanitas	Swica	Sympany
Idorsia	Interroll	Oerlikon	Migros	Planzer	Visana		
SFS	Siegfried	Sulzer	State-owned companies:		Healthcare:		
Tecan	Valora	Zur Rose	SBB	Post	CHUV	Hirslanden	Inselspital
					Swiss Medical Network		USZ

Those companies were selected by the Remuneration Committee as the most relevant for Galenica.

The remuneration structure and levels of the Board of Directors were reviewed in 2022. The market comparison was carried out by PricewaterhouseCoopers (PwC). The same 21 Swiss listed companies mentioned above were used as peer group. While the overall structure and levels of remuneration were considered in line with market practice, the Remuneration Committee proposed to express the remuneration of the Board of Directors in gross terms, rather than in net terms, as of the Remuneration report 2022. This was not a change of the remuneration system or levels but an improvement in terms of disclosure and transparency.

The Remuneration Committee may decide to consult external advisors on specific remuneration matters. In 2023, PwC provided services related to executive compensation. PwC provides other services to Galenica and there are clear rules in place to ensure the independence of PwC consultants. No other external advisors were consulted on remuneration matters in the reporting year.

Remuneration system of the Board of Directors

The remuneration of the Board of Directors comprises fixed remuneration only (i.e., no performance-based remuneration). The remuneration depends on the function assumed on the Board of Directors and its committees, either as a member or chair. It is paid 50% in cash and 50% in restricted shares or, if the respective member of the Board of Directors decides on a voluntary basis, 100% in restricted shares. The shares are blocked for a period of five years.

For the reporting year, remuneration settled in the form of shares was paid at the average price for the month of December 2023, i.e., CHF 72.15 per share, net of a 25% discount to reflect the blocking period of five years. The payment was made in January 2024.

In accordance with Galenica's share ownership guidelines, members of the Board of Directors are required to hold shares of Galenica equal in value to one time the annual remuneration within a period of two years of their appointment to the Board of Directors.

Based on Galenica's regulations, the members of the Board of Directors have the option of joining the Galenica Pension Fund. All contributions (employer and employee contributions for savings and risk) are borne by the respective member of the Board of Directors.

The remuneration system of the Board of Directors remained unchanged in 2023 compared to the previous year.

Remuneration amounts of the Board of Directors (in thousand CHF, per year)

	Net amount ¹⁾	Gross amount equivalent (rounded up)
Chair of the Board of Directors	350	373
Vice-Chair of the Board of Directors	130	139
Member of the Board of Directors	110	118
Committee chair	30	33
Committee member	10	11

¹⁾ Net of social security contributions (approximately 7%)

The remuneration (cash and shares) is paid in January for the previous business year. The remuneration amounts outlined in the above table do not reflect the 25% discount on the share price granted on the restricted shares. Considering the value of the 25% discount, and assuming that 50% of the remuneration is paid in cash and 50% in restricted shares, the remuneration amounts (rounded up) correspond to gross CHF 431 thousand for the Chair of the Board of Directors, CHF 161 thousand for the Vice-Chair of the Board of Directors, CHF 136 thousand for the members of the Board of Directors, CHF 37 thousand for the committee chairs and CHF 13 thousand for the committee members.

Remuneration system of the Corporate Executive Committee

Remuneration report

In order to attract talented employees, reward performance, promote the loyalty of key talents and ensure their long-term commitment to Galenica, Galenica offers competitive remuneration. The remuneration model applicable to the Corporate Executive Committee is based on three components: a fixed remuneration (including a base salary and benefits), a short-term bonus and a long-term incentive.

Remuneration components

The remuneration of the Corporate Executive Committee consists of a fixed remuneration, benefits and a variable remuneration. The variable remuneration allows members of the Corporate Executive Committee to participate in the success of Galenica. The variable remuneration for the Corporate Executive Committee includes a short-term bonus (STI) and a long-term incentive (LTI).

The STI compensates for annual performance. Up to 2022, it was based on the annual financial company results and individual performance. As of 2023, the individual performance was replaced by an ESG component. The LTI on the other hand rewards for the long-term performance and harmonises the interests of shareholders with those of the executives. No changes to the LTI were implemented in the reporting year or are currently planned going forward.

Consequently, the remuneration system rewards short-term success as well as long-term performance and sustainable value creation for customers and shareholders in a balanced manner. In order to align the interests of members of the Corporate Executive Committee with the interests of shareholders, a portion of the STI (32%) and the entire LTI (100%) are awarded in shares of Galenica.

In accordance with Galenica's share ownership guidelines, members of the Corporate Executive Committee are required to hold shares of Galenica equal in value to at least 75% of their fixed annual base salary and target STI within a period of five years of their appointment to the Corporate Executive Committee.

For the CEO as well as the other Corporate Executive Committee members, the maximum STI and the maximum LTI are each limited to 200% of the respective target value, as defined in the [Articles of Association of Galenica](#) (Article 22 (7a) and Article 22 7(b), respectively).

In addition to the remuneration components mentioned above, the members of the Corporate Executive Committee are eligible to participate in the share acquisition plan where employees are invited

every year to acquire a certain number of blocked shares of Galenica at a discounted price (more information in the [Notes to the consolidated financial statements 2023](#) (note 29, Share-based payments) and in the [GRI report](#)).

Overview of the remuneration components for the Corporate Executive Committee

Remuneration component	Vehicle	Purpose	Performance measures
Annual base salary	Monthly cash salary	Attract and retain employees	
Pension & benefits	Pension and insurances	Protect against risks	
	Fringe benefits	Attract and retain employees	
Short-term bonus (STI)	Annual bonus in cash & shares blocked for 5 years	Compensate for annual performance	Combination of financial objectives for the Group and a collective ESG component:
			GEP (50%)
Long-term incentive (LTI)	PSU with a 3-year performance vesting	Align with shareholders' interests	Annual net sales growth (25%)
			ESG component (25%) ¹⁾
Long-term incentive (LTI)	PSU with a 3-year performance vesting	Compensate for long-term performance	GEP and appreciation of share value:
			Average GEP (50%)
Long-term incentive (LTI)	PSU with a 3-year performance vesting	Align with shareholders' interests	Relative total shareholder return (TSR) (50%)

¹⁾ The following two collective ESG KPIs were applied to the STI in 2023: Net Promoter Score (NPS) and employees who recommend Galenica as an employer

Clawback and malus provisions

For the STI and LTI, clawback and malus provisions apply in case of a financial restatement due to material non-compliance with any accounting reporting standards, or in case a participant acts in violation of the law or internal regulations of Galenica.

Share ownership guidelines

Minimum shareholding requirements of 75% of the fixed annual base salary and target STI.

Annual base salary (fixed)

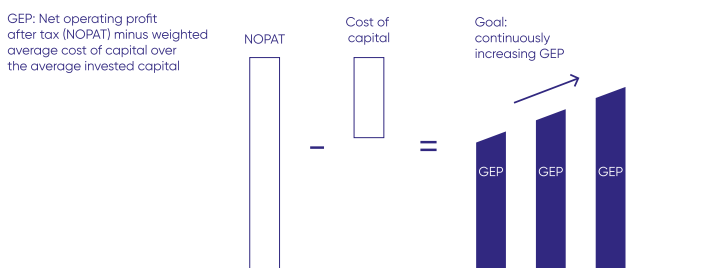
The annual base salary is the fixed remuneration reflecting the scope and key areas of responsibility of the function, the skills required to fulfil the function and the individual experience and competencies of the respective Corporate Executive Committee member. The base salary is determined according to typical market practice (external benchmark) and the Group internal salary structure. A base salary at median of the benchmark is considered competitive and, therefore, suitable to reward the expected level of skills and competencies. The base salary is typically reviewed annually based on market salary trends, the company's ability to pay salaries at a particular level based on its financial performance and the evolving experience of the individual in the function. The annual base salary is paid out in cash in 13 monthly instalments.

Incentives

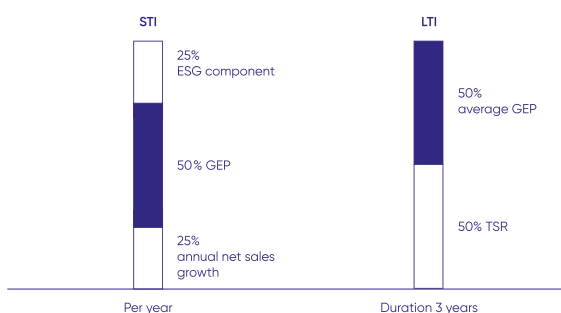
Galenica economic profit as a performance indicator

The STI and the LTI significantly depend on the achievement of the GEP, which is designed to reflect the principles of value-based management derived from an economic value added (EVA) approach. It is based on the understanding that in the interests of shareholders and other important stakeholder groups, Galenica will strive to achieve a long-term investment return which exceeds the weighted average cost of capital. GEP is the key indicator in Galenica’s value-based management concept. It comprises different values, such as net operating profit after tax (NOPAT), cost of capital (WACC) and invested capital. The Board of Directors considers the economic value added (EVA) approach to be a sound, recognised and meaningful concept that is in line with sustainable value creation. The GEP is calculated as NOPAT less the weighted average cost of capital over the average invested capital. The extent to which the GEP increase is achieved has a 50% impact on the STI and a 50% impact on the number of shares allocated under the LTI. Therefore, poor performance inevitably has a negative impact on the total remuneration (lower bonus, fewer shares, with each of them potentially having a lower value). Further information on the GEP can be found in the Value based management section, under [Alternative performance measures](#) in the Annual Report 2023.

Relevant parameter: Galenica economic profit (GEP)



Weight of GEP as performance indicator in the incentive plans



Short-term incentive (STI)

The STI aims to reward the achievement of financial and ESG objectives of Galenica over the relevant financial year. The target STI, i.e., the amount paid out if all performance objectives are reached at 100%, is defined individually and annually, before the beginning of the performance year. The target STI is expressed as a percentage of the

annual base salary and varies depending on the function in the organisation and on the impact of the function on the overall business result. The target STI for the CEO amounts to 50% of annual base salary and ranges from 40% to 45% of annual base salary for the other members of the Corporate Executive Committee.

In 2023, the financial objectives were weighted at 75% and included the GEP (two-thirds) and annual net sales growth (one-third). The ESG component made up the remaining 25%, consisting of two equally weighted specific objectives, namely the Net Promoter Score (NPS) and employees who recommend Galenica as an employer.

STI performance objectives

For each financial objective, a threshold, a target, a cap and a payout curve are defined annually by the Board of Directors upon recommendation of the Remuneration Committee, against which the results are assessed. An achievement at the threshold performance leads to a 50% payout factor, a target achievement leads to a 100% payout factor and achieving the cap corresponds to a 220% payout factor. For the ESG objectives, achieving the cap corresponds to a 150% payout factor. The STI payout overall is capped at 200% of target. Financial and ESG targets are considered confidential information and are, therefore, not disclosed. However, an ex-post performance assessment is provided in the section "Remuneration awarded for 2023 and 2022".

The achievement of the GEP, the Group annual net sales growth and the ESG objectives is assessed by the Remuneration Committee and submitted to the Board of Directors for approval.

The payment of the STI is made in the subsequent year after the publication of the Annual report. The CEO and other members of the Corporate Executive Committee are required to draw 32% of their STI in Galenica shares, while the rest is paid in cash. A discount of 25% on the average stock market price for the month of December in the relevant financial year applies to the shares. The shares remain blocked for five years.

If employment ends due to termination, the calculation and payment for a completed assessment period (= financial year) are based on the effective performance and results. In the event of departure during an assessment period that is still ongoing, 80% of the target STI is paid on a pro-rata basis.

Clawback and malus provisions were introduced in the STI plan in 2023. They allow the Board of Directors to reduce or cancel the payment of an STI and/or to claim back STI payments already made in case of a financial restatement due to material non-compliance with any accounting reporting standards, or in case a participant acts in violation of the law or internal regulations of Galenica.

Long-term incentive (LTI)

The objective of the LTI is to promote the strategy of Galenica, long-term thinking, alignment to shareholders' interests and the creation of sustainable value for customers and shareholders over the long term. In addition, the LTI aims to strengthen loyalty to Galenica and identification with the company.

The CEO, members of the Corporate Executive Committee and selected members of Senior Management participate in the LTI.

The LTI is based on performance share units (PSU), which are granted to participants after the release of the results for the preceding year and which convert into shares of Galenica subject to service conditions and the attainment of performance objectives over a three-year period defined by the Remuneration Committee. PSU are virtual, i.e., no real shares are issued.

The number of PSU allocated at the beginning of the plan period depends on a defined percentage of the annual base salary of the participant as well as the average share price during the final month prior to allocation, i.e., February. In 2023, the LTI grant for the CEO amounted to 50% of annual base salary and ranged from 10% to 35% of annual base salary for the other members of the Corporate Executive Committee.

The vesting of the PSU is conditional upon continuous employment and the fulfilment of performance conditions during the three-year plan period. The performance objectives are defined by the Remuneration Committee and for the LTI 2023-2025, they include the GEP and relative total shareholders return (relative TSR). Those two performance conditions are equally weighted.

The GEP target is measured by averaging the annual GEP results over the three-year performance period. Relative TSR is measured as a percentile ranking against a peer group of relevant companies. The objective is to outperform half of the peer companies (100% payout). The peer group is approved by the Board of Directors on a yearly basis and includes SMIM companies excluding financial services, real estate and companies that are active in a very cyclical businesses (e.g., Adecco, Dufry, Kühne+Nagel and OC Oerlikon), as well as selected healthcare and pharma companies from the SMI. The peer group for the LTI 2023-2025 is outlined below.

Relative TSR performance peer group for LTI 2023–2025

Ams–Osram	DocMorris	Lonza Group	SIG Group
Bachem Holding	EMS–Chemie Holding	Novartis	Straumann Holding
Barry Callebaut	Georg Fischer	Roche Holding	Tecan Group
Belimo Holding	Givaudan	Schindler Holding	Temenos
Clariant	Lindt & Sprüngli	SGS	VAT Group

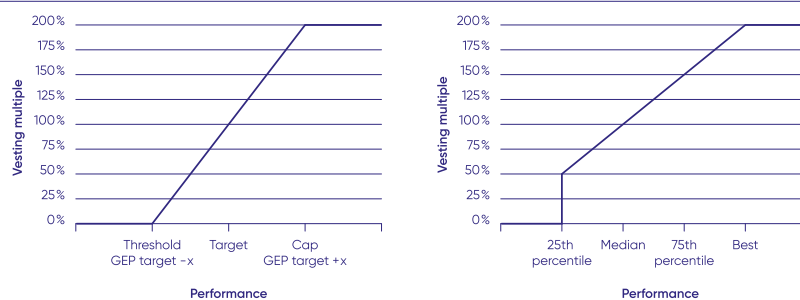
The following changes were made to the peer group compared to the LTI 2022–2024: Sonova Holding was removed (constituent of SMI since 2023), while SGS (change from SMI to SMIM in 2023), Bachem Holding (constituent of SMIM in 2022) and Belimo Holding (constituent of SMIM in 2022) were added.

For each performance condition, a threshold level of performance is determined, below which there is no vesting, as well as a target level of performance, corresponding to a 100% vesting and a cap providing for a 200% vesting. A linear interpolation is applied between the threshold and the target, and between the target and the cap. The weighted average of the vesting multiple for each performance objective provides for the overall vesting multiple. The number of PSU initially allocated is multiplied by the vesting multiple at the end of the three-year plan period. More details on the LTI performance objectives are provided in the following table.

Overview of LTI structure for 2023–2025

Performance measure	GEP	Relative TSR
Description	GEP is measured for each financial year and then averaged across the 3 years of the performance period. It is measured against a pre-determined target average for the performance period to determine the vesting multiple	TSR combines share price appreciation and dividends paid to reflect the annual total return to shareholders The TSR of Galenica is ranked against the TSR of the peer group companies for each financial year of the performance period, the annual percentile rankings are averaged over the 3-year performance period to determine the vesting multiple
Rationale	Absolute internal measure Demonstrates Galenica's average operating performance over a 3-year period	Relative external measure Demonstrates Galenica's shareholders returns compared to relevant peer companies
Weighting	50% of the PSU grant	50% of the PSU grant
Target level	Pre-determined by the Remuneration Committee 100% vesting	TSR ranking at the median of the peer group 100% vesting
Maximum vesting multiple	200% of target	200% of target
Vesting period	3 years	3 years
Vesting rules and curve	Vesting multiple is interpolated linearly between the threshold, target and maximum	Threshold: 25th percentile ranking = 50% vesting Target: median ranking = 100% vesting Stretch: 75th percentile ranking = 150% vesting Maximum: best in the peer group = 200% vesting Vesting multiple is interpolated linearly between the threshold, target and maximum

Vesting schedule



Financial targets are considered confidential information and are, therefore, not disclosed. However, an ex-post performance assessment is provided in the section "Remuneration awarded for 2023 and 2022".

As a rule, the three-year plan period must be completed for employees to be eligible for the conversion of PSU in shares. If the employment is terminated within a plan period, the PSU forfeit without any compensation except in the following cases:

- Retirement, disability or termination by the company not for cause, performance or behaviour: unvested PSU are subject to a pro-rata vesting at the regular vesting date
- Death: unvested PSU immediately vest pro-rata, based on a performance estimate by the Board of Directors or at target level (100% vesting)
- Termination following change of control: unvested PSU immediately vest in full, based on a performance estimate by the Board of Directors or at target level (100% vesting)

LTI plan period

LTI plan period
LTI three-year programme

	GEP/TSR	GEP/TSR	GEP/TSR	Vesting		
		GEP/TSR	GEP/TSR	GEP/TSR	Vesting	
			GEP/TSR	GEP/TSR	GEP/TSR	Vesting
2021	2022	2023	2024	2025	2026	

Clawback and malus provisions apply in the LTI plan. They allow the Board of Directors to reduce or cancel the vesting of outstanding PSU and/or to claim back shares already vested in case of a financial restatement due to material non-compliance with any accounting reporting standards, or in case a participant acts in violation of the law or internal regulations of Galenica.

Pensions and other employee benefits

Employee benefit plans consist mainly of retirement plans and insurance plans that are designed to protect employees against the risks of disability and death. The CEO and the members of the Corporate Executive Committee are covered by the pension scheme applicable to all employees. The pension solution of Galenica fulfils the legal requirements of the Swiss Federal Law on Occupational Pension Schemes (BVG) and is in line with what is being offered on the market.

Except for the expense allowance and the entitlement to a company car in line with the car policy of Galenica, the CEO and the members of the Corporate Executive Committee do not receive any particular additional benefits. The private use of the company car is disclosed at fair value in the remuneration table under other remuneration.

Share ownership guideline

Members of the Corporate Executive Committee are required to hold shares of Galenica equal in value to at least 75% of their fixed annual base salary and target STI within a period of five years of their appointment to the Corporate Executive Committee.

Employment contracts

The CEO and the members of the Corporate Executive Committee are employed under employment contracts of unlimited duration and are subject to a notice period of a maximum of 12 months. They are not entitled to any severance packages, termination payments or change-of-control payments. The employee contracts do not include non-competition clauses. With regard to clawback, the statutory claims for repayment apply (see among others Article 678 of the Swiss Code of Obligations).

Remuneration awarded for 2023 and 2022

Remuneration awarded to the Board of Directors for 2023 and 2022

Comments to the remuneration tables of the members of the Board of Directors

In 2023, the Board of Directors consisted of seven members. The total remuneration awarded to the Board of Directors (including the Board Chair) amounts to CHF 1.6 million and is within the amount of CHF 1.9 million approved at the Annual General Meeting in 2022. It corresponds to an increase of 4.3% compared to the previous year. The remuneration system remained unchanged compared to the previous year.

Remuneration awarded to the CEO and the members of the Corporate Executive Committee for 2023 and 2022

Comments to the remuneration tables of the members of the Corporate Executive Committee

In 2023, Marc Werner, CEO, was the member of the Corporate Executive Committee with the highest remuneration.

The remuneration awarded to the CEO in the year 2023 and the Corporate Executive Committee amounts to CHF 4.7 million and is within the amount of CHF 8.5 million approved at the Annual General Meeting in 2022. It is a decrease compared to the previous year, for the following reasons:

- The aggregated amount of base salaries was higher compared with the previous year. This is due to the new composition of the Corporate Executive Committee (eight members in 2023 compared to seven members in 2022). The individual base salaries of the members of the Corporate Executive Committee were not increased in the reporting year.
- The Galenica Group achieved a solid result in 2023, but did not quite reach the ambitious targets set at the beginning of the year. As a result, the short-term bonus payout was 47.2%. Additional details are provided in the section "Performance in 2023" below.
- The LTI grant value increased compared to the previous year. This is due to the different composition of the Corporate Executive Committee with eight members compared to seven members in 2022. The grant size of the individual Corporate Executive Committee members remained unchanged compared to previous year.
- The variable remuneration in the year 2023 amounted to 70% of the annual base salary for the CEO (previous year: 142%) and ranged between 34% and 54% of the annual base salary for the other members of the Corporate Executive Committee (previous year: between 101% and 119%).

Performance in 2023

In the 2023 financial year, the Galenica Group generated consolidated net sales of CHF 3,746.0 million. This corresponds to strong growth of 4.4% compared to the previous year.

Adjusted¹ operating profit (EBIT), i.e., excluding the effects of the accounting standards IFRS 16 (leasing) and IAS 19 (employee benefits), slightly increased by 0.4% to CHF 191.3 million. Adjusted¹ return on sales (ROS) fell year-on-year from 5.3% to 5.1%.

Adjusted¹ net profit increased by 2.8% to CHF 161.6 million (previous year: CHF 157.2 million). Reported net profit was above the previous year's level at CHF 165.7 million (previous year: CHF 157.3 million, +5.3%).

¹ See section [Alternative performance measures](#) in the Annual report 2023.

Payout factor 2022 and 2023

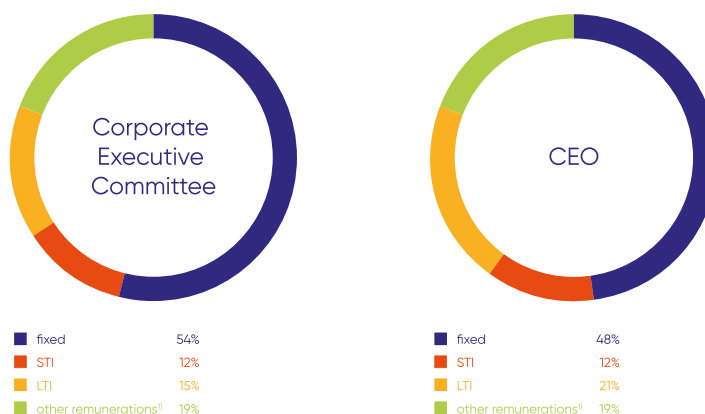
Payout factor for STI (one-year basis)



Vesting multiple for LTI (three-year basis)



Ratio between fixed and variable remuneration 2023 (remuneration awarded)



¹Including costs for employee benefit plans and social security charges

Remuneration and shareholdings of the members of the Board of Directors in 2023

Payments in thousand CHF	Remuneration			Total	Number of shares	
	Fees in cash	Equivalent in shares ¹⁾	Other remuneration ²⁾		Held as at 31.12.2023 ³⁾	Allocated for 2023
Chair of the Board of Directors						
Markus R. Neuhaus, Chairman (since 11 May 2023)	96	127	20	243	10,532	1,766
Daniela Bosshardt, Chairwoman (until 11 May 2023)	58	78	15	151		1,078
Members of the Board of Directors						
Pascale Bruderer ⁴⁾	70	93	19	182	4,049	1,294
Michel Burnier (until 11 May 2023)	20	27	4	51		370
Bertrand Jungo ⁴⁾	78	104	21	204	9,605	1,448
Judith Meier ⁴⁾	–	160	16	176	1,448	2,218
Markus R. Neuhaus (until 11 May 2023)	48	64	10	122		883
Solange Peters (since 11 May 2023)	40	53	11	105	–	739
Andreas Walde	–	182	18	201	16,224	2,526
Jörg Zulauf (since 11 May 2023)	–	124	9	134	300	1,725
Remuneration of the members of the Board of Directors⁵⁾	410	1,013	145	1,568	42,158	14,047
Maximum amount according to AGM resolution				1,900		

¹⁾ The amounts include the calculated discount of 25%, granted due to the five-year blocking period

²⁾ Other remuneration corresponds to the social security charges (both employer and employee contributions)

³⁾ Shares held by related parties of members of the Board of Directors are included in the declaration of the totals disclosed above

⁴⁾ Those board members participate in the pension fund and finance the entire cost themselves

⁵⁾ See chapter Board of Directors of the Corporate Governance section for roles and membership of committees

Remuneration and shareholdings of the members of the Board of Directors in 2022

Payments in thousand CHF	Remuneration			Total	Number of shares	
	Fees in cash	Equivalent in shares ¹⁾	Other remuneration ²⁾		Held as at 31.12.2022 ³⁾	Allocated for 2022
Daniela Bosshardt, Chairwoman	175	233	45	453	25,695	3,167
Pascale Bruderer ⁴⁾	60	80	16	156	2,963	1,086
Michel Burnier	60	80	12	152	9,487	1,086
Bertrand Jungo ⁴⁾	75	100	20	195	8,248	1,357
Judith Meier (from 12 May 2022)	–	107	11	118	–	1,448
Markus R. Neuhaus	80	107	22	208	9,084	1,448
Andreas Walde	–	200	20	220	13,509	2,715
Remuneration of the members of the Board of Directors⁵⁾	450	907	146	1,503	68,986	12,307
Maximum amount according to AGM resolution				1,900		

¹⁾ The amounts include the calculated discount of 25%, granted due to the five-year blocking period

²⁾ Other remuneration corresponds to the social security charges (both employer and employee contributions).

³⁾ Shares held by related parties of members of the Board of Directors are included in the declaration of the totals disclosed above

⁴⁾ Those board members participate in the pension fund and finance the entire cost themselves

⁵⁾ See chapter Board of Directors of the Corporate Governance section for roles and membership of committees

Remuneration of the members of the Corporate Executive Committee in 2023

Gross payments in thousand CHF	Total	of which Marc Werner, CEO
Base salary	2,533	500
Short-term bonus in cash (STI) ¹⁾	343	80
Short-term bonus in shares (STI) ²⁾	215	50
Long-term incentive (LTI) ³⁾	702	221
Contributions to pension funds	497	118
Other remuneration ⁴⁾	57	12
Remuneration awarded	4,348	981
Social security costs	328	69
Remuneration of the members of the Corporate Executive Committee ⁵⁾	4,676	1,050
Maximum amount according to AGM resolution	8,500	

Eight members in 2023

- ¹⁾ The short-term bonus for the reporting year, which is paid out in the following year
- ²⁾ The amounts include the calculated discount of 25% granted due to the five-year blocking period
- ³⁾ Performance share units falling due after three years are included with the fair value at allocation
- ⁴⁾ Including private use of company car
- ⁵⁾ Including remuneration of Arianne Hasler since 1 September 2023 as Chief People & Culture

Remuneration of the members of the Corporate Executive Committee in 2022

Gross payments in thousand CHF	Total	of which Marc Werner, CEO
Base salary	2,452	500
Short-term bonus in cash (STI) ¹⁾	1,264	301
Short-term bonus in shares (STI) ²⁾	793	189
Long-term incentive (LTI) ³⁾	690	222
Contributions to pension funds	487	118
Other remuneration ⁴⁾	58	18
Remuneration awarded	5,744	1,348
Social security costs	421	93
Remuneration of the members of the Corporate Executive Committee	6,165	1,440
Maximum amount according to AGM resolution	7,200	

Seven members in 2022

- ¹⁾ The short-term bonus for the reporting year, which is paid out in the following year
- ²⁾ The amounts include the calculated discount of 25% granted due to the five-year blocking period
- ³⁾ Performance share units falling due after three years are included with the fair value at allocation
- ⁴⁾ Including private use of company car

Short-term incentive (STI)

In 2023, a GEP of CHF 49.0 million was achieved. This corresponds to a decrease of 17.2% compared to the previous year, see Value based management section, under [Alternative performance measures in the Annual report 2023](#). This represents a payout factor of 0.0% for the financial year 2023 for the portion of the STI payout based on GEP performance.

The Group annual net sales growth achieved was 4.4%, corresponding to a payout factor of 92.5% for that portion of the STI.

ESG performance is measured using two objectives: Net Promoter Score (NPS) and employees who recommend Galenica as an employer. The payout factor for the ESG component for the members of the Corporate Executive Committee was 96.3%.

Consequently, the overall STI payout amounts to 47.2% of target for the CEO and the other members of the Corporate Executive Committee. This compares to a payout of 177.0% for the CEO and the other Corporate Executive Committee members in 2022.

Performance / payout factor under STI in 2023

KPIs	2023 objectives	Payout	2023 results
Group financial performance:			
Galenica economic profit (GEP) (50% weighting)	Maximum	220%	GEP achieved: CHF 49.0 million Payout factor: 0.0%
	Target	100%	
	Threshold	50%	
Group annual net sales growth (25% weighting)	Maximum	220%	Net sales growth achieved: 4.4% Payout factor: 92.5%
	Target	100%	
	Threshold	50%	
ESG component (25% weighting)	NPS and employees who recommend Galenica as an employer	0% – 150%	Payout factor: 96.3%
Payout			2023
CEO			47.2%
Corporate Executive Committee (without CEO)			47.2%

Long-term incentive

For the LTI plan 2021-2023, payable in early 2024, the average GEP achievement was CHF 63.1 million. This represents a vesting multiple of 139.7%. For relative TSR Galenica achieved an average percentile ranking of 62.7%, which correspond to a vesting multiple of 126.0%. Consequently, the overall vesting level was 132.9%.

Other remuneration

Options

Neither the members of the Board of Directors nor the members of the Corporate Executive Committee hold tradable options.

Loans and credits

Galenica did not grant any loans or credits to members of the Board of Directors, members of the Corporate Executive Committee or related persons in 2023. No loans or credits were outstanding at the end of the year under review.

Former members of the Board of Directors and Corporate Executive Committee

Galenica did not pay any remuneration to former members of the Board of Directors or Corporate Executive Committee in 2023.

Shareholdings of the Corporate Executive Committee

Equity overhang and dilution as of 31 December 2023

The equity overhang, defined as the total number of PSU outstanding (56,629 unvested PSU) divided by the total number of outstanding shares (49,832,180 shares) is 0.11% (previous year: 0.11%). The burn rate, defined as the total number of equities (shares and PSU) granted in 2022 (137,177 shares and 17,726 PSU) divided by the total number of outstanding shares, is 0.31% (previous year: 0.32%).

Shareholdings and rights to PSU of members of the Corporate Executive Committee 2023

	Number of shares held as at 31.12.2023 ¹⁾	Number of PSU held as at 31.12.2023 (at target) ²⁾
Marc Werner	12,100	11,402
Lukas Ackermann	2,283	2,671
Felix Burkhard	20,623	6,226
Arianne Hasler	–	251
Andreas Koch	8,254	3,535
Daniele Madonna	12,851	3,535
Virginie Pache Jeschka	4,089	3,535
Thomas Szuran	11,171	3,719

¹⁾ Shares held by related parties of members of the Corporate Executive Committee are also included in the totals disclosed above

²⁾ Each PSU transforms into a number (between 0 and 2) of shares at vesting and based on GEP and relative TSR target achievement

Shareholdings and rights to PSU of members of the Corporate Executive Committee 2022

	Number of shares held as at 31.12.2022 ¹⁾	Number of PSU held as at 31.12.2022 (at target) ²⁾
Marc Werner	4,625	11,482
Lukas Ackermann	1,012	1,629
Felix Burkhard	17,700	6,380
Andreas Koch	5,545	3,460
Daniele Madonna	13,164	3,622
Virginie Pache Jeschka	2,738	2,492
Thomas Szuran	8,083	3,896

¹⁾ Shares held by related parties of members of the Corporate Executive Committee are also included in the totals disclosed above

²⁾ Each PSU transforms into a number (between 0 and 2) of shares at vesting and based on GEP and relative TSR target achievement

Functions held by members of the Board of Directors and members of the Corporate Executive Committee in other companies as at 31 December 2023

In accordance with Art. 734e of the Swiss Code of Obligations, the table below lists functions exercised by members of the Board of Directors and members of the Corporate Executive Committee at other for-profit companies, to the extent these functions are comparable to the function they hold with Galenica.

Members of the Board of Directors

Markus R. Neuhaus	Baloise Holding AG ¹⁾ : Board member Barry Callebaut AG ¹⁾ : Board member Jacobs Holding AG: Board member
Pascale Bruderer	Crossiety AG: Board member Swiss Stablecoin AG: Chairwoman of the Board of Directors TX Group AG ¹⁾ : Board member
Bertrand Jungo	AG Grand Hotels Engadinerkulm Holding: Board member & Delegate of the board Diaqua AG: Board member Neoperl AG: Board member
Judith Meier	Cantonal Hospital of Graubünden: Board member Emil-Burkhardt-foundation: Member of the board of trustees reha andeer ag: Board member
Solange Peters	-
Andreas Walde	-
Jörg Zulauf	Crealogix Holding AG ¹⁾ : Board member Maerki Baumann & Co. AG: Board member SV Group AG: Chairman of the Board of Directors

Members of Corporate Executive Committee

Marc Werner	AD Swiss Net AG: Board member ²⁾ Coop Vitality AG: Board member ²⁾ MediService AG: Board member ²⁾ Well Gesundheit AG: Board member ²⁾
Lukas Ackermann	-
Felix Burkhard	MediService AG: Board member ²⁾
Arianne Hasler	-
Andreas Koch	-
Daniele Madonna	Apotheke im KSW AG: Board member ²⁾ Coop Vitality AG: Board member ²⁾ Emeda AG: Board member ²⁾ MediService AG: Board member ²⁾
Virginie Pache Jeschka	Coop Vitality AG: Board member ²⁾
Thomas Szuran	Puravita AG: Board member ²⁾

¹⁾ Listed company

²⁾ Mandates by order of Galenica



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To the General Meeting of
Galenica Ltd., Berne

Berne, 7 March 2024

Report of the statutory auditor on the audit of the remuneration report



Opinion

We have audited the remuneration report of Galenica Ltd. (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) contained in the chapters Remuneration awarded for 2023 and 2022, Other remuneration and Shareholdings of the Corporate Executive Committee and the Board of Directors of the remuneration report.

In our opinion, the information pursuant to Art. 734a-734f CO in the remuneration report complies with Swiss law and the Company's articles of incorporation.



Basis for opinion

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

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



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the chapters Remuneration awarded for 2023 and 2022, Other remuneration and Shareholdings of the Corporate Executive Committee and the Board of Directors in the remuneration report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

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

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

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



Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. It is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Simone Wittwer
Licensed audit expert

Financial Reporting

Alternative performance measures 2023 of the Galenica Group

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Definitions of alternative performance measures

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

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

The alternative performance measures are unaudited.

IAS 19 – Employee benefits

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

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

IFRS 16 – Leases

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

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

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

Organic growth of net sales

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

Organic growth of net sales 2023

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

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

Organic growth of net sales 2023 Products & Care

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

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 2022

in thousand CHF	Retail (B2C) ¹⁾	Professionals (B2B)	Products & Care ^{1) 2)}	Wholesale	Logistics & IT Services	Logistics & IT ²⁾
Net sales	1,360,718	228,780	1,583,959	2,820,359	130,712	2,933,318
Change to previous period ³⁾	2.7%	17.9%	4.7%	3.4%	16.8%	3.6%
Effect of net expansion	7,498 ⁴⁾	17,972 ⁵⁾	25,469	–	682	682
In % of net sales of previous period	0.6%	9.3%	1.7%	0.0%	0.6%	0.0%
Net sales excluding effect of net expansion	1,353,221	210,809	1,558,490	2,820,359	130,030	2,932,636
Organic growth of net sales³⁾	2.1%	8.6%	3.0%	3.4%	16.2%	3.6%
Mandatory price reductions ⁶⁾	16,672			57,520		
In % of net sales of previous period	1.3%			2.1%		
Net sales excluding effect of net expansion and mandatory price reductions	1,369,893			2,877,879		
Organic growth of net sales excluding price reductions³⁾	3.3%			5.5%		

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

²⁾ Including eliminations of intercompany net sales

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

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

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

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

Organic growth of net sales 2022 Products & Care

in thousand CHF	Local Pharmacies	Pharmacies at Home ¹⁾	Retail (B2C) ^{1) 2)}	Products & Brands	Services for Professionals	Professionals (B2B) ²⁾
Net sales	1,286,856	74,032	1,360,718	157,687	71,093	228,780
Change to previous period ³⁾	2.0%	16.2%	2.7%	19.8%	13.9%	17.9%
Effect of net expansion	7,835 ⁴⁾	–337 ⁴⁾	7,498⁴⁾	8,771 ⁵⁾	9,200 ⁵⁾	17,972⁵⁾
In % of net sales of previous period	0.6%	–0.5%	0.6%	6.7%	14.7%	9.3%
Net sales excluding effect of net expansion	1,279,021	74,369	1,353,221	148,916	61,893	210,809
Organic growth of net sales³⁾	1.4%	16.7%	2.1%	13.1%	–0.8%	8.6%
Mandatory price reductions ⁶⁾	16,672		16,672			
In % of net sales of previous period	1.3%		1.3%			
Net sales excluding effect of net expansion and mandatory price reductions	1,295,693		1,369,893			
Organic growth of net sales excluding price reductions³⁾	2.7%		3.3%			

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

²⁾ Including eliminations of intercompany net sales

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

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

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

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

Adjusted consolidated statement of income

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

Adjusted consolidated statement of income 2023

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

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 from continuing operations	3.31	–0.10	0.02	3.23
Diluted earnings per share from continuing operations	3.31	–0.10	0.02	3.22

Adjusted consolidated statement of income 2022

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

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

²⁾ Reported for each operating segment not taking into account Group Services and Eliminations

³⁾ Calculated as EBIT divided by net sales

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

Free cash flow

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

Free cash flow

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

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

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

³⁾ Net cash flow from business combinations and net cash flow from sale of subsidiaries

CAPEX

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

Cash conversion

	2023	2022 (Restated) ¹⁾
Cash conversion ²⁾	67.5%	70.5%

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

²⁾ Calculated as EBITDA adjusted less CAPEX divided by EBITDA adjusted

Capital management

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

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

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

Total assets

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

Net debt

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

¹⁾ Excluding non-interest-bearing financial liabilities

Shareholders' equity

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

Equity ratio

	2023	2022
Equity ratio ¹⁾	49.3%	47.8%
Equity ratio adjusted ²⁾	54.1%	53.2%

¹⁾ Calculated as shareholders' equity divided by total assets

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

Gearing

	2023	2022
Gearing ¹⁾	40.5%	42.2%
Gearing adjusted ²⁾	24.4%	23.2%

¹⁾ Calculated as net debt divided by shareholders' equity

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

Debt coverage

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

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

²⁾ Calculated as net debt divided by EBITDA

³⁾ Calculated as net debt adjusted divided by EBITDA adjusted

Value based management

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

Invested capital

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

Invested capital

in thousand CHF	2023	2022
Shareholders' equity adjusted	1,481,734	1,268,783
Net debt adjusted	362,096	294,580
Equity instruments at fair value through other comprehensive income	-200,030	-4,561 ¹⁾
Deferred tax assets ²⁾	-1,486	-231
Deferred tax liabilities ²⁾	66,822	49,325
Invested capital	1,709,137	1,607,895¹⁾
Average invested capital	1,658,516	1,560,793¹⁾

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

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

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

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

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

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

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

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

²⁾ Calculated as NOPAT in % of average invested capital

Galenica economic profit (GEP)

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

Galenica economic profit (GEP)

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

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

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

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Consolidated statement of income

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

¹⁾ Figures restated (refer to note 4, Discontinued operations)

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

Consolidated statement of comprehensive income

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

¹⁾ Figures restated (refer to note 4, Discontinued operations)

Consolidated statement of financial position

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

Consolidated statement of cash flows

in thousand CHF	Note	2023	2022 (Restated) ¹⁾
Profit from continuing operations		165,704	157,347
Income taxes	12	29,245	32,267
Depreciation, amortisation and impairment	15,16,17	103,000	99,572
Net gain on disposal of non-current assets	7,9	-670	-205
(Gain)/loss on disposal of subsidiaries	5	-	-853
Increase/(decrease) in provisions and employee benefit assets and liabilities		-5,205	2,594
Net financial result	10	4,186	3,438
Share of profit from associates and joint ventures	18	-6,838	-4,202
Share-based payments	29	4,318	7,109
Interest received		970	755
Interest paid		-9,369	-5,578
Other net financial payments		-230	-149
Dividends received	18	4,410	6,860
Income taxes paid		-36,236	-26,707
Cash flow from operating activities before working capital changes		253,283	272,247
Change in trade and other receivables		-37,817	-33,171
Change in inventories		-53,278	-16,773
Change in trade and other payables		80,845	-17,113
Change in other net current assets		-18,508	37,864
Working capital changes		-28,759	-29,194
Cash flow from discontinued operations		1,186	-6,180
Cash flow from operating activities		225,710	236,873
Investments in property, plant and equipment		-44,541	-40,948
Investments in intangible assets		-31,833	-28,850
Investments in associates and joint ventures	18	-4,491	-3,833
Investments in financial assets		-129,092	-18,592
Proceeds from sale of property, plant and equipment and intangible assets		1,042	524
Proceeds from sale of financial assets		115,309	2,264
Net cash flow from business combinations	5	-28,268	-38,462
Net cash flow from sale of subsidiaries	4,5	-2,142	1,913
Cash flow from discontinued operations		-150	-569
Cash flow from investing activities		-124,167	-126,552
Dividends paid		-110,266	-104,810
Purchase of treasury shares		-11,010	-539
Proceeds from sale of treasury shares		4,947	4,886
Proceeds from financial liabilities	20	377,051	1,607
Repayment of financial liabilities	20	-287,565	-25,893
Payment of lease liabilities		-51,934	-51,822
Purchase of non-controlling interests		-8	-4,069
Cash flow from discontinued operations		-267	-637
Cash flow from financing activities		-79,053	-181,276
Effects of exchange rate changes on cash and cash equivalents		-258	-101
Increase in cash and cash equivalents		22,232	-71,055
Cash and cash equivalents as at 1 January ²⁾		93,927	164,982
Cash and cash equivalents as at 31 December²⁾		116,159	93,927

¹⁾ Figures restated (refer to note 4, Discontinued operations)

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

Consolidated statement of changes in equity

in thousand CHF	Share capital	Treasury shares	Retained earnings	Equity attributable to shareholders of Galenica Ltd.	Non-controlling interests	Equity
Balance as at 31 December 2021	5,000	-14,511	1,237,049	1,227,538	6,140	1,233,677
Net profit			165,132	165,132	727	165,859
Other comprehensive loss			-46,727	-46,727	-	-46,727
Comprehensive income			118,405	118,405	727	119,132
Dividends			-104,443	-104,443	-367	-104,810
Transactions on treasury shares		6,694	-5,860	834	-	834
Share-based payments			7,255	7,255	-	7,255
Change in non-controlling interests			-4,008	-4,008	-2,618	-6,626
Balance as at 31 December 2022	5,000	-7,817	1,248,397	1,245,580	3,881	1,249,461
Net profit			285,367	285,367	785	286,152
Other comprehensive income			52,742	52,742	-	52,742
Comprehensive income			338,108	338,108	785	338,893
Dividends			-109,761	-109,761	-542	-110,304
Transactions on treasury shares		-3,999	-2,991	-6,990	-	-6,990
Share-based payments			4,464	4,464	-	4,464
Change in non-controlling interests			19	19	-347	-327
Balance as at 31 December 2023	5,000	-11,816	1,478,235	1,471,419	3,777	1,475,196

Notes to the consolidated financial statements of the Galenica Group

1. Group organisation

General information

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

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

The Board of Directors released the consolidated financial statements 2023 for publication on 7 March 2024. The 2023 consolidated financial statements will be submitted for approval to the Annual General Meeting on 10 April 2024.

2. Accounting principles

Basis of preparation

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

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

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

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

Foreign currencies are not material for the consolidated financial statements.

Estimation uncertainty, assumptions and judgments

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

Leases (note 16)

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

Goodwill and intangible assets (note 17)

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

Employee benefit plans and other non-current employee benefits (note 24)

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

Fair value of contingent consideration liabilities from business combinations (note 26)

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

Amendments to IFRS Accounting Standards

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

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

These changes have no or no material impact on the financial position, financial performance and cash flows of Galenica. The amendments to IAS 1 and IFRS Practice Statement 2 affected the disclosures of the accounting principles in these consolidated financial statements. Galenica has not early adopted any other standard or interpretation that has been issued but is not yet effective.

Future amendments to IFRS Accounting Standards

The IASB has issued various new and amended standards and interpretations with effective dates in the financial year 2024 or later. Galenica has not early adopted any of the following amendments to standards or interpretations that are potentially relevant for Galenica. Galenica intends to apply the new or amended standards for the first time in the financial year beginning on the date shown below:

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

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

3. Operating segment information

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

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

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

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

Products & Care

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

The «Retail» business area comprises the two sectors «Local Pharmacies» (point-of-sale) and «Pharmacies at Home» (mail-order and home care). Retail operates at 538 locations Galenica's pharmacy network, the largest in Switzerland. With 369 pharmacies of its own and 169 partner pharmacies, Retail has outlets throughout the country. Galenica's own pharmacies comprise the Amavita brand with 188 branches and the Sun Store brand with 85 branches. Galenica also operates a chain of 89 pharmacies in partnership with Coop under the Coop Vitality brand. Galenica's pharmacy network also covers the speciality pharmacy Mediservice in partnership with Redcare Pharmacy N.V., which is focused on medication for treatment of patients at home, 6 majority interests in pharmacies and 169 Winconcept partner pharmacies.

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

Logistics & IT

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

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

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

Group Services

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

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

Eliminations

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

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

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

Operating segment information 2023

Operating segment information 2023

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	1,635,633	3,076,988	50,051	-1,016,661	3,746,011
Intersegmental net sales	-106,467	-863,775	-46,418	1,016,661	-
Net sales to third parties	1,529,166	2,213,213	3,633	-	3,746,011
Other income	7,869	7,896	3,736	-2,460	17,040
Share of profit from associates and joint ventures	6,554	17	-	268	6,838
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	222,200	74,313	3,236	2,386¹⁾	302,135
Depreciation, amortisation and impairment	-68,429	-31,750	-3,058	237	-103,000
Earnings before interest and taxes (EBIT)	153,772	42,563	178	2,623¹⁾	199,135
Interest income					1,878
Interest expense					-9,466
Other net financial result					3,402
Earnings before taxes (EBT)					194,949
Income taxes					-29,245
Profit from continuing operations					165,704
Assets	1,832,129	1,029,042	600,327	-470,546²⁾	2,990,952
Investments in associates and joint ventures	146,718	99	-	-2,832	143,985
Liabilities	591,285	630,139	747,648	-453,317³⁾	1,515,755
Investments in property, plant and equipment	27,800	15,070	3,249	-	46,119 ⁴⁾
Investments in intangible assets	1,483	31,337	-	-121	32,699 ⁵⁾
Employees as at 31 December (FTE)	4,167	1,498	242	-	5,907

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

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

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

⁴⁾ Of which non-cash investments of CHF 2.5 million

⁵⁾ Of which non-cash investments of CHF 2.6 million

Geographic information 2023

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

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

Operating segment information 2022

Operating segment information 2022 (restated)

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	1,583,959	2,933,318	49,138	-977,960	3,588,456
Intersegmental net sales	-96,579	-834,935	-46,445	977,960	-
Net sales to third parties	1,487,380	2,098,383	2,693	-	3,588,456
Other income	7,112	6,265	3,123	-3,503	12,996
Share of profit from associates and joint ventures	4,255	17	-	-70	4,202
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	212,141	80,518	1,759	-1,794¹⁾	292,624
Depreciation, amortisation and impairment	-66,114	-31,212	-2,541	294	-99,572
Earnings before interest and taxes (EBIT)	146,027	49,306	-782	-1,500¹⁾	193,052
Interest income					1,160
Interest expense					-5,239
Other net financial result					641
Earnings before taxes (EBT)					189,614
Income taxes					-32,267
Profit from continuing operations					157,347
Assets	1,784,254	921,458	320,811	-413,699²⁾	2,612,825
Investments in associates and joint ventures	33,975	82	-	-1,375	32,682
Liabilities	604,571	524,903	619,655	-385,765³⁾	1,363,364
Investments in property, plant and equipment	14,183	24,354	2,507	-	41,044 ⁴⁾
Investments in intangible assets	1,276	28,469	-	-69	29,676 ⁵⁾
Employees as at 31 December (FTE)	4,007	1,399	225	-	5,631

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

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

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

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

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

Geographic information 2022 (restated)

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

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

4. Discontinued operations

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

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

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

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

Gain on sale of discontinued operations

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

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

Statement of income of discontinued operations

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

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

Financial position of the discontinued operations at the time of disposal

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

Accounting principles discontinued operations

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

5. Business combinations and disposals

Business combinations 2023

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

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

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

The total purchase consideration amounted to CHF 11.4 million, of which CHF 11.3 million was settled in cash and CHF 0.1 million were recognised as deferred consideration. The fair value of the net identifiable assets amounts to CHF 0.8 million at the acquisition date. The goodwill of CHF 10.6 million was allocated to the operating segment Products & Care and corresponds to the added value of the pharmacies based on their locations and the know-how of the employees gained. Transaction costs were not material.

Business combinations

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

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

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

Business combinations and disposals 2022

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

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

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

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

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

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

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

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

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

Accounting principles business combinations

Subsidiaries, associates and joint ventures acquired during the reporting period are included in the financial statements as at the date when control, significant influence or joint control was obtained. Companies sold during the reporting period are included up to the date when control, significant influence or joint control was lost. The profit or loss on deconsolidation is recognised in operating income or other operating costs.

Contingent consideration is measured at fair value at the acquisition date and qualifies as a financial instrument. It is remeasured to fair value and any difference is recognised in other financial income or other financial expenses.

The difference arise from the acquisition of additional non-controlling interests in fully consolidated companies (purchase consideration less proportionate carrying amount of non-controlling interests) is considered to be an equity transaction and is thus taken directly to retained earnings in shareholders' equity.

6. Net sales

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

Net sales 2023

Net sales 2023

in thousand CHF	Sale of goods	Sale of services	Total net sales	Intersegmental net sales	Total net sales to third parties	of which sale of goods to third parties	of which sale of services to third parties
Local Pharmacies	1,223,601	83,330	1,306,931	672	1,307,603	1,224,273	83,330
Pharmacies at Home	74,410	4,509	78,918	-283	78,635	74,126	4,509
Retail (B2C)¹⁾	1,297,725	87,838	1,385,564	674	1,386,237	1,298,399	87,838
Products & Brands	175,674	1,458	177,132	-87,205	89,927	88,522	1,405
Services for Professionals	63,116	15,819	78,934	-25,950	52,984	49,781	3,203
Professionals (B2B)¹⁾	238,815	17,248	256,064	-113,153	142,911	138,303	4,607
Products & Care¹⁾	1,534,129	101,504	1,635,633	-106,467	1,529,166	1,436,719	92,446
Wholesale	2,942,635	10,097	2,952,732	-812,965	2,139,767	2,132,506	7,260
Logistics & IT Services	390	143,575	143,965	-70,519	73,446	390	73,056
Logistics & IT¹⁾	2,943,019	133,968	3,076,988	-863,775	2,213,213	2,132,896	80,316
Group Services	-	50,051	50,051	-46,418	3,633	-	3,633
Eliminations ²⁾	-907,536	-109,124	-1,016,661	1,016,661	-	-	-
Galenica Group	3,569,612	176,399	3,746,011	-	3,746,011	3,569,612	176,399

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

Net sales 2022 (restated)

Net sales 2022 (restated)

in thousand CHF	Sale of goods	Sale of services	Total net sales	Intersegmental net sales	Total net sales to third parties	of which sale of goods to third parties	of which sale of services to third parties
Local Pharmacies	1,210,214	76,641	1,286,856	-9	1,286,846	1,210,208	76,638
Pharmacies at Home	69,471	4,562	74,032	-370	73,663	69,101	4,561
Retail (B2C)¹⁾	1,279,516	81,203	1,360,718	-209	1,360,509	1,279,309	81,200
Products & Brands	155,906	1,782	157,687	-80,460	77,227	75,446	1,781
Services for Professionals	55,857	15,236	71,093	-21,695	49,398	44,775	4,623
Professionals (B2B)¹⁾	211,802	16,979	228,780	-102,156	126,625	120,221	6,404
Products & Care¹⁾	1,488,181	95,778	1,583,959	-96,579	1,487,380	1,399,575	87,805
Wholesale	2,810,514	9,845	2,820,359	-791,079	2,029,280	2,022,691	6,588
Logistics & IT Services	359	130,353	130,712	-61,609	69,103	348	68,755
Logistics & IT¹⁾	2,810,862	122,457	2,933,318	-834,935	2,098,383	2,023,040	75,344
Group Services	-	49,138	49,138	-46,445	2,693	-	2,693
Eliminations ²⁾	-876,428	-101,531	-977,960	977,960	-	-	-
Galenica Group	3,422,614	165,841	3,588,456	-	3,588,456	3,422,614	165,841

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

Accounting principles net sales

Net sales represent revenue from contracts with customers from the sale of goods or services. Revenue is recognised in the amount that reflects the consideration to which Galenica expects to be entitled when the promised goods or services are transferred to customers.

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

Sale of goods

For retail pharmacy sales, revenue is recognised at the point in time when the customer takes possession of the products at the point-of-sale and for wholesale transactions upon shipment of the products to the customer.

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

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

Customer returns are not material.

Sale of services

Revenue from services includes logistics services, healthcare and consultation services, the processing and sale of information and IT services as well as other contractually agreed services.

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

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

7. Other income

Other income

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

¹⁾ Figures restated (refer to note 4, Discontinued operations)

8. Personnel costs

Personnel costs

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

¹⁾ Figures restated (refer to note 4, Discontinued operations)

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

9. Other operating costs

Other operating costs

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

¹⁾ Figures restated (refer to note 4, Discontinued operations)

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

Research and development

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

10. Financial result

Financial result

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

¹⁾ Figures restated (refer to note 4, Discontinued operations)

11. Earnings per share

Number of outstanding shares

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

Earnings per share

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

12. Income taxes

Income taxes

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

¹⁾ Figures restated (refer to note 4, Discontinued operations)

Tax reconciliation

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

Deferred taxes

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

Analysis of net deferred taxes

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

¹⁾ Figures restated (refer to note 4, Discontinued operations)

Temporary differences on which no deferred taxes have been recognised

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

Tax loss carryforwards and tax credits

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

OECD Pillar Two model rules

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

13. Trade and other receivables

Trade and other receivables

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

Change in bad debt allowances for trade receivables

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

Maturity profile of trade receivables

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

Accounting principles trade and other receivables

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

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

14. Inventories

Inventories

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

¹⁾ Including prepayments to suppliers

²⁾ Including consumables / auxiliary material

Accounting principles inventories

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

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

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

15. Property, plant and equipment

Property, plant and equipment

in thousand CHF	Real estate	Assets under construction	Warehouse equipment	Furniture, fittings	Other property, plant and equipment	Total property, plant and equipment
Net carrying amount as at 31.12.2021	142,194	21,464	31,481	23,644	25,767	244,549
Addition	14,682	1,517	12,656	3,434	8,754	41,044
Disposal	–	–	–13	–99	–167	–280
Reclassification	16,681	–21,023	3,637	–30	736	–
Depreciation	–14,108	–	–6,241	–5,124	–10,509	–35,983
Addition to scope of consolidation	96	–	–	59	84	238
Disposal from scope of consolidation	–	–	–54	–6	–14	–74
Net carrying amount as at 31.12.2022	159,544	1,958	41,465	21,877	24,650	249,495
Addition	23,016	1,993	4,949	8,202	7,959	46,119
Disposal	–283	–	–	–	–112	–394
Reclassification	167	–822	206	73	376	–
Depreciation	–14,108	–	–6,354	–5,190	–9,572	–35,224
Addition to scope of consolidation	–	–	64	223	100	387
Disposal from scope of consolidation	–318	–	–333	–31	–	–681
Net carrying amount as at 31.12.2023	168,019	3,129	39,996	25,156	23,402	259,702
Overview as at 31.12.2022						
Cost	327,442	1,958	115,959	113,542	67,192	626,094
Accumulated depreciation and impairment	–167,897	–	–74,495	–91,665	–42,542	–376,599
Net carrying amount as at 31.12.2022	159,544	1,958	41,465	21,877	24,650	249,495
Overview as at 31.12.2023						
Cost	344,854	3,129	116,950	119,677	71,152	655,763
Accumulated depreciation and impairment	–176,835	–	–76,954	–94,522	–47,750	–396,060
Net carrying amount as at 31.12.2023	168,019	3,129	39,996	25,156	23,402	259,702

Accounting principles property, plant and equipment

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

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

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

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

16. Leases

Right-of-use assets

in thousand CHF	Real estate	Other right-of-use assets	Total right-of-use assets
Net carrying amount as at 31.12.2021	215,239	257	215,496
Addition	23,456	76	23,533
Reassessment of existing lease contracts	35,497	12	35,509
Depreciation	-51,059	-197	-51,255
Impairment	-1,644	-	-1,644
Reversal of impairment	1,492	-	1,492
Addition to scope of consolidation	3,951	52	4,002
Disposal from scope of consolidation	-444	-	-444
Translation differences	-	-4	-4
Net carrying amount as at 31.12.2022	226,489	196	226,685
Addition	22,104	139	22,243
Reassessment of existing lease contracts	31,297	5	31,302
Depreciation	-52,726	-118	-52,844
Impairment	-37	-	-37
Reversal of impairment	508	-	508
Addition to scope of consolidation	5,756	-	5,756
Disposal from scope of consolidation	-4,025	-	-4,025
Translation differences	-	-6	-6
Net carrying amount as at 31.12.2023	229,366	217	229,583

Lease liabilities

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

Leases recognised in profit or loss (restated)

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

¹⁾ Figures restated (refer to note 4, Discontinued operations)

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

Maturity profile of undiscounted lease liabilities

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

Possible future cash outflows related to extension options in an amount of CHF 192.6 million (previous year: CHF 183.1 million) are not included in lease liabilities because it is not reasonably certain that these options will be exercised.

The cash outflows for variable lease expenses in 2024 is expected to be similar to the amount recognised in 2023.

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

Accounting principles leases

Galenica has lease contracts for furniture, vehicles and a large number of contracts for real estate, mainly store locations, which include fixed rental payments and variable sales-based components. The significant majority of these lease contracts concerns locations of the pharmacies in the operating segment Products & Care.

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

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

17. Intangible assets

Intangible assets

in thousand CHF	Intangible assets with finite useful lives ¹⁾	Trademarks with indefinite useful lives	Software	Goodwill	Total intangible assets
Net carrying amount as at 31.12.2021	7,668	82,720	73,616	856,662	1,020,666
Addition	–	–	29,676	–	29,676
Disposal	–41	–	–	–	–41
Amortisation	–2,087	–	–10,997	–	–13,084
Addition to scope of consolidation	4,910	–	–	58,600	63,510
Disposal from scope of consolidation	–28	–	–28	–558	–614
Net carrying amount as at 31.12.2022	10,422	82,720	92,267	914,703	1,100,112
Addition	508	–	32,191	–	32,699
Amortisation	–2,974	–	–12,783	–	–15,757
Addition to scope of consolidation	392	8,940	–	19,650	28,983
Disposal from scope of consolidation	–	–	–4,471	–63,046	–67,517
Translation differences	–16	–	–1	–	–17
Net carrying amount as at 31.12.2023	8,332	91,660	107,204	871,307	1,078,503
Overview as at 31.12.2022					
Cost	21,982	82,720	147,680	914,703	1,167,085
Accumulated amortisation and impairment	–11,561	–	–55,413	–	–66,973
Net carrying amount as at 31.12.2022	10,422	82,720	92,267	914,703	1,100,112
Overview as at 31.12.2023					
Cost	22,863	91,660	168,294	871,307	1,154,124
Accumulated amortisation and impairment	–14,530	–	–61,090	–	–75,620
Net carrying amount as at 31.12.2023	8,332	91,660	107,204	871,307	1,078,503

¹⁾ Including trademarks, patents, licences and customer relationships

Trademarks with indefinite useful lives

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

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

Trademarks with indefinite useful lives

in thousand CHF	2023	2022
Carrying amount	91,660	82,720
Growth rate	1.0%	1.0%
Pre-tax discount rate	7.0%	6.8%

According to the results of impairment testing for 2023 and 2022 using value in use calculations, no impairment was necessary. Galenica performed a sensitivity analysis taking into account reasonable changes in the assumptions used to calculate the discounted cash flows, such as higher discount rates, lower EBIT margins or lower perpetual growth rates. The sensitivity analysis for 2023 and 2022 did not reveal that a reasonable possible change in assumption would lead to an impairment.

Goodwill

Goodwill

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

According to the results of impairment testing for 2023 and 2022 using value in use calculations, no impairment was necessary. Galenica performed a sensitivity analysis taking into account reasonable changes in the assumptions used to calculate the discounted cash flows, such as higher discount rates, lower EBIT margins or lower perpetual growth rates. The sensitivity analysis for 2023 and 2022 did not reveal that a reasonable possible change in assumption would lead to an impairment.

Accounting principles intangible assets

Intangible assets include acquired trademarks, patents, licences, customer relationships, purchased or internally developed software and other assets without physical substance. These items are measured at cost less accumulated amortisation and impairment.

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

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

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

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

With the exception of trademarks in the business area Products & Brands, all intangible assets are assessed as having a finite useful life. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually in the fourth quarter of the year, or more frequently if there are indications of impairment.

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

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

18. Investments in associates and joint ventures

Investments in associates

Investments in associates

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

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

²⁾ Including contribution of previously held securities with a fair value of CHF 1.7 million

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

Condensed financial information of Mediservice

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

¹⁾ Figures as from 16 May to 31 December 2023

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

Investments in joint ventures

Investments in joint ventures

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

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

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

Condensed financial information of Coop Vitality

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

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

19. Financial assets

Financial assets

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

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

Accounting principles financial assets

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

20. Financial liabilities

Financial liabilities

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

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

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

Cash flow from financial liabilities and lease liabilities 2023

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

Cash flow from financial liabilities and lease liabilities 2022

in thousand CHF	01.01.2022	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Disposal from scope of consolidation	Other changes	31.12.2022
Loans	5,654	1,607	-986	-	-	45	6,320
Mortgages	1,253	-	-12	-	-	-	1,241
Liabilities to pension funds	37,503	-	-24,895	-	-	-510	12,099
Bonds	380,306	-	-	-	-	-112	380,194
Contingent consideration liabilities from business combinations	24,000	-	-	-	-	25,180	49,180
Other financial liabilities	880	-	-	-	-	3,399	4,279
Financial liabilities	449,596	1,607	-25,893	-	-	28,002	453,312
Lease liabilities	223,051	-	-52,459	4,002	-455	59,038	233,178
Financial liabilities and lease liabilities	672,647	1,607	-78,351	4,002	-455	87,040	686,490

21. Trade and other payables

Trade and other payables

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

Contract liabilities are generally recognised in revenue within 12 months.

22. Provisions

Provisions

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

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

23. Contingent liabilities and commitments

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

In March 2017, the Swiss Competition Commission (COMCO) issued a ruling, which imposed a fine of up to CHF 4.5 million on Galenica. The ruling relates to an investigation from 2012. Galenica regards the ruling issued by COMCO as incorrect in fact and in law. Galenica has taken the ruling to the Federal Administrative Court. With a decision delivered in February 2022, the Federal Administrative Court reduced the fine to around CHF 3.8 million. Galenica has taken this case to the Swiss Federal Supreme Court. Although the case is still pending before the Federal Supreme Court, COMCO obliged Galenica to pay the CHF 3.8 million penalty in June 2023 and therefore Galenica expensed the amount. Galenica remains confident of winning the case before the Federal Supreme Court.

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

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

Galenica signed purchase agreements to acquire property, plant and equipment and intangible assets totalling CHF 17.3 million (previous year: CHF 15.9 million). The payments under these purchase commitments become due in 2024.

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

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

24. Employee benefit plans

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

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

The most recent actuarial valuation was prepared as at 31 December 2023. The pension fund assets are invested in accordance with local investment guidelines. Galenica pays its contributions to the pension fund in accordance with the regulations defined by the fund.

The final funded status pursuant to BVG/LPP is not available until the first quarter of the subsequent year. The projected funded status as at 31 December 2023 for Galenica Pension Fund is 110.8% (unaudited) and as at 31 December 2022 108.3% (final).

Defined benefit plans and long-service awards

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

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

Change in present value of defined benefit obligation

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

Change in fair value of plan assets

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

Net defined benefit cost

in thousand CHF	2023	2022
Current service cost	25,896	31,804
Past service cost	112	85
Net interest on net defined benefit liability	-430	-283
Administration cost	1,051	999
Net defined benefit cost¹⁾	26,628	32,605

¹⁾ Of which continuing operations of CHF 26.3 million (previous year: CHF 31.8 million)

Remeasurement of net defined benefit assets / liabilities

in thousand CHF	2023	2022
Actuarial gain/(loss) due to:		
- Changes in financial assumptions	-91,366	190,663
- Experience adjustments	22,433	-20,807
Remeasurement of plan assets	17,104	-155,683
Effect in the change of asset ceiling	64,341	-69,941
Remeasurement of net defined benefit assets / liabilities recognised in other comprehensive income¹⁾	12,512	-55,768

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

Change in assumption and in estimate

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

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

Asset ceiling

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

Investment structure of plan assets

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

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

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

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

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

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

Other investments consist of hedge funds, insurance linked securities (ILS), infrastructures, senior loans, private equity and receivables. There are receivables from Group companies amounted to CHF 9.7 million (previous year: CHF 11.2 million). Investments in hedge funds are classified as alternative investments. They are primarily used for risk management purposes. In most cases, quoted prices in an active market are not available for hedge funds investments (level 2 or level 3 of the fair value hierarchy).

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

The pension funds manage the assets of 5,829 active members (previous year: 5,629) and 993 pensioners (previous year: 950).

Galenica does not use any pension fund assets.

Basis for measurement

	2023	2022
Discount rate	1.40%	2.10%
Salary development	2.25%	2.25%
Pension development	0.00%	0.00%
Mortality (mortality tables)	BVG 2020 GT (CMI), 1.5%	BVG 2020 GT (CMI), 1.5%
Turnover	BVG 2020 (60% -100%)	BVG 2020 (60% -100%)

Sensitivity analysis

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

Sensitivity analysis

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

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

The pension obligations have an average duration of 15.7 years (previous year: 14.4 years).

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

The employer contributions to the pension fund are estimated at CHF 32.3 million for 2024.

25. Shareholders' equity

25.1 Share capital and number of shares

Galenica has fully paid-up share capital of CHF 5,000,000, divided into 50,000,000 publicly listed shares with a par value of CHF 0.10 each, as at the reporting date. All shares have the same capital rights with the exception of the treasury shares which do not generate any dividends. Voting rights and restrictions on voting rights are described in detail in Galenica's Annual report 2023 in the chapter Corporate Governance (unaudited).

Number of shares

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

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

25.2 Changes in consolidated shareholder's equity

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

In the reporting period, 156,148 treasury shares (previous year: 7,704 treasury shares) were bought at an average price of CHF 70.51 (previous year: CHF 69.97) and 172,068 treasury shares (previous year: 185,467 treasury shares) were issued as share-based payments.

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

The acquisition of non-controlling interests reduced consolidated shareholders' equity by less than CHF 0.1 million (previous year: CHF 4.1 million). In 2022 as a result of business combinations CHF 1.4 million were recognised as non-controlling interests. Remaining Shareholders have a put option to sell their shares to Galenica which gives rise to a financial liability. The changes in the carrying amount of this financial liability reduced consolidated shareholder's equity by CHF 0.3 million (previous year: CHF 3.9 million).

The Board of Directors will submit a proposal to the Annual General Meeting on 10 April 2024 to pay a dividend of CHF 2.20 per share entitled to receive dividend for the financial year 2023. For this purpose, CHF 1.10 is to be taken from the reserves from capital contributions and CHF 1.10 from the retained earnings. However, no dividend will be paid on treasury shares. Based on the number of treasury shares as at 31 December 2023, the total dividend would amount to CHF 109.2 million.

26. Financial instruments

26.1 Categories of financial instruments

Carrying amounts of financial instruments 2023

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

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

²⁾ Of which CHF 4.3 million are in connection to put options for non-controlling interests. Changes in the liability amount are recognised in equity

Carrying amounts of financial instruments 2022

in thousand CHF	Financial assets at amortised costs	Financial assets at fair value through OCI	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Cash and cash equivalents	93,927	–	–	–	93,927
Trade and other receivables	529,479	–	–	–	529,479
Financial assets	19,132 ¹⁾	4,561	–	–	23,692
Current financial liabilities	–	–	–	218,464	218,464
Current lease liabilities	–	–	–	50,173	50,173
Trade and other payables	–	–	–	346,083	346,083
Non-current financial liabilities	–	–	49,180	185,668 ²⁾	234,848
Non-current lease liabilities	–	–	–	183,005	183,005
Total	642,537	4,561	49,180	983,393	

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

²⁾ Of which CHF 3.9 million are in connection to put options for non-controlling interests. Changes in the liability amount are recognised in equity

Net gain/(loss) on financial instruments 2023

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

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

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

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

in thousand CHF	Financial assets at amortised costs	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Change in fair value	–	1,077	–	1,077
Net gain/(loss) on foreign exchange	–104	–	–133	–237
Other financial result	–144	–	–55	–198
Interest income	639	–	–	639
Interest expense	–	–	–2,839	–2,839
Interest expense on lease liabilities	–	–	–2,400	–2,400
Interest income on impaired trade receivables	301	–	–	301
Expected credit losses	–1,779	–	–	–1,779
Net gain/(loss) recognised in profit or loss	–1,086	1,077	–5,428	–5,437

¹⁾ Figures restated (refer to note 4, Discontinued operations)

Accounting principles financial instruments (measurement and categories)

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

Financial assets at amortised cost

This category includes trade and other receivables as well as loans and other financial assets such as rental deposits. These financial assets are subsequently measured at amortised cost using the effective interest rate method less expected credit losses. Galenica uses the simplified approach to determine its bad debt allowances for trade receivables using lifetime expected credit losses. Expenses for expected credit losses comprise the change in bad debt allowance and receivables directly written off.

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

Financial assets at fair value through other comprehensive income

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortised costs

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

Put options granted to non-controlling interests to sell their shares to Galenica as part of a business combination represent a contractual obligation to purchase non-controlling interests and give rise to a financial liability if the option does not provide Galenica with a present ownership interest in the shares concerned. This liability is measured at the redemption amount as if the put option had been exercised at the balance sheet date. Galenica accounts for changes in the carrying amount of this financial liability as an equity transaction.

26.2 Fair value measurement

Fair value

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

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

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

Fair value of financial instruments (level 3 of the fair value hierarchy)

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

in thousand CHF	2023	2022
1 January	49,180	24,000
Arising from business combinations	2,385	26,256
Change in fair value (recognised in profit or loss)	-10,057	-1,077
31 December	41,507	49,180

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

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

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

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

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

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

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

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

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

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

¹⁾ of the acquired business

27. Financial risk management

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

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

27.1 Liquidity risk

Liquidity risk management

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

Maturity profile of financial liabilities 2023

in thousand CHF	Carrying amount	Total undiscounted cash flows	up to 3 months	3 to 12 months	1 to 5 years	Maturities more than 5 years
Trade and other payables	407,943	407,943	407,943	–	–	–
Current financial liabilities	70,231	70,231	68,090	2,141	–	–
Current lease liabilities	50,484	53,125	13,477	39,648	–	–
Non-current financial liabilities	48,697	50,336	–	–	50,336	–
Bonds	419,871	459,240	–	7,440	206,160	245,640
Non-current lease liabilities	185,557	193,159	–	–	144,328	48,831
Total	1,182,783	1,234,034	489,510	49,229	400,824	294,471

Maturity profile of financial liabilities 2022

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

27.2 Credit risk

Credit risk management

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

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

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

Financial assets subject to credit risk

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

The financial assets subject to credit risk are primarily receivables.

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

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

Trade receivables past due are analysed on an ongoing basis. These receivables are accounted for using individual bad debt allowances, adjusted for forward-looking factors specific to the debtors and the economic environment. Based on past experience, Galenica considers the creditworthiness of non-past due trade receivables to be good.

28. Capital management

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

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

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

Net debt, shareholder's equity and gearing

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

¹⁾ Excluding non-interest-bearing financial liabilities

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

29. Share-based payments

Remuneration for members of the Board of Directors

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

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

Share plan for members of senior management

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

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

Long-term incentive plan (LTI)

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

17,607 performance share units (previous year: 19,613 performance share units) were granted to beneficiaries at a fair value of CHF 65.95 (previous year: CHF 58.20) at the beginning of the reporting period for the 2023 LTI plan.

Employee share plan

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

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

In the reporting period, employees purchased 80,252 shares of Galenica Ltd. (previous year: 75,607 shares) at a price of CHF 49.65 (previous year: CHF 53.50). This includes a discount of CHF 21.29 (previous year: CHF 22.90) per share.

Share-based payment expense

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

30. Related party transactions

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

Related party transactions

The transactions shown in the table below under joint ventures largely concern transactions with Coop Vitality and those under associates mainly concern transactions with Mediservice. In the previous year, the transactions with associates and joint ventures largely concerned transactions with Coop Vitality. All transactions are realised at market-based prices. The invoice payment for the sale of goods and services are due within 30 days and is payable in CHF.

Related party transactions

in thousand CHF	2023		2022
	Joint ventures	Associates	Associates and joint ventures
Sale of goods	169,947	11,787	162,134
Income from services	8,087	1,712	7,900
Other income	17	–	17
Purchase of goods	216	13	346
Other operating costs	–	26	–
Financial income	247	34	106
Financial expenses	26	108	203
Receivables and loans	22,835	20,607	21,288
Trade payables and loans	7,320	21,280	5,633

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

Remuneration of the Board of Directors and the Corporate Executive Committee

Remuneration of the Board of Directors and the Corporate Executive Committee

in thousand CHF	2023	2022
Remuneration	3,343	4,224
Social security costs and pension expenses	970	1,054
Share-based payments	1,686	2,537
Total	5,999	7,815

31. Subsequent events

The following transactions occurred between 31 December 2023 and 7 March 2024, the date on which the consolidated financial statements 2023 were released for publication.

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

The purchase consideration was CHF 33.9 million, the fair value of the provisional net assets resulting from these additions was estimated at CHF 8.4 million at the acquisition date. Since the transactions were concluded shortly before the consolidated financial statements were issued, no further information was available to disclose the additional information required by IFRS Accounting Standards.

There were no further significant events after the reporting date.

32. Group companies

Group companies Products & Care

Group companies	Registered office	Method of consolidation	Currency	Share capital in thousand	2023	2022
					Equity interest	Equity interest
Products & Care						
Amavita Health Care Ltd.	CH-Niederbipp	full	CHF	100	100%	100%
Bahnhof Apotheke Langnau AG	CH-Langnau im Emmental	full	CHF	100	100%	100%
Bahnhof Apotheken Thun AG	CH-Thun	full	CHF	200	50%	50%
Bichsel AG	CH-Bern	full	CHF	1,000	100%	100%
Bichsel Interlaken Holding AG ¹⁾	CH-Interlaken	full	CHF	100	100%	100%
Coop Vitality AG	CH-Bern	at equity	CHF	5,000	49%	49%
Coop Vitality Health Care GmbH ¹⁾	CH-Niederbipp	at equity	CHF	20	49%	49%
Coop Vitality Management AG	CH-Bern	at equity	CHF	100	49%	49%
curarex swiss AG ¹⁾²⁾	CH-Zuchwil	at equity	CHF	100	49%	100%
Dr. A.&L. Schmidgall GmbH & Co KG ¹⁾	AT-Vienna	full	EUR	145	100%	100%
Emeda Ltd.	CH-Wangen-Brüttisellen	at equity	CHF	200	50%	50%
Galenicare Ltd.	CH-Bern	full	CHF	700	100%	100%
Galenicare Management Ltd.	CH-Bern	full	CHF	500	100%	100%
G-Pharma AG	CH-Niederbipp	full	CHF	100	100%	100%
Grosse Apotheke Dr. G. Bichsel AG ¹⁾	CH-Interlaken	full	CHF	200	100%	100%
Hedoga AG	CH-Villars-sur-Glâne	full	CHF	100	100%	100%
Laboratorium Dr. G. Bichsel AG ¹⁾	CH-Unterseen	full	CHF	200	100%	100%
Lifestage Solutions Ltd.	CH-Otelfingen	full	CHF	152	100%	100%
Medifilm Ltd. ¹⁾	CH-Oensingen	full	CHF	1,300	100%	100%
medinform AG	CH-Zürich	full	CHF	100	50%	50%
MediService Ltd. ²⁾	CH-Zuchwil	at equity	CHF	363	49%	100%
PADMA Inc.	CH-Wetzikon	full	CHF	160	100%	-
Padma Aktiengesellschaft für tibetische Heilmittel ¹⁾	CH-Freienbach	full	CHF	100	100%	-
PADMA EUROPE GmbH ¹⁾	AT-Vienna	full	EUR	25	100%	-
PADMA Deutschland GmbH ¹⁾	DE-Gräfelfing	full	EUR	35	100%	-
puravita AG	CH-Speicher	at equity	CHF	130	34.34%	23.08%
Schmidgall GmbH ¹⁾	AT-Vienna	full	EUR	36	100%	100%
Spagyros Ltd.	CH-Worb	full	CHF	860	100%	100%
Sun Store Health Care Ltd.	CH-Niederbipp	full	CHF	100	100%	100%
SWISS PHARMA GmbH	DE-Rülzheim	full	EUR	51	100%	100%
Verfora Ltd.	CH-Villars-sur-Glâne	full	CHF	100	100%	100%
Winconcept Ltd.	CH-Bern	full	CHF	100	100%	100%
Zentral Apotheke Heerbrugg AG	CH-Au	full	CHF	100	100%	100%

¹⁾ Not directly held by Galenica Ltd.

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

Group companies Logistics & IT and Group Services

Group companies	Registered office	Method of consolidation	Currency	Share capital in thousand	2023	2022
					Equity interest	Equity interest
Logistics & IT						
1L Logistics Ltd.	CH-Burgdorf	full	CHF	100	100%	100%
Alloga Ltd.	CH-Burgdorf	full	CHF	8,332	100%	100%
Aquantic AG	CH-Zeiningen	full	CHF	100	100%	100%
Dauf SA ¹⁾	CH-Lugano	full	CHF	100	92.92%	92.88%
Galexis Ltd.	CH-Niederbipp	full	CHF	25,000	100%	100%
HCI Solutions Ltd.	CH-Bern	full	CHF	100	100%	100%
Pharma-Info AG ¹⁾	CH-Biel	at equity	CHF	100	49%	49%
PharmaBlist Ltd. ¹⁾	CH-Widnau	full	CHF	100	100%	100%
Pharmapool Ltd. ¹⁾	CH-Widnau	full	CHF	962	100%	100%
Unione Farmaceutica Distribuzione SA	CH-Lugano	full	CHF	2,000	92.92%	92.88%
Group Services						
Galenica Finanz Ltd.	CH-Bern	full	CHF	100	100%	100%

¹⁾ Not directly held by Galenica Ltd.



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To the General Meeting of
Galenica Ltd., Berne

Berne, 7 March 2024

Report of the statutory auditor

Report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of Galenica Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position as at 31 December 2023, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

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

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



Key audit matters

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

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



Impairment risk of goodwill and other intangibles

Risk	<p>As disclosed in note 17, goodwill amounts to CHF 871.3 million as at 31 December 2023 and represents a major asset of Galenica. In addition, Galenica recorded intangible assets with indefinite useful lives with a carrying amount of CHF 91.7 million. Both goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually.</p> <p>Auditing management's annual impairment test is considered important to our audit as it depends on various estimates made by management and therefore includes judgmental elements. In particular, the assessment is sensitive to significant assumptions made about future market and economic conditions, such as economic growth, expected market share, revenue and margin development. Moreover, the terminal growth and the discount rate used have an impact on the net present value of the underlying cash generating unit.</p>
Our audit response	<p>We performed audit procedures that included, among others, assessing the methodology and testing the assumptions discussed above, the weighted average cost of capital (WACC), and technical input parameters used by Galenica. We involved our internal valuation specialists to assist us with these audit procedures. In addition, we assessed the cash flow projections for all cash generating units (CGUs) including the terminal growth. These procedures included an assessment of the historical accuracy of management's estimates and evaluation of business plans. In particular, we considered the available headroom of CGUs and performed sensitivity analyses of assumptions to evaluate whether changes in assumptions as described in note 17 could cause the carrying amount to exceed its recoverable amount. Our audit procedures did not lead to any reservations regarding the impairment tests of goodwill and other intangibles.</p>



Other information

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

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

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

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



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Board of Directors' responsibilities for the consolidated financial statements

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

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



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

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

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

Report on other legal and regulatory requirements



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

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

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Simone Wittwer
Licensed audit expert

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Statement of income of Galenica Ltd.

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

Statement of financial position of Galenica Ltd.

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

Notes to the financial statements of Galenica Ltd.

Principles

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

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

Financial income

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

Other income

Other income includes group-internal management fees of CHF 48.3 million (previous year: CHF 50.5 million) and IT services of CHF 75.3 million (previous year: CHF 66.4 million). Revenue is recognised when the service is provided.

Property, plant and equipment

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

Property, plant and equipment

in thousand CHF	2023	2022
Furniture, fittings	876	66
IT equipment	6,488	9,379
Vehicles	4,905	4,578
Total net carrying amount	12,269	14,023

Intangible assets

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

Financial assets

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

Subordinated loans

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

Investments

An overview of the investments that are directly or indirectly controlled by Galenica Ltd. is provided in [note 32](#) to the Consolidated financial statements 2023 of the Galenica Group.

Interest-bearing liabilities

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

Interest-bearing liabilities

in thousand CHF	2023	2022
Bond 0.50 % (15 June 2017–15 June 2023) ISIN CH0367206692	–	200,000
Bond 1.00 % (15 June 2017–15 December 2026) ISIN CH0367206700	180,000	180,000
Bond 2.35% (8 Mai 2023–8 November 2029) ISIN CH1255924453	240,000	–
Interest-bearing liabilities	420,000	380,000
– of which current interest-bearing liabilities	–	200,000
– of which non-current interest-bearing liabilities	420,000	180,000

Lease obligations

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

Lease obligations

in thousand CHF	2023	2022
Within 1 year	20	1,223
In 2 to 5 years	3,663	1,854
In more than 5 years	23,772	25,600
Total	27,455	28,677

Share capital

As at 31 December 2023, the share capital of Galenica amounted to CHF 5,000,000, divided into 50,000,000 fully paid-up and publicly listed shares with nominal value of CHF 0.10 each.

Authorised capital

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

Reserves from capital contributions

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

Release of hidden reserves

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

Contingent liabilities

As at 31 December 2023, total contingent liabilities amounted to CHF 564.6 million (previous year: CHF 347.4 million), including issued guarantees to Group companies of CHF 364.5 million (previous year: CHF 217.2 million) as well as CHF 200.0 million (previous year: CHF 130.0 million) for guarantees to secure intraday transactions for Group companies in connection with the zero balance cash pooling.

Full-time equivalents

The average number of full-time equivalents for the reporting period amounted to 447 (previous year: 413).

Treasury shares

Treasury shares

	2023		2022	
	Number	in CHF	Number	in CHF
1 January	183,740		361,503	
1st quarter				
– Bought	3,553	264,170	2,161	141,737
– Sold	–44,424	–3,213,343	–59,930	–3,874,139
2nd quarter				
– Bought	70,752	5,169,896	1,288	93,873
– Sold	–34,600	–2,548,636	–39,680	–2,597,453
3rd quarter				
– Bought	4,794	335,636	1,630	116,782
– Sold	–93,044	–6,600,541	–85,857	–6,559,475
4th quarter				
– Bought	77,049	5,240,448	2,625	186,644
– Sold	–	–	–	–
31 December	167,820¹⁾		183,740¹⁾	

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

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

Further disclosures

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

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

Shareholders' equity

Shareholders' equity developed as follows:

Shareholders' equity

in thousand CHF	Share capital	Reserves from capital contributions	General legal retained earnings	Reserves for treasury shares ¹⁾	Treasury shares	Free reserve	Available earnings	Shareholders' equity
Balance as at 31 December 2020	5,000	351,612	1,000	11,600	-	102,400	77,240	548,852
Allocation to free reserve						32,000	-32,000	-
Adjustment to the reserves for treasury shares				-8,600		8,600		-
Dividends		-44,602					-44,602	-89,204
Profit for the year							228,676	228,676
Balance as at 31 December 2021	5,000	307,010	1,000	3,000	-	143,000	229,314	688,324
Allocation to free reserve						176,000	-176,000	-
Adjustment to the reserves for treasury shares				5,000		-5,000		-
Dividends		-52,222					-52,222	-104,443
Profit for the year							168,099	168,099
Balance as at 31 December 2022	5,000	254,789	1,000	8,000	-	314,000	169,192	751,980
Allocation to free reserve						114,000	-114,000	-
Adjustment to the reserves for treasury shares				-6,900		6,900		-
Addition of treasury shares					-10,725			-10,725
Dividends		-54,881					-54,881	-109,761
Profit for the year							224,262	224,262
Balance as at 31 December 2023	5,000	199,908	1,000	1,100	-10,725	434,900	224,573	855,756

¹⁾ Owned by subsidiaries

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

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

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

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

The Board of Directors proposes to issue a dividend for fiscal year 2023 of CHF 2.20 per registered share. For this purpose, CHF 1.10 is to be taken from the reserves from capital contributions and CHF 1.10 from retained earnings. On the part taken from the reserves from capital contributions, the dividend can be distributed without deduction of Swiss withholding tax of 35%. Natural persons living in Switzerland are not liable for income tax on the dividend paid from the reserves from capital contributions.

Assuming the Annual General Meeting approves the dividend, payments will be made on 16 April 2024. The last trading day with entitlement to receive the dividend is 11 April 2024. The shares will be traded ex-dividend on 12 April 2024.



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To the General Meeting of
Galenica Ltd., Berne

Berne, 7 March 2024

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of Galenica Ltd. (the Company), which comprise the statement of income for the year then ended, the statement of financial position as at 31 December 2023 and notes to the financial statements, including a summary of significant accounting policies.

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



Basis for opinion

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

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



Key audit matters

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



Other information

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

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

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

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



2



Board of Directors' responsibilities for the financial statements

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements



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

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

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Simone Wittwer
Licensed audit expert

Non-financial Reporting

Transparency on non-financial matters

Non-financial reporting

The table below refers to individual non-financial report contents in the Annual Report 2023. The separate non-financial report in accordance with Art. 964a et seq. is binding and can be downloaded here.

Non-financial matters	Description
	Business model
	Materiality matrix
Business operations	Opportunities and risks
	Greenhouse gas emissions and resources
Environmental matters	Waste and packaging
	Dialogue with stakeholders
	Patient safety
	Security of supply and procurement
	Health promotion
Social issues	Social commitment
	Attractive workplace
	Occupational health and safety
Employee-related issues	Equality and diversity
	Sustainable and ethical corporate governance
Respect for human rights	Integrity in the supply chain
Combating corruption	Anti-corruption
Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour	Due Diligence and Transparency

GRI report

Contents GRI report

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228	IT security and cybercrime
231	Greenhouse gas emissions and resources
240	Waste and packaging
244	Attractive workplace
254	Occupational health and safety
259	Equality and diversity
263	Patient safety
269	Security of supply and procurement
271	Health promotion
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Sustainable and ethical corporate governance

GRI report

Economic performance is the foundation for the long-term and sustainable corporate development of the Galenica Group. Galenica attaches great importance to conducting its business activities in an ethical and legally correct manner.



Management of the material topic (GRI 2-23, 2-24, 2-25, 2-26, 3-3)

Galenica attaches great importance to conducting its business activities in an ethical and legal manner. All business activities are carried out in accordance with the applicable legislation. Compliance refers to compliance with legislation, standards (such as ISO 14001 or good distribution practice – GDP) as well as in-house and industry codes. Specifically, for Galenica this means, for example, compliance with its own Code of Conduct, the laws on therapeutic products, health insurance, employment, antitrust, tax and criminal law as well as respect for human rights in all business activities. As Switzerland's largest healthcare network, combating corruption and anti-competitive behaviour are key topics for Galenica. Respect for human rights and other legislation is central to sustainable development, peace, security and prosperity.

Responsibilities

The Legal Department of the Galenica Group supports the Service Units and companies in interpreting and applying the legislation correctly. It also ensures that new statutory provisions are implemented in the company. Current challenges for Galenica relate to the implementation of the new provisions of the revised Therapeutic Products Act (TPA) and the Swiss Data Protection Act (DPA), which came into force on 1 September 2023.

Code of Conduct of the Galenica Group

In addition to the statutory provisions, the Code of Conduct of the Galenica Group sets out the ethical rules and standards that all employees must adhere to. It must be signed by all employees upon taking up employment as part of the employee manual. Among other things, the Code includes provisions on conflicts of interest, insider trading or corruption, as well as on environmental protection. The Code also contains clear commitments to human rights, such as fair working conditions, the exclusion of child or forced labour, discrimination, and the health and safety of employees. The Code of Conduct thus contributes to the removal of taboos from certain grey areas. The Code of Conduct was approved by the Audit and Risk Committee of the Board of Directors.

Managers are responsible for addressing and dealing with specific conflict situations in day-to-day business.

The Service Unit Pharmacies also has its own specific Code of Conduct. As a binding internal operating procedure, it serves to ensure that pharmacists have pharmaceutical independence at all times and, therefore, always give priority to the health and wishes of patients. The Code also sets out how employees must behave towards third parties and which advertising measures are permissible.

Compliance with laws and regulations (GRI 2-27, 205-2, 206-1)

The Galenica Group compliance programme includes a clear commitment to comply with legislation and guidelines and to behave with integrity. The programme describes the Galenica Group's approach to compliance within the three areas of prevention, discovery and reaction and acts as a framework for all central compliance measures and processes.

Galenica employees receive regular training on key compliance topics such as anti-corruption measures and antitrust law. Among other methods, a web-based tool is used for this purpose.

All Galenica Group companies continued to operate in compliance with the law in 2023. 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 in the Federal Supreme Court. Otherwise, there were no fines or monetary sanctions resulting from non-compliance with laws and/or regulations.

Anti-corruption (GRI 205-3)

The Anti-Corruption Policy sets out the principles and guidelines for combating corruption and regulates their implementation by the employees and business partners of the Galenica Group. Any form of corrupt conduct towards or bribery of public officials and private individuals, whether directly or via third parties, is prohibited. Galenica has a zero-tolerance approach to corruption and bribery on the part of employees, partners, suppliers and representatives of third parties. The policy supplements the Group Code of Conduct and the Supplier Code of Conduct and applies to all employees.

The Galenica Group was not aware of any incidents of corruption in the reporting year and there were therefore no confirmed incidents of corruption.

Whistleblower Reporting Office (GRI 2-16)

Internal and external stakeholders may raise concerns about Galenica’s business activities through the external Whistleblower Reporting Office. This offers all employees and business partners the opportunity to anonymously report suspected breaches of the rules. All reports are investigated. In 2023, no cases were reported via the Whistleblower Reporting Office.

Reports of corruption and bribery must also be reported to the committee appointed by the Board of Directors. Various channels and points of contact are available to employees through which they can report concerns or matters of key importance. These include the Service Unit People & Culture, staff committees, the employee survey and the annual performance reviews. The Executive Committee deals with key and critical points from the employee survey or the staff committee and derives effective measures.

Objective corporate governance

Goal	Status	Target year	Measurement parameter	2023	2022
We train all employees in compliance at least once a year.	↘	Every year	Participation rate	Not all employees are trained	Not all employees are trained

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

Achievement of targets with regard to the participation rate of 100% by the end of 2023 is critical. The technical challenges were largely solved in 2023, and now all employees without a PC workstation, for example in logistics or pharmacies, also have a personalised e-mail account. However, a participation rate of 100% is hardly achievable due to holiday absences and illness. In addition, the majority of employees in pharmacies or logistics do not have their own PC workstation for completing the e-learning courses. At 88%, the participation rate among employees with PC workstations is correspondingly high. The participation rate for employees without a PC workstation is 42%.

Evaluation of the management approach and measures

- Reporting: Suspected breaches of the rules by employees indicate potential for improvement and possible misconduct. All reports are investigated.
- Audit and Risk Committee: The Audit and Risk Committee of the Board of Directors reviews the company's compliance and risk management process.
- ISO audits: The ISO-certified companies of the Group are regularly audited.
- Audit and Risk Committee: The Audit and Risk Committee supports the Board of Directors in fulfilling its duties with regard to accounting, financial reporting, risk management, compliance as well as internal and external auditing.
- Audits: Internal Audit carries out audits of operational and strategic risk management and the internal control system (ICS) in accordance with the audit plan determined by the Audit and Risk Committee. In addition, the external auditor audits the consolidated financial statements of Galenica Ltd. and its subsidiaries on an annual basis.
- Ratings: The Galenica Group is regularly assessed by external rating agencies for its environmental, social and economic (ESG) performance. Galenica has received a credit rating of BBB (investment grade) from ZKB and CS.

Comprehensive quality management

All Galenica Group companies have an extensive quality management system (QMS) in place. Alloga, Medifilm, Mediservice, UFD and HCI Solutions are certified to ISO 9001 (quality management system). Verfora, Bichsel and HCI Solutions are certified to ISO 13485 (quality management systems of medical device manufacturers). The Bichsel Group's QMS is also structured in accordance with the ICH-Q10 standard (pharmaceutical quality assurance system) of the European Medicines Agency. The manufacturing of sterile, biological medicinal products filled in an aseptic environment places the highest demands on the implementation and maintenance of a QMS. Due to the critical relevance of the manufactured products, Bichsel generally carries out a major review of compliance with ISO 13485 and the statutory good manufacturing practice (GMP) and GDP requirements every two years.

The process management systems of Galexis and the companies in the Service Unit Pharmacies also meet the requirements of the ISO 9001 standard. However, they are not currently certified. Alloga, Galexis, G-Pharma, Mediservice and Verfora are periodically inspected by the regional therapeutic products inspectorates as part of GDP reviews.

Economic performance

As Switzerland's largest healthcare network, Galenica makes an important contribution to the Swiss economy, as an employer and taxpayer. Galenica firmly believes that the Group can achieve long-term economic success only if it bears social responsibility and uses natural resources efficiently and respectfully. Economic performance thus forms the basis for long-term and sustainable business development.

Direct economic value generated and distributed (GRI 201-1)

Galenica discloses information on direct economic value generated and distributed in its Financial Report. The economic value is generated in Switzerland and is mainly distributed in Switzerland. Exceptions are employees who are cross-border commuters and certain investors, partners and suppliers abroad.

Integrity in the supply chain

GRI report

Galenica aims to increase transparency in its own supply chain and to ensure that internationally and nationally applicable rights as well as human rights are respected.



Management of the material topic (GRI 2-23, 2-24, 2-25, 2-26, 3-3)

Galenica ensures that not only the Group and its companies, but also its business partners comply with international and national laws and norms, as well as industry-specific standards, good practices and human rights. This ensures decent work, fair wages and equality in the supply chain, which has a positive effect on the industry and promotes sustainable economic growth in Switzerland.

Supplier Code of Conduct

Galenica updated its Supplier Code of Conduct in 2023. The aim is to increase transparency in the company's own supply chain and thus ensure that employees can take responsibility seriously. The Code of Conduct refers to internationally anchored human rights standards and the applicable core conventions of the International Labour Organizations (ILO) and contains, in particular, guidelines on compliance with labour and human rights, ethical business practices and environmental, health and quality regulations. The Code of Conduct applies to suppliers, service providers and consultants of the Galenica Group. It was published on the [website](#) and forms part of all newly

concluded contracts. The Legal Department is always involved and regularly reviews the contract templates of the Galenica Group to check for compliance risks. Purchasing department employees also receive training covering the content of the Code of Conduct.

Galenica plans to review compliance with the Supplier Code of Conduct of the top 10 suppliers every three years from 2025.

Internal and external stakeholders may raise concerns about Galenica’s business activities through the external Whistleblower Reporting Office. This offers all employees and business partners the opportunity to anonymously report suspected breaches of the rules. All reports are investigated.

Objective supply chain

Goal	Status	Target year	Measurement parameter	2023	2022
We will review the compliance of our top ten suppliers with the Supplier Code of Conduct every three years from 2025.	→	2025	Review of the top ten suppliers	No review	No review

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

The Supplier Code of Conduct was updated in July 2023 and forms part of all new contracts concluded. The questionnaire for suppliers is currently being prepared and will be implemented in 2024.

Evaluation of the management approach and measures

- Reporting: Suspected cases are investigated, and in the event of violations, sanctions are imposed.
- Introduction of supplier audits: Starting in 2025, our top 10 suppliers are to be audited every three years for compliance with the Supplier Code of Conduct.
- Reporting in accordance with the Ordinance on Due Diligence and Transparency in Relation to Minerals and Metals from Conflict Areas and Child Labour (VSoTr).

Due Diligence and Transparency in relation to Minerals and Metals from Conflict Areas and Child Labour

Galenica has fulfilled its audit obligations with regard to the Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour, which applies from the 2023 financial year. In particular, internal and external investigations were carried out to determine the extent to which Galenica is affected by conflict minerals and child labour. There are no points of contact with conflict minerals, which is why Galenica is exempt from its due diligence and reporting obligations in this regard. Galenica has written to the most important suppliers with regard to child labour and had them documented. Investigations have shown that there are no reasonable grounds to suspect child labour and Galenica is therefore also exempt from its due diligence and reporting obligations in this regard.

Data protection

GRI report

As a healthcare provider, the protection of patient data is a top priority for Galenica. Galenica ensures that this information is protected against unauthorised access and unauthorised changes or loss.



Management of the material topic (GRI 3-3)

As the Swiss healthcare system becomes increasingly digitalised, the importance of data protection grows and the legal requirements for data processing become more comprehensive. Data protection involves the handling of patient and customer data with the aim of protecting the privacy of patients when their data is processed. Health data is sensitive information that must be protected by law against misuse. Data protection plays a key role in the Service Unit Pharmacies and HCI Solutions in particular. Galenica ensures that patient data is protected against unauthorised access and unauthorised changes or loss. Data protection is also an important basis for a peaceful and inclusive society and strong institutions.

Data Protection Policy and employee training

Galenica is being assisted in this important area by an independent external data protection officer. The Data Protection Policy forms the overarching framework and is supplemented by specific rules and directives for the Group companies. All employment contracts of employees who have access to personal data also contain a data protection clause. All employees are regularly trained and made aware of data protection issues. In the reporting year, the Legal Department developed a new e-learning course on data protection. The campaign ran from October to December in 2023 and aimed to give all employees an overview of Swiss data protection law and professional secrecy. In addition, the e-learning course helps all employees to conduct themselves in compliance with the law on a day-to-day basis, teaches them about the Galenica Group's data governance organisation and how to behave correctly when detecting data breaches.

Focus on data protection revision

At the end of September 2020, the Swiss parliament passed a complete revision of the Federal Act on Data Protection (nFADP). The nFADP and the new Ordinance to the Federal Act on Data Protection (DPO) entered into force on 1 September 2023. The revision will bring the Data Protection Act into line with technological and social conditions, which have changed since the act was last revised. In particular, the transparency of data processing will be improved and the autonomy of data subjects will be strengthened. The revised Data Protection Act has been aligned in many areas with the EU General Data Protection Regulation (GDPR) and entails new obligations for companies. Galenica is working on implementing these new requirements, one of which is the duty to provide information. Against this backdrop, Galenica published a Privacy Policy for employees in 2022 and developed a new process for exercising the right of access, which enables data subjects to have control over their own personal data. In 2023, Galenica worked intensively on implementing measures to ensure compliance with the new Data Protection Act. For example, data protection coordinators have been appointed in all Service Units and Business Units to support all employees as the first point of contact for questions regarding the use of data. All employees also received training on data protection and professional secrecy. All patients will be informed about the use of their data in new privacy statements. In addition, the Group's Legal Department continues to follow the EU GDPR practices.

Data Protection Circle

The Data Protection Circle is a committee that offers employees of the Legal Department, IT and operational business sectors a platform for managing and coordinating data protection issues and questions across the Group and implementing preventive measures at an early stage. The committee therefore makes a major contribution to compliance with data protection legislation. The Data Protection Circle is headed by the General Secretary. The committee is part of the Legal Department.

Objective data protection

Goal	Status	Target year	Measurement parameter	2023	2022
Twice a year, we carry out measures to raise employee awareness in the area of data protection.	↗	Every year	Number of measures	>2 awareness-raising measures	>2 awareness-raising measures

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

In 2023, all data protection coordinators in the Galenica Group took a one-day training course on the new Data Protection Act. In addition, the People & Culture team, pharmacy employees and the Verfora Executive Committee received training on the specific handling of sensitive personal and health data. A separate page on data governance has been set up on the intranet, where all employees can find out more about the topic.

Evaluation of the management approach and measures

- Reviews: Galenica keeps up to date with the ongoing amendments to data protection legislation and conducts regular audits, thus ensuring that legal regulations are observed and a high standard is maintained in relation to the handling of personal data.

Substantiated complaints concerning breaches of customer privacy and losses of customer data (GRI 418-1)

In the reporting year, there were no substantiated complaints relating to a breach of customer data protection, and there was no statutory investigation of data theft or loss.

IT security and cybercrime

GRI report

Galenica ensures that sensitive information and data are protected against unauthorised access and unauthorised changes or loss. IT security is highly relevant in order to protect the confidentiality, integrity and availability of data, avoid economic damage and minimise risks.



Management of the material topic (GRI 3-3)

With the increasing digitalisation of the healthcare system, the risk of cyber attacks is growing. People are one of the greatest risk factors in connection with cyber attacks, as many cyber attacks target employees, for example by means of fraudulent e-mails (phishing). IT security is of great relevance at Galenica. As a healthcare provider, the company processes sensitive information and data. Galenica ensures that such data is protected against unauthorised access and unauthorised changes or losses to safeguard the confidentiality, integrity and availability of data, avoid financial damage and minimise risks. For logistics companies and pharmacies, the protection of IT systems is particularly important in order to ultimately guarantee the security of supply for the population. In addition, IT security contributes to social acceptance and the satisfaction of customers, partners and suppliers, thus strengthening the Swiss healthcare system.

Responsibilities

At Group level, the topic of IT security is coordinated by the Head of Information Security & Quality Assurance. In 2022, Galenica restructured the responsibilities and organisation of IT security. The newly formed IT Security Board is responsible for balancing the interests of IT and the individual Business Units and coordinates IT security-relevant topics and measures. These are implemented by the members in their respective areas. The Board is responsible for the IT security strategy and ensures its implementation. The aim of the strategy is to achieve reliable and efficient IT security across the Group. The Board meets quarterly or as required and began its work in 2023.

Clear guidelines to govern operations

The IT Security Policy defines the objectives relating to information and IT security, the competencies and responsibilities as well as the IT security principles of the Galenica Group. The Policy applies to all companies of the Galenica Group and forms the basis for all written IT security instructions. In addition, the IT Usage Regulations set out the security-related rules of conduct for using IT work equipment, such as the use of private devices, working on the move and working from home. Finally, the IT Security Manual is aimed at employees in the IT departments and lays down the regulations for secure IT operations.

Raising employee awareness

The cooperation of all employees is required to ensure information and IT security. In addition to technical measures, Galenica also promotes awareness of security among employees by means of specific e-learning modules and intranet news. New employees are made aware of the key elements of the IT user regulations on their induction day. Galenica regularly runs e-learning courses on data security and dealing with phishing and cyber attacks. In addition, information on cybercrime is regularly published on the intranet for employees.

Objective IT security

Goal	Status	Target year	Measurement parameter	2023	2022
We make our employees aware of IT security and cybercrime.	↗	Every year	List of measures	>2 awareness-raising measures	>2 awareness-raising measures

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

In the reporting year, two e-learning courses were offered in the area of IT security and cybercrime. The average participation rate was 88%.

Evaluation of the management approach and measures

- Security audit: The IT Security Policy and its implementation are regularly reviewed by internal functions or external specialists to ensure they are up to date and effective.
- Monitoring: The security monitoring system surveys all IT systems and triggers an alarm in the event of anomalies. This is performed by an external Security Operation Center (SOC).
- E-learning: The participation rate in the e-learning modules on data and cyber security is regularly recorded and evaluated.

Greenhouse gas emissions and resources

GRI report

Galenica aims to use resources as efficiently as possible with economically viable measures and to reduce the related environmental impact as much as possible.



Management of the material topic (GRI 3-3)

In order to provide their services, Galenica Group companies consume renewable as well as non-renewable resources. These processes generate gaseous, liquid and solid waste products as well as greenhouse gases. Electricity and fuels are the main energy sources used by Galenica. Electricity accounts for 34% of total energy consumption. Transport is the main cause (40%) of direct and indirect greenhouse gas emissions at Galenica. Greenhouse gases in the atmosphere are primarily responsible for global warming and climate change, with serious consequences for humans, animals and the environment.

Galenica therefore aims to use resources as efficiently as possible with economically viable measures and to reduce the related environmental impact as much as possible. The basis for this is the strategic Efficiency programme, which focuses, among other things, on the sustainable use of resources with the aim of reducing the company's CO₂ emissions by increasing efficiency in logistics and installing solar modules at its operating sites.

Binding targets agreed with the FOEN

In order to reduce CO₂ intensity and increase energy efficiency, the Alloga site in Burgdorf, the Galexis sites in Lausanne-Ecublens and Niederbipp, as well as the Bichsel Group agreed on binding targets with the Federal Office for the Environment (FOEN). In return for their commitment, the companies can apply for a refund of the CO₂ incentive tax on fossil fuels or a subsidy to implement sustainability measures, provided they comply with the agreements. The targets are agreed individually based on each site's potential. Galenica is working with the Energy Agency for Industry (EnAW) to define an efficiency path with various commercially viable measures. As part of the target agreements with the FOEN, Galexis achieved thermal savings of 227,360 kWh and 67.9 tCO₂ per year at the Niederbipp site by installing a heat pump. The conversion of the Lausanne-Ecublens site resulted in a reduction of annual energy consumption by 617,695 kWh and 107.4 tCO₂. Alloga put a new groundwater heat pump into operation at the start of 2022. In 2023, the savings amounted to 428,245 kWh per year and 126.6 tCO₂. As part of the target agreement with the FOEN, the flat roof at Alloga was also re-insulated and an air compressor replaced.

Reduce fuel consumption

To reduce fuel consumption, pre-wholesale and wholesale companies regularly review and implement energy efficiency measures – both internally and with external logistics partners. This includes the use of commercial vehicles that meet the highest emissions standard (currently Euro VI) for all Group companies and the initiation of joint pilot projects for the use of delivery vehicles with alternative drive systems. At the same time, since 2020 Galexis has been converting its own delivery fleet and introducing more efficient vehicles with a higher load capacity to avoid multiple journeys when large loads are being delivered. External contract drivers are contractually obliged to use only vehicles that meet at least the Euro VI standard or higher. All drivers from Galexis, UFD, Pharmapool, Bichsel and Alloga regularly attend mandatory driver safety training, which aims to teach them an environmentally friendly, fuel-efficient driving style, among other things. Galenica also pursues and supports sustainability initiatives for logistics companies through associations (such as GS1) and in cooperation with public authorities.

Environmental Code of Conduct and mobility concept

The Environmental Code of Conduct applies to all employees of the Galenica Group. This provides guidance on saving energy and making efficient use of natural resources in the workplace and in transport.

Galenica encourages its employees to use public transport and electric vehicles and has implemented specific mobility concepts at some locations, such as the headquarters in Bern. Employees who commute to work by public transport receive a financial contribution towards their travel costs. In January 2022, another mobility concept was introduced in Lausanne-Ecublens as part of the renovation at the site. Only limited parking spaces are available for employees. Galexis encourages employees to organise carpools or use public transport to get to work and provides employees with financial support for the use of public transport. In 2022, Galenica amended its Group-wide company vehicle policy in favour of e-mobility. Today, around 12% of company vehicles have electric or hybrid drive systems.

Starting to implement renewable energies in distribution

Galenica wants to promote the use of renewable energies in distribution logistics and has adopted a memorandum of understanding to this effect as part of its distribution strategy. The first vehicle powered by biogas has been successfully in use at Galexis since 2021, and the second vehicle was also put into operation at the beginning of 2022. Since the start of 2023, Galexis has been supplying the first customers in the Greater Zurich area with an electric GDP delivery vehicle, and another of its own electric vehicles went into operation at the Lausanne-Ecublens site at the end of 2023. However, GDP-compliant electric vehicles are still rare in Switzerland. Charging times remain a major challenge, which means that vehicles are only used up to 50% of their capacity and are therefore inefficient from an economic point of view. Galenica sees great potential in hydrogen technology for trucks and is therefore in the process of identifying the specific steps that need to be taken to implement hydrogen technology in logistics. Discussions have been held with a logistics service provider that already operates several hydrogen-powered lorries in Switzerland about a pilot test with a view to putting them into operation as internal goods transport. A major challenge here is the requirement for temperature-controlled transport in accordance with GDP guidelines, as the air-conditioning system consumes a lot of energy. Furthermore, the Group-wide company vehicle policy has been adjusted in favour of e-mobility and charging infrastructures for electric vehicles have been installed at the Niederbipp and Lausanne-Ecublens sites.

Focus on increasing energy efficiency during renovations

When carrying out renovations, Galenica always takes into account measures to improve energy efficiency and looks into the feasibility of installing photovoltaic systems. Alloga has been using a new heat pump to heat its warehouse building in Burgdorf since the start of 2022. State-of-the-art technology helps to save around 120 tCO₂ emissions every year. Alloga also fitted the 25,000m² roof with additional insulation. The new insulation allows for additional energy savings of 10–15% each year. During the renovation of the Galexis distribution centre in Lausanne-Ecublens, for example, all buildings and roofs were refurbished to improve energy efficiency and a photovoltaic system was installed. At the Niederbipp site, a solar installation with around 5,700 solar modules was also connected to the grid at the end of 2023. This will enable one-third of Galexis' electricity needs in Niederbipp to be covered in future. A photovoltaic system has also been in operation on the roof of the Alloga building in Burgdorf since 2018, and the UFD headquarters in the canton of Ticino will be equipped with a solar power system in 2024. In the Service Unit Pharmacies, there is only a very limited choice of energy sources for heating and electricity as almost all the premises are rented. However, electricity consumption can be controlled, which is why Galenica is consistently focusing on energy-saving lighting and the installation of motion detectors when renovating pharmacies.

Responsible use of land and water (GRI 303-1, 304-1, 304-3)

Galenica strives to use the vital resources of land and water responsibly. The company pays attention to the careful use of water and does not use groundwater, but feeds it back into the groundwater flow. Alloga, Galexis and Unione use the groundwater for the heating and cooling cycle, either extracting heat or using it for cooling. In addition, water plays a central role in Bichsel's production processes.

Galenica has no sites in or near protected areas or areas of high biodiversity value outside protected areas. With the construction of a wild bee park at the Galaxis distribution centre in Niederbipp, Galenica made a small but important contribution to protecting these endangered animals and conserving biodiversity in 2023.

Objectives greenhouse gas emissions

Goal	Status	Target year	Measurement parameter	2023	2022
From 2025, we will be sourcing 100% of our electricity from renewable sources at all our locations.	→	2025	% electricity from renewable sources per location	75%	74%
We will reduce the greenhouse gas emissions produced by all our operations, processes and supply chains by 25% by 2025 and by 50% by 2030.	→	2030	tCO ₂ e	12,669 tCO ₂ e	10,052 tCO ₂ e
We will replace 40% of the fossil fuels in our vehicle fleet with renewable alternatives by 2028.	↗	2028	% renewable propulsion in the vehicle fleet	15%	12%

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

The Galenica Group’s own operational and administrative sites obtain electricity from hydropower and photovoltaics. Almost all of the pharmacies' sales outlets are rented, which makes it more difficult to influence the electricity mix. However, Galenica has set itself the goal of obtaining electricity from renewable sources for the rented premises as far as possible. In 2023, the electricity consumption of the pharmacies in the Service Unit Pharmacies was recorded centrally via Swenex for the first time. This will serve as a platform for further efficiency measures.

Galenica is also working to improve the data base for its operations, processes and supply chains as part of its goal to reduce greenhouse gas emissions.

Today, around 15% of company vehicles are powered by renewable drives. More information on renewable energies in distribution can be found in the section [“Starting to implement renewable energies in distribution”](#).

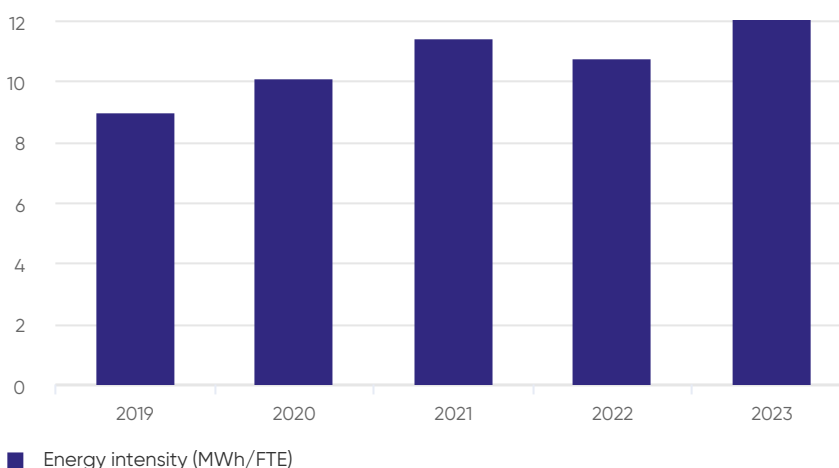
Evaluation of the management approach and measures

- Key figures: Key environmental figures relating to greenhouse gas emissions and energy consumption by the Group are collected at least once a year to check whether the environmental targets are being achieved.
- Galenica's sustainability objectives form part of its collaboration with partners (suppliers, logistics service providers, service providers) throughout the supply chain.
- Targets agreed with the FOEN: EnAW provides Galenica with annual feedback and recommendations on how to improve energy efficiency and reduce CO₂ intensity.
- ESG topics are part of the contractual agreements in investment planning and the awarding of contracts.
- CDP: Galenica completes the CDP questionnaire once a year. CDP is an international, non-profit organisation that provides the largest and only worldwide environmental database for companies and cities. Its aim is to encourage as many companies as possible to disclose their impact on the environment and natural resources. This information is collected on behalf of more than 680 institutional investors, who together represent more than USD 130 trillion in assets. In 2023, as in the previous year, Galenica ranked C in its level of engagement score. This certifies that the Galenica Group understands how environmental issues affect the business model. The results are published at www.cdp.net.

Energy (GRI 302-1, 302-2, 302-3, 302-4)

Aspect	GRI Disclosure	Unit	2023	2022	2021	2020	2020
Energy consumption (within and outside of the organisation)	302-1	GJ	254,500	205,734	228,373	208,209	180,335
Energy consumption within the organisation	302-1	GJ	206,563	159,065	169,467	151,154	127,808
- non-renewable sources (heating oil, natural gas, diesel, petrol)	302-1	GJ	122,045	85,416	96,757	78,115	61,002
- renewable sources (hydropower, solar energy, district heat)	302-1	GJ	84,518	73,649	72,710	90,078	66,732
Electricity consumption within the organisation	302-1	GJ	85,972	88,503	88,513	88,577	83,523
Heat energy consumption within the organisation	302-1	GJ	67,193	24,775	22,418	25,251	15,324
Energy consumption outside of the organization	302-2						
- downstream transport and distribution	302-2	GJ	47,937	46,669	58,906	57,054	52,527
Energy intensity	302-3	MWh/FTE	11.97	10.77	11.43	10.12	9.00

Energy intensity 2019–2023 (MWh/FTE)



It does not include data for companies that have only been part of Galenica since 2023 or the heat consumption of Pharmapool and Verfora. Heat consumption was reported for the first time for Galaxis Ärzteservice in 2023. Since 2021, the fuel consumption of the Group’s own company vehicles and the heat consumption of the Galenica Group headquarters have been included. In 2022, the heat consumption of ApoDoc and Lifestage Solutions was included for the first time. In 2023, the heat consumption of all pharmacies was extrapolated.

The declared energy consumption outside the organisation is limited to downstream transport and distribution. To calculate the energy intensity ratio, Galenica uses the number of full-time equivalents (FTEs) as an organisation-specific parameter (denominator). The quotient takes into account the energy consumption within the organisation and includes the following types of energy: fuels used by the company's own delivery and service vehicles, electricity and heat consumption.

Adjusted data basis for energy consumption

In 2023, the Galenica Group's total energy consumption – both within and outside the organisation – amounted to 254,500 GJ (previous year: 205,734 GJ). This increase also led to a slight increase in total energy consumption per full-time equivalent, from 10.77 MWh/FTE to 11.97 MWh/FTE. The increase in total energy consumption of 24% can primarily be attributed to the expanded data basis for energy consumption within the organisation, which accounts for 81% of total energy consumption. In the reporting year, an estimate of the total heat consumption of all pharmacies was included for the first time through extrapolation. The pharmacies obtain 51% of their heat from district heating and approximately 33% from the combustion of natural gas. This is reflected in the increase in heat consumption for the entire Group to 67,193 GJ (previous year: 24,775 GJ). Energy consumption outside the organisation, which includes downstream transport – i.e. the fuel used by contract drivers – was almost the same as in the previous year (46,669 GJ) at 47,937 GJ.

Reduction of electricity consumption

Electricity and fuels are the main energy sources used by Galenica. Electricity accounts for 34% of total energy consumption within and outside the organisation. In 2023, the Group reduced its electricity consumption to 85,972 GJ (previous year: 88,503 GJ), which corresponds to a reduction of 3%. All operational and administrative sites of the Galenica Group obtain electricity from photovoltaics and hydropower, with the Group purchasing 12,255 MWh of hydropower from certified, sustainable sources or certifying it with guarantees of origin in the year under review. At the pharmacies' sales premises, the choice of energy source for electricity can only be influenced to a limited extent and the electricity is obtained from the Swiss electricity grid.

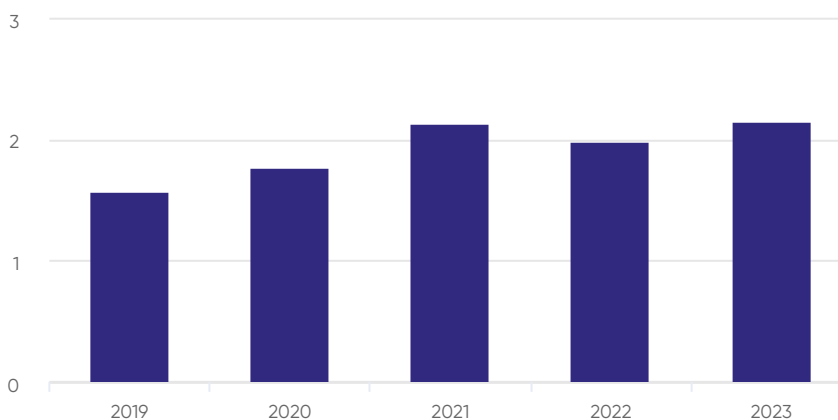
Emissions (GRI 305-1, 305-2, 305-3, 305-4, 305-5)

Aspect	GRI Disclosure	Unit	2023	2022	2021	2020	2019
Direct and indirect GHG emissions		tCO ₂ e	12,669	10,052	11,828	10,207	8,785
Direct (Scope 1) GHG emissions: fuels and combustibles ^{1,2)}	305-1	tCO ₂ e	6,875	4,876	5,708	4,262	3,047
Indirect (Scope 2) GHG emissions: purchased electricity and district heat ²⁾	305-2	tCO ₂ e	2,283	1,705	1,738	1,702	1,831
Other indirect (Scope 3) GHG emissions: downstream transport and distribution	305-3	tCO ₂ e	3,512	3,471	4,381	4,244	3,907
Intensity of GHG emissions	305-4	tCO ₂ e/FTE	2.14	1.98	2.13	1.76	1.56

¹⁾ Additionally, in 2023 a leak caused refrigerant losses at Galaxis with a greenhouse gas effect of 523 tCO₂e.

²⁾ The values of 2022 were corrected as the emissions associated to procuring district heat were previously included in Scope 1 by mistake.

Intensity of greenhouse gas emissions 2019–2023
(tCO₂e/FTE)



■ Intensity of greenhouse gas emissions (tCO₂e/FTE)

It does not include data on companies that have only belonged to Galenica since 2023, nor the heat consumption of Pharmapool and Verfora. Heat consumption was reported for the first time for Galaxis Ärzteservice in 2023. Since 2021, the fuel consumption of the Group’s own company vehicles and the heat consumption of the Galenica Group headquarters have been included. In 2022, the heat consumption of ApoDoc and Lifestage Solutions was included for the first time. In 2023, the heat consumption of all pharmacies was extrapolated. Scope 3 includes the CO₂ emissions caused by the contract drivers of Galaxis, Alloga and Pharmapool.

District heating data increases greenhouse gas emissions

In the reporting year, an estimate of the total heat consumption of all pharmacies was included in the calculation for the first time through extrapolation (see Emissions). Fuel consumption across the entire Group increased by 17% in 2023. This had an impact on greenhouse gas emissions: in 2023, the Galenica Group's emissions amounted to 12,669 tonnes of CO₂-equivalents (tCO₂e), equivalent to an increase of 26% over the previous year. The expanded data base for pharmacies is reflected in Scope 1 emissions and in the Scope 2 emissions due to new extrapolation of the pharmacies' district heating purchases. In addition, losses of refrigerant occurred at Galexis in 2023 due to a leak. Due to the high global warming potential of the emitted substance, there is therefore a significant greenhouse gas effect equivalent to the emission of 523 tCO₂e.

Water and wastewater (GRI 303-3)

Aspect	GRI Disclosure	Unit	2023	2022
Water withdrawal	303-3	m ³	1,149,293	976,438
- municipal water supply	303-3	m ³	78,285	53,534
- groundwater	303-3	m ³	1,071,008	922,904

This includes data from Bichsel, Alloga, Unione and Galexis. Since 2022, the data of some pharmacies, Lifestage Solutions and Pharmapool have been included. The figures for 2023 also include the figures for Galenica headquarters and Spagyros. Water withdrawals by pharmacies were extrapolated in 2023, which is representative of all pharmacies as a whole.

In 2023, water withdrawal by the Galenica Group amounted to 1,149,293 m³ (previous year: 976,438 m³), with 7% coming from the municipal water supply and 93% from groundwater. This increase is partly due to the expanded data basis in the form of an extrapolation for pharmacies. According to an extrapolation, water withdrawal from all pharmacies accounts for around 40% of the water supplied by the communal water supply. The sharp increase in groundwater demand compared to the previous year is due to the fact that Alloga installed a groundwater pump in 2022, which was operational over the entire period for the first time in the reporting year. In addition, water plays a central role in Bichsel's production processes.

Waste and packaging

GRI report

The business activities of the Galenica Group have various impacts on the environment and the climate. Galenica strives to use natural resources responsibly and efficiently, to reduce negative environmental impacts and to dispose of waste safely.



Management of the material topic (GRI 3-3)

For Galenica, the proper handling of medical and chemical waste as well as packaging material is crucial. The company focuses on waste management, i.e. the declaration (toxic/non-toxic), collection, sorting, disposal and recycling of waste, the selection of materials for packaging and adherence to circular economy principles. These measures are key to protecting the environment, animals and humans.

Galenica strives to reduce and, where possible, prevent waste. The company has set itself the target of reducing municipal waste (mainly packaging materials) by 50% by 2025. In addition to conventional municipal waste, medical and chemical waste is also produced. In Switzerland, expired or surplus medication is classified as hazardous waste and may not be disposed of with conventional industrial waste. Waste can be disposed of in different ways, depending on the type of waste. Waste incineration generates harmful greenhouse gas emissions, but in Switzerland some of the heat generated is also used for district heating or for electricity production. Hazardous waste entails both

disposal costs and environmental and health risks. The recycling of waste products and raw materials has positive effects on the environment, such as the avoidance of greenhouse gas emissions and the conservation of scarce natural resources. Almost half of waste is recycled at Galenica.

Proper disposal of returned medications

The pharmacies and logistics companies in the Galenica Group take back and properly dispose of expired or unused medications. In pharmacies, this is done in accordance with internal quality management processes. The pharmacist performs an initial disposal triage of the returned medication and sorts the products according to specific criteria. They focus particularly on critical ingredients (such as heavy metals, solvents, narcotics or highly active substances), but also on the special characteristics of the dosage form (such as gas pressure vessels). After this pre-selection process, the drugs are disposed of properly at a conventional incineration plant or in a specially designed high-temperature furnace. The disposal of controlled substances such as narcotics must be documented by pharmacists and reported to Swissmedic. The GDP guidelines, which Alloga, Unione, Pharmapool and Galexis have signed up to, also provide instructions on how to handle returns. The actual disposal of expired and unused medications is carried out by third parties, with the exception of Medifilm, which is the only company in the Galenica Group with an approval for hazardous waste disposal.

For safety reasons, medicines returned by consumers are disposed of without exception – even if they have not yet expired and/or the packaging is still intact. Controlled disposal prevents people or animals from coming into contact with potentially hazardous pharmaceutical waste, such as in torn rubbish bags at the roadside or in the form of contamination. Pharmacies therefore make a valuable contribution to the environmentally friendly and controlled disposal of hazardous waste. In addition, all Galenica Group pharmacies provide only biodegradable plastic bags to their customers. The Service Unit Wholesale & Logistics is continuously investigating additional ways of reducing waste. The use of recycled packaging is an effective measure; currently, 94% of deliveries are already made in reusable, recycled storage containers. The remaining 6% is delivered in recyclable cardboard packaging.

Optimisation of packaging

In addition to the professional disposal of waste, Galenica aims to prevent waste from occurring in the first place wherever possible. For example, Galexis endeavours to increase the filling level of the preparation boxes so that fewer boxes are dispatched and offers the option of consolidated deliveries for non-urgent orders. In addition to the existing initiatives, as part of the Efficiency Initiative, the company has planned to eliminate the dispatch of a printed delivery note and provide customers with only a digitally accessible version. The switch from cardboard packaging to recycled packaging was also implemented at Galexis in 2023 with the first key supplier. Further relevant suppliers will undergo the transition in 2024 in order to reduce the volume of cardboard pack

Environmental Code of Conduct

The Environmental Code of Conduct contains guidelines on waste separation for all employees who work in the office. In addition, new employees receive a leaflet on waste management and recycling when they join the Group.

Objective waste and packaging

Goal	Status	Target year	Measurement parameter	2023	2022
We will reduce our municipal waste by 50% by 2025.	↘	2025	Municipal waste (t)	1,664 t	1,494 t

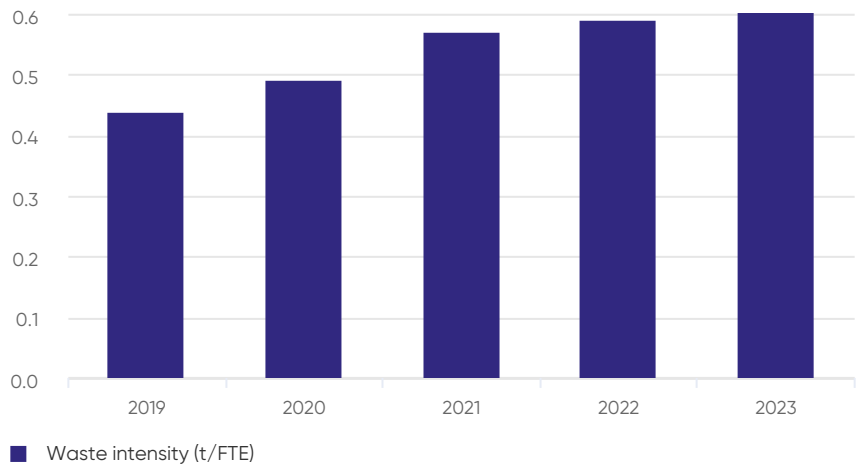
- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

Evaluation of the management approach and measures

- Key figures: Key environmental figures relating to Group waste are collected at least once a year to check whether the environmental targets are being achieved.
- Quality management: Compliance with quality management processes is monitored on an ongoing basis.

Waste generated and directed to disposal (GRI 306-3, 306-5)

Aspect	GRI Disclosure	Unit	2023	2022	2021	2020	2019
Total weight of waste generated	306-3	t	3,653	3,228	3,163	2,703	2,400
by type:	306-3						
- non-hazardous waste	306-3	t	3,153	2,842	2,642	2,368	2,111
- hazardous waste	306-3	t	500	386	521	335	289
by disposal method:	306-5						
- incineration	306-5	t	1,664	1,494	1,274	986	943
- hazardous waste incineration	306-5	t	500	386	521	335	289
- recycling	306-5	t	1,489	1,348	1,368	1,382	1,168

Waste intensity 2019–2023

Since 2022, data from Lifestage Solutions, Spagyros and Galenica headquarters have been included in the calculation. With the inclusion of Verfora data, all companies of the Galenica Group are included from 2023.

Almost half of waste is recycled

In 2023, the total weight of waste for the Galenica Group was 3,653 tonnes, an increase of 13%. The weight of waste per full-time equivalent has increased by 5% compared to 2022. 86% of total waste was harmless (largely general waste, cardboard, paper and plastics), with the remaining 14% classified as hazardous waste (mainly medicines). 41% of waste was recycled, 45% was incinerated and 14% destroyed at a specialist facility for hazardous waste.

Attractive workplace

GRI report

Employees play a central role in the success of the Galenica Group. Galenica therefore endeavours to promote employee motivation and development as well as diversity and equal opportunities, to ensure health and safety in the workplace and to secure qualified employees.



Management of the material topic (GRI 3-3)

A total of 7,902 employees work at Galenica providing professional services to the satisfaction of a wide range of customers. As a key employer in the Swiss healthcare market, Galenica makes an important contribution to the Swiss economy and supports sustainable labour and economic growth. For Galenica, an attractive workplace includes employment conditions and employee motivation. These influence the satisfaction and well-being of employees and, in turn, their efficiency, productivity and fluctuation. Furthermore, the emphasis on the corporate values – five key Galenica values, a contemporary and appreciative management culture and modern working models (“life-domain balance”) play an important role. Employee motivation is also closely linked to employee training and continuous education, which enables them to develop both professionally and personally. Galenica therefore summarises all issues relating to the employment of competent and motivated employees in terms of employee motivation and development. For more information on specific employee topics,

see sections Occupational Health and Safety as well as Equality and Diversity.

The five key values

The five key values provide support for employees in all their work and form the basis for the common understanding of the way in which they cooperate and interact with one another:

- We participate with passion.
- We act as entrepreneurs.
- We build trust.
- We show respect.
- Together we are stronger.

Responsibilities and strategy

The Service Unit People & Culture is responsible for personnel management and supports the respective companies with their business partners in dealing with their employees. The focus areas include advice and coaching, promotion of young talent and personnel development, as well as occupational health and diversity. The head of the Service Unit People & Culture was admitted to the Executive Committee in 2023. In doing so, Galenica is underlining the strategic relevance of human resources and its central role in actively shaping corporate transformation and the associated cultural development. This includes issues critical to success such as the positioning of Galenica as an attractive and modern employer – not only in the context of the shortage of skilled workers, but also in terms of its attractiveness for young talents and employees – promoting and using new methods and ways of working, targeted and sustainable development of employees, strengthening diversity & inclusion and achieving efficiency gains through the digitalisation of HR processes.

Personnel Policy, Personnel Regulations and Working Time Regulations

The Personnel Policy of the Galenica Group is based on the above-mentioned corporate values and sets out the binding guidelines for human resources management (HRM). These guidelines apply to all companies within the Group. Galenica's Personnel Policy discusses how it, as an employer, wishes to treat its employees and what Galenica expects from its employees. The Galenica Group's Personnel Regulations and Working Time Regulations, in turn, are aimed at all employees and contain information and rules regarding working hours, salaries and employee insurance.

Collective bargaining agreements (GRI 2-30)

None of the employees of the Galenica Group are subject to a collective bargaining agreement. Galenica offers all employees fair and attractive employment conditions.

Balancing private life and work

Galenica offers flexible working time models to provide a better work-life balance for its employees. According to the guidelines on working from home, employees also have the option of working from home up to 100% of the time, depending on their activity. Part-time work is also common, particularly in the Service Unit Pharmacies, and co-management teams are also possible in the pharmacies. Furthermore,

female employees can extend their maternity leave with unpaid leave and men receive paternity leave of ten days, which is fully paid, in contrast to the statutory obligation.

Opinio employee survey

The Opinio employee survey has a long tradition at Galenica. Since 2020, it has been conducted annually rather than every three years, thus enabling Galenica to react more quickly and in a more targeted manner to changes in employee satisfaction and motivation. In 2023, 72% of all employees took part in the survey. The response rate is therefore slightly higher than for the 2022 survey. With a Group-wide score of 76 out of 100 possible points, it is pleasing to see that employee motivation increased compared to the previous year. The employee recommendation score of 76 out of 100 points is also gratifying, compared with 74 points in 2022. Since 2023, the employee survey has only been conducted online.

Promote interaction and commitment among employees

The staff committees are important points of contact for the concerns of all employees that are of general interest and are to be discussed with the Executive Committee. Conversely, the Executive Committee consults the staff committee or works committee on relevant personnel matters that concern all or most employees, such as conditions of employment. The works committee is made up of the chairs of all the local staff committees. Twice a year, a meeting takes place between the works committee, the Group-wide employee representatives, a representative of the Executive Committee and HR management. It addresses topics that go beyond the local concerns of the staff committees in the individual business areas. The staff committees generally meet several times per year and are also informed about the topics and resolutions of the works committee meetings. In 2021, a team of "Change Ninjas" was created. They are actively shaping the transformation of the Galenica Group and supporting the Service Units in their transformation plans.

Various communication platforms

Direct, personal interaction between employees from all language regions of Switzerland and a total of 89 countries lies at the heart of Galenica's communication efforts, with the aim of actively promoting knowledge exchange and cooperation. The various physical and digital information events and management meetings within the business sectors and companies are a good way of ensuring that this happens. Information on current topics from all areas of the company is provided at events and via the intranet (G-Net). The employee magazine Spot is also published in digital form several times a year. The digital Spot can now also be accessed externally, allowing also partners and family members to take part in developments in the Galenica world.

Promote knowledge and interaction among employees

When it comes to logistics and the sale of pharmaceuticals, employees and their specialist knowledge play a crucial role. As a successful company, Galenica wants to develop with the market and set trends. The adaptability of the Galenica Group is based on the commitment and team spirit of its entire workforce. In order to maintain this, Galenica provides continuous support for the personal and professional development of its employees.

Continuous personnel development and the management work of the future are at the heart of the Group-wide personnel development programme Move. Move represents agility and flexibility and, therefore, reflects the range of employee development options available. This comprises modules in the field of professional training as well as leadership and personal development on various levels. In 2023, Galenica conducted 42 modules with 654 employees. New employees are invited to an induction day (Move 1) where the history, culture and strategy of the Galenica Group and its companies are explained. The one-year "Expert" talent management programme was redesigned in the reporting year with the aim of developing high-performing employees in their current roles or introducing them to a higher role in order to strengthen internal succession planning in the medium to long term. The participants are given a platform for interdepartmental exchange. At the same time, the knowledge and skills of experienced managers are used to further develop the next generation of talented employees. On request, each participant will be assigned a personal mentor. In 2023, 24 employees took part in the "Expert" talent management programme. The "Explore" talent management programme, which has also been running since 2023, gives dedicated employees who do not primarily work in a central role the opportunity to get to know the Galenica Group better, work on their personal development and expand their network. In 2023, 24 employees took part in this new talent management programme.

Galenica also supports employees with external training by giving them financial aid and/or allowing them the time, provided that the training is related to their current role and offers added value for the company and the employees. More information on this can be found in the section [Training and Education](#).

Retaining qualified employees

In Switzerland, the retention of qualified employees represents a major challenge, particularly in the healthcare professions and IT. In addition to the shortage of employees, the requirements in terms of training and skills are constantly increasing. For Galenica, retaining qualified employees plays a key role, especially in the Service Unit Pharmacies, as pharmacy management requires good, qualified staff. As the Swiss healthcare system becomes increasingly digitalised, Galenica will be more dependent on IT and e-commerce professionals in the future. Galenica is committed to retaining qualified employees, including recruiting them and keeping them within the company and supporting them outside the company. In doing this, Galenica supports sustainable labour and economic growth in Switzerland.

Galenica reviews its recruitment activities on an ongoing basis and adapts to the constantly changing conditions in the labour market. Galenica's recruitment strategy includes measures relating to the company's image as an employer, its positioning and university marketing for students. Galenica aims to make contact with students while they are still at university and encourage them to pursue a career within the Galenica Group. Recruitment activities were centralised across the Group in 2023 in order to professionalise them, make processes more efficient and strengthen the employer brand.

Employee profit-sharing programme

Galenica shares the success of the company with all employees. The bonus is calculated based on the Group result compared with the previous year. Every year, employees of Galenica living in Switzerland have the opportunity to purchase between 20 and 80 Galenica shares at a preferential price, regardless of their employment level. In 2023, 19.8% of employees participated in the programme (previous year: 19.2%). These shares are blocked for three years after the date of purchase.

Members of the Senior Management (SMT) and Management (MT) receive a profit-sharing bonus pro rata to the annual bonus. This is dependent on attaining quantitative and qualitative targets. The share-based remuneration programme LTI ([see Remuneration report](#)) for members of the Executive Committee and certain members of the SMT is geared towards long-term performance, whereby remuneration is withheld for a period of three years. In 2022, Galenica introduced joint bonus-related targets for the Executive Committee, members of the Senior Management and Management and abolished the individual bonus-related targets, which will apply from 2023. These relate to customer and employee satisfaction. These new objectives are intended to strengthen the network philosophy and the focus on social objectives.

Employee benefit plans

The Galenica Pension Fund covers the risks and economic consequences of old age, disability and death according to the specifications of the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPA). Like the previous foundations, it is legally, organisationally and financially independent of Galenica. The pension fund is managed according to the defined contribution principle. This is usually financed by contributions from the employee and the employer. The contributions made by employer and employee are accrued into individual savings capital for each employee. The savings capital is usually paid out as a lump sum or converted into an annuity on reaching statutory retirement age. In cases of termination of employment, the savings are transferred as vested benefits. The financial statements of the pension fund provide a true and fair view of the financial position, the results of operations and cash flow. The accounting and valuation principles of the Swiss pension schemes correspond to the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV2) and the Swiss GAAP FER accounting and reporting recommendations. Assets and liabilities are recognised based on the financial situation of the pension fund as of the balance sheet date only. Due to increasing life expectancy and a drop in interest received, the conversion and contribution rates were adjusted as of 1 January 2022.

Objectives attractive workplace

Goal	Status	Target year	Measurement parameter	2023	2022
We will increase the motivation rate of our employee survey to 75 out of 100 points and the participation rate to 75% by 2024.	↗	2024	Motivation rate Participation rate	76 / 100 72%	74 / 100 71%
We will reduce the time-to-hire for IT and pharmacy positions by 10% by 2024 and reduce the group fluctuation rate by 6%.	→	2024	Time-to-hire	IT: 125 days Pharmacies: 90 days	IT: 65 days Pharmacies: 61 days

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

Galenica further optimised its recruitment process in the reporting year. The aim is to reduce the time-to-hire and thus contribute to retaining qualified employees. The time-to-hire for IT was around 125 days in 2023 and around 90 days for Pharmacies. Data collection for the "time-to-hire" KPI was also optimised in 2023 in order to increase data reliability and stability in the long term. Recruitment in the Galenica Group was centralised and underpinned by new processes and systems in the reporting year. For this reason, it is not possible to compare data with that of the previous year. In addition to the time to hire, the reduction of the Group-wide fluctuation rate by 6% from the base year 2021 to 2024 was also defined as a target for 2023. In the base year 2021, the Group-wide fluctuation rate was 14.5%, in 2023 it was 12%.

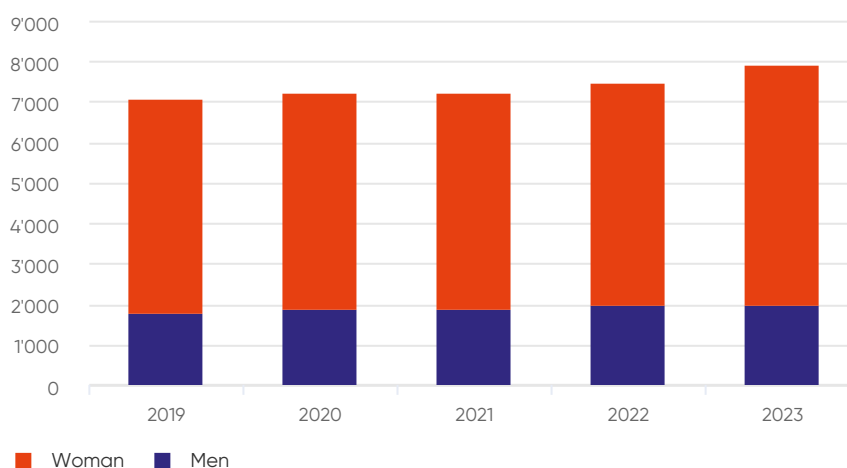
Evaluation of the management approach and measures

- Key figures: Key personnel figures, such as employee fluctuation, are collected from across the Group and analysed every six months.
- Key figures: Other key personnel figures, such as time-to-hire, in connection with recruitment are regularly collected to check the implementation of the recruitment strategy and the achievement of targets.
- Employee satisfaction and motivation: The satisfaction and motivation of employees is evaluated as part of the annual employee survey. The Executive Committee examines the results, particularly the critical points, and defines effective measures based on their findings.
- Performance reviews: The performance of employees is evaluated and discussed at annual performance reviews. Education also plays a key role in this.

Employment (GRI 2-7, 2-8, 401-1)

Aspect	GRI Disclosure	Unit	2023	2022	2021	2020	2019
Employees	2-7	number	7,902	7,608	7,239	7,205	7,071
by gender	2-7						
- women	2-7	number	5,916	5,510	5,351	5,308	5,268
- men	2-7	number	1,986	1,981	1,888	1,897	1,803
by degree of employment	2-7						
- full-time	2-7	number	4,459	4,250	4,181	4,166	4,174
- full-time (women)	2-7	%	64.5	74.0			
- part-time (<90%)	2-7	number	3,443	3,241	3,058	3,039	2,897
- non-guaranteed hours	2-7	number	293	266			
- non-guaranteed hours (women)	2-7	%	72.7	66.9			
Employee Turnover	401-1	%	12.0	14.6	14.5	10.6	11.4

Number of employees of the Galenica Group 2019–2023



Galenica continued to grow in 2023. At the end of 2023, the Galenica Group had 7,902 employees, an increase of 4% over the previous year. The increase is attributable to the growth of the Galenica Group. Almost all employees work in Switzerland, which we regard as one region. The data is exported and consolidated from the various personnel management systems. The workforce of the Galenica Group does not undergo significant seasonal fluctuations.

The proportion of women is around 75% and has remained relatively constant over the past five years. 44% of employees work part time, i.e. with a workload below 90%. The proportion of part-time employees has increased by 2.6% since 2019. The proportion of managers to all staff has remained unchanged since 2018 at 9%. From 2019 to 2023, the proportion of female managers rose from 51% to 52%. Employee fluctuation at Galenica was 12% in 2023, 2.6% lower than in the previous year.

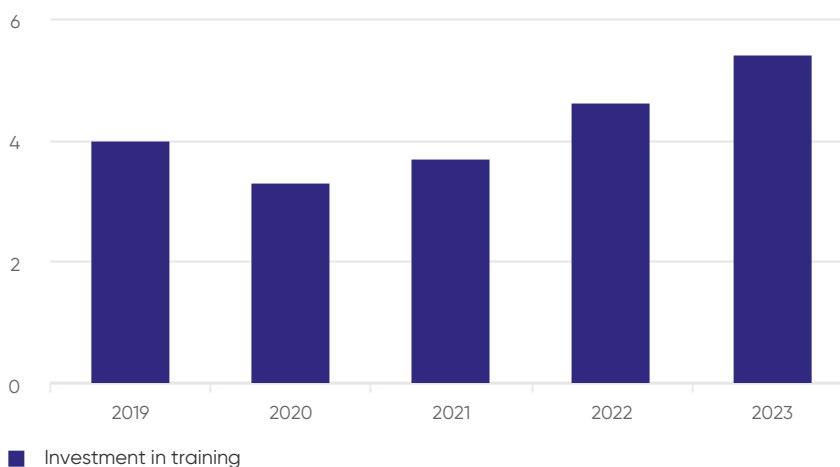
In addition to the company's own employees, temporary employees are also recruited on an hourly basis if necessary, particularly in logistics and transport. These are sourced via partners and are under contract with them. More detailed information on temporary employees is not available as it is not recorded in all our personnel systems. There are seasonal fluctuations during the reporting year, with temporary employees being particularly in demand prior to the Christmas trading period. Most of the business activities are carried out by employees of the Galenica Group.

Galenica does not provide a breakdown of newly hired employees by region. Furthermore, due to the different personnel systems, there is no breakdown of employee turnover by age group, gender or region.

Training and education (GRI 404-2)

Aspect	Unit	2023	2022	2021	2020	2019
Investment in training	Mio. CHF	5.4	4.5	3.7	3.3	4.0
Apprentices in training	number	896	838	823	808	841
Completed apprenticeships in year under review	number	268	278	244	274	265

Investments in training in million CHF 2019–2023



In total, Galenica invested around CHF 5.4 million in employee training in the reporting year, around 20% more than in the previous year.

The Service Unit Pharmacies offers the CAS course "Management for Pharmacists" in collaboration with the University of Basel. Six employees successfully completed the CAS course in 2023.

The Service Unit Pharmacies also covers the costs of further training to become a “Specialist Pharmacist in Retail Pharmacy” (FPH certification in Retail Pharmacy). Based on the revision of the Medical Profession Act (MedPA), qualified pharmacists are required to obtain this federal qualification if they want to work as a responsible person in a pharmacy. Galenica is committed to ensuring that as many pharmacists as possible are able to complete this training. In 2023, 60 employees completed the course.

In light of the revision of MedPA, Galenica has also developed the FPH certificate of competence in patient history in primary care as continuing education together with an external provider. This further training increases the skills of pharmacists in basic healthcare, enabling them to diagnose minor illnesses and dispense an appropriate prescription drug. In 2023, 479 pharmacists already held this certificate, 124 of whom completed it during the course of the year.

Additional training opportunities in the pharmacies include the FPH certificate of proficiency in vaccination, specific training courses on rapid antigen tests and an e-learning module on the use of algorithms and software in the field of “Primary Care”. In 2023, 681 employees held the certificate of proficiency and 95 successfully completed the relevant further training courses.

As part of the lean initiatives, 10 employees in Wholesale & Logistics have successfully completed Green Belt training and another 9 employees in Logistics will take part in Green Belt training in 2024.

Training apprentices

Galenica is making a strong commitment to the next generation of qualified employees: in 2023, the Group trained 896 apprentices – 809 young women and 87 young men – at its companies. Of these, 268 completed their apprenticeships, many with bravura. Having qualified, 194 apprentices have since become Group employees.

Percentage of employees receiving regular performance and career development reviews (GRI 404-3)

All employees with a permanent contract receive a regular review of their performance and professional development as part of the annual performance reviews.

Occupational health and safety

GRI report

Galenica prevents any injury to the physical or mental integrity of its employees in the workplace and strives to identify potential health risks at an early stage and ensures a swift return to work after illness or accident.



Management of the material topic (GRI 3-3)

It goes without saying that Galenica attaches great importance to the physical and mental health of its employees. The topic covers the effects of business activities on the physical and mental well-being of all employees. There is an increased risk of accidents, particularly in the Service Units Wholesale & Logistics and Pharmacies, which is why occupational health and safety play such a key role in these areas. Galenica has a duty to prevent any violation of the physical or psychological integrity of its employees in the workplace. This keeps both personal suffering and costs to a minimum. Galenica also strives to identify potential health risks at an early stage and ensures a swift return to work after an illness or accident. Galenica thus makes a significant contribution to the health and well-being of its employees.

Health and safety precautions for employees (GRI 403-1, 403-5, 403-6, 403-7)

Galenica puts in place measures to protect employee health and maintain safety in the workplace in accordance with the directives of the Federal Coordination Commission for Occupational Safety (FCOS). In addition, all companies have an occupational health management (OHM) system. Galenica also uses a preventive case management system in order to identify potential health risks for employees at an early stage and take appropriate measures. This tool is deployed within the first 30 days of absence. The top priority is to ensure that the employee can return to work quickly following an illness or accident. Galenica is working with the organisations Movis and Carelink to improve health protection. Carelink offers emergency psychological support in crisis situations, for example following a robbery of a pharmacy. Movis provides support for employees concerning the protection of their personal integrity as well as stress management and burnout prevention. The Galenica Group also offers all employees an annual flu vaccination.

Due to the increased risk of accidents, the companies Alloga and Galexis also have a systematic absence management system, which is part of the OHM system. Discussions are held with employees in the event of prolonged or frequent absences, and contact is maintained in the case of a return to work after a long absence. Together with Suva, Alloga and Galexis also organise training courses on accident prevention and promotion of a safety culture. In 2023, an occupational safety obstacle course was also held by SUVA at the sites in Niederbipp and Burgdorf and a course on ergonomics in the workplace was organised at the Lausanne-Ecublens site. At Galexis, an integrated safety system was introduced for the Lausanne-Ecublens and Niederbipp sites, which systematically records and transparently presents (e.g. in an accident barometer) the identification and elimination of safety-relevant activities and situations as well as prompt accident reports for all employees. All line managers carry out independent safety audits and all findings, incidents and measures for improvement are recorded systematically and centrally. Alloga also introduced an accident barometer in 2023.

In the Galenica Group pharmacies, two employees have been designated as safety officers in each pharmacy and have received extensive training on the safety-relevant aspects of the respective location.

The Service Units Pharmacies, Healthcare and Wholesale & Logistics have appointed occupational safety officers. Each Galenica Group site also has fire protection officers who are responsible for fire safety and evacuations, as well as a first aid team that organises first aid.

The [Code of Conduct for Suppliers](#) of the Galenica Group states that suppliers must ensure a safe and healthy working environment and guarantee the protection of their employees in accordance with all applicable health and safety regulations. Further information on the Code of Conduct for Suppliers can be found in the section [Integrity in the supply chain](#).

Objectives health in the workplace

Goal	Status	Target year	Measurement parameter	2023	2022
We reduce the number of cases of psychological illness.	↘	Every year	Number of cases per 100 FTEs	2.0 cases	1.6 cases
We reduce the absence rate for occupational and non-occupational accidents by 10% by 2024.	↗	2024	Absence rate (comparison of target hours/lost hours)	0.47%	0.51%

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

The total number of cases of long-term absences (>30 days) due to mental illness is known. In order to ensure anonymity, however, Galenica only receives the proportion of cases due to mental illness from the daily allowance insurance records in the event of a large number of cases. The exact illness-related reason for the absence is unknown. This means that no conclusions can be drawn and privacy protection is guaranteed. Compared to the previous year, the number of cases due to mental illness increased by 12%.

Occupational health is one of the focal points of the revised HR strategy. In 2022, the cooperation with Movis, an independent, external advisory centre for employees on issues relating to the protection of personal integrity, was expanded to strengthen the early detection and prevention of mental illnesses. All employees now have access to counselling services for mentally stressful situations such as stress management or burnout prevention.

In 2023, the absence rate due to occupational and non-occupational accidents was reduced by 0.04%. This result can be attributed to various operational measures. More information can be found in the section [Health and safety precautions for employees](#).

Evaluation of the management approach and measures

- Key figures: Employee absences are regularly analysed by the Service Unit People & Culture and appropriate measures are taken.
- Safety audit: External safety consultants regularly carry out safety audits at the Service Unit Wholesale & Logistics.
- At Galexis, internal safety audits (inspections) are also carried out on a monthly basis with the corresponding department heads, and measures to improve occupational safety are identified and documented.

Work-related injuries and illnesses (GRI 403-9, 403-10)

Aspect	GRI Disclosure	Unit	2023	2022	2021	2020	2019
Accidents	403-9	number	1,233	1,072	871	793	947
Occupational accidents	403-9	number	215	208	163	172	191
Absence rate of work-related injuries (accidents)	403-9	%	0.09	0.11	0.07		
Non-occupational accidents		number	1,018	864	708	621	756
Illnesses	403-10						
Cases of illness (long-term, entitled to daily sickness benefits)	403-10	number	419	409	434	471	508
Absence hours due to illness	403-10	number	546,097	599,540	539,990	519,883	
Absenteeism rate	403-10	%	3.97	4.49	4.85	4.50	
Case Management							
Return to work rate		%	67	82	75	52	91

Number of occupational and non-occupational accidents 2019–2023

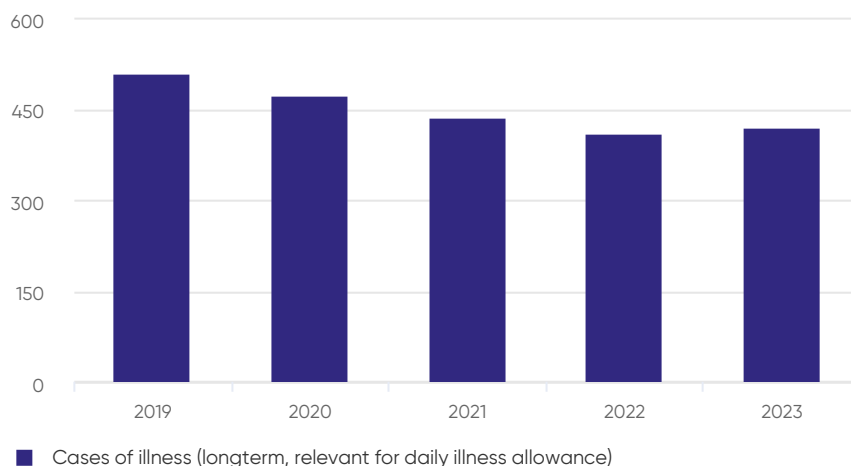


In 2023, Galenica recorded a total of 215 occupational and 1,018 non-occupational accidents. These figures also include minor accidents, which did not result in an absence of more than three working days. In 2023, minor accidents accounted for 57% of all occupational and non-occupational accidents. The number of occupational accidents increased by 3% and the number of non-occupational accidents by 18% compared to the previous year. The relative number of occupational accidents per 100 FTEs remained stable at 3.6.

Most occupational accidents are minor incidents that must be reported at the Galaxis sites as part of the integrated safety system. Increased awareness of the safe use of consumables is planned for 2024 to reduce the number of occupational accidents.

The absence rate for occupational and non-occupational accidents amounted to 0.47% in the reporting year and remained relatively constant year on year. At the logistics companies Galaxis and Alloga, the number of occupational accidents and the absences rate fell by more than 19%. This decline can be attributed to the introduction of the accident barometer at the Niederbipp and Lausanne-Ecublens sites.

Number of illnesses 2019–2023



At the end of 2023, Galenica recorded 419 cases of illness. Cases of illness are recorded as all long-term absences due to an illness lasting more than 30 days and which are entitled to daily sickness benefits. The number for the reporting year should always be interpreted with caution, as certain cases are usually reported at a later date in the following year. Between 2019 and 2023, the number of cases of illness fell by 17.5%.

In 2020, Galenica recorded the absences of all employees for the first time. In 2023, the Galenica Group recorded a total of 546,097 hours of absence, a decrease of 9% over the previous year. Compared to the target hours, this results in an absence rate of around 4% for the reporting year. The absence rate is therefore constant compared to the previous year.

In 2023, the Galenica Case Management provided assistance to 88 employees at risk of illness or who had already fallen ill, thus helping to prevent or reduce absences where possible. Of 72 closed cases in 2023, 48 employees were able to return to work thanks to Case Management. This corresponds to a return rate of around 67%, which represents a decline of around 15% compared to the previous year.

Equality and diversity

GRI report

The Galenica Group is committed to diversity and brings together people from 89 nations and all age groups. Three-quarters of employees are women. Galenica does not tolerate discrimination or harassment and promotes equal opportunities for all.



Management of the material topic (GRI 3-3)

The theme of diversity and equal opportunity involves issues of equality and equal treatment with regard to age, origin, gender and other diversity indicators. In addition to equal pay for men and women, diversity also includes the integration of people with disabilities into the work process. The Galenica Group is committed to diversity and brings together people from 89 countries and all age groups. Three-quarters of employees are women. Galenica does not tolerate discrimination or harassment and promotes equal opportunities for all. As a result, employees feel appreciated and acknowledged. The diversity of employees also benefits the innovative capacity, success and attractiveness of the company as an employer. Diversity and equality also have a positive impact on society at large by promoting social stability and cohesion and thus supporting sustainable development.

Code of Conduct

All employees of the Galenica Group have the right to be treated fairly, politely and respectfully by line managers, employees, colleagues, customer representatives and business partners. No one may be harassed, discriminated against or disadvantaged on the grounds of race, skin colour, religion, ideology, political opinion, nationality, descent, disability, gender, age or any other relevant criterion. These principles are set out in the Code of Conduct of the Galenica Group. Further information on the Code of Conduct can be found in the section [Sustainable and ethical corporate governance](#).

Equal pay

In accordance with the requirements of the Federal Act on Gender Equality (GEA), Galenica carried out an equal pay analysis for companies with more than 100 employees in 2021. The salaries of the Galenica Group were analysed using the Logib method (the federal government's standard analysis tool) on the basis of April 2021. Equal pay is a key concern for Galenica. In 2023, Galenica voluntarily commissioned another comprehensive analysis. The analysis shows that the principle of "equal pay for equal work" is met in all ten companies surveyed. Eight out of ten companies surveyed also receive the "We pay fair" label. The fact that two companies did not receive the label is due to the heterogeneous functional landscape. A heterogeneous functional landscape can lead to employees being divided into the same hierarchical levels and competence levels that are only comparable to one another to a limited extent due to their different roles.

The aspect of equal treatment and diversity among employees is key for Galenica. That is why Galenica is committed to continuous improvement in this area as well. It is planned to carry out the voluntary equal pay analysis on a regular basis.

The statutory formal review of the equal pay analysis was carried out by the statutory auditor Ernst & Young Ltd. According to their reports, the analyses comply with legal requirements in all respects.

Protection of personal integrity in the workplace

Mobbing, discrimination and sexual harassment are three examples of problematic behaviour that can lead to violations of personal integrity. A violation of personal integrity in the workplace affects the well-being of the person concerned and puts their health and ability to work together with others within the company at risk. As an employer, Galenica is legally obliged to protect the privacy of its employees (Art. 328 CO, Art. 6 para. 1 EmpA). The Galenica Group does not tolerate any violations of personal integrity; it prohibits all forms of mobbing, sexual harassment, discrimination, violence and threats, and is committed to non-violent and harassment-free treatment at all levels of the hierarchy. Every year, however, employees report isolated cases that are subsequently investigated. In order to improve the protection of the personal integrity of employees, they also have the option of contacting the external advisory centre Movis if necessary. The number of reported cases was again very low in 2023. Due to the protection of personal integrity, no official statistics are kept on reported cases in the People & Culture area. Depending on the case, individual measures are agreed and implemented which, depending on the offence, may also lead to immediate dismissal.

Objective Diversity

Goal	Status	Target year	Measurement parameter	2023	2022
We will improve diversity in all Service Units and keep the proportion of female managers at 50%.	=	Every year	Proportion of female managers	51.7%	52.6%

- Realistic
- ➔ Partially delayed/critical
- Critical
- = Achieved
- × Not achieved

Gender equality is a key concern in the area of diversity. The proportion of female managers in 2023 was over 50%, namely 52%. A Group-wide and comprehensive diversity concept will be developed in 2024.

Evaluation of the management approach and measures

- Review of equal pay: Galenica regularly checks the status of equal pay for men and women and takes measures if necessary.

Diversity of governance bodies and employees (GRI 405-1)

Aspect	GRI Disclosure	Unit	2023	2022
Board of directors	405-1	number	7	7
by gender	405-1			
- women	405-1	%	42.9	42.9
- men	405-1	%	57.1	57.1
by age	405-1			
- < 30 years	405-1	%	-	-
- 30 – 50 years	405-1	%	14.3	28.6
- > 50 years	405-1	%	85.7	71.4
Executive Committee	405-1	number	8	7
by gender	405-1			
- women	405-1	%	25.0	14.3
- men	405-1	%	75.0	85.7
by age	405-1			
- < 30 years	405-1	%	-	-
- 30 – 50 years	405-1	%	37.5	28.6
- > 50 years	405-1	%	62.5	71.4
Management	405-1	number	739	701
by gender	405-1			
- women	405-1	%	51.7	52.8
- men	405-1	%	48.3	47.2
by age	405-1			
- < 30 years	405-1	%	1.9	2.4
- 30 – 50 years	405-1	%	64.7	65.3
- > 50 years	405-1	%	33.4	34.8
Employees¹⁾	405-1	number	6,862	6,882
by gender	405-1			
- women	405-1	%	78.6	79.1
- men	405-1	%	21.4	20.9
by age	405-1			
- < 30 years	405-1	%	37.4	37.0
- 30 – 50 years	405-1	%	42.4	42.5
- > 50 years	405-1	%	20.2	20.4

¹⁾ Without temporary employees

Patient safety

GRI report

The safety and health of patients is Galenica's top priority. Galenica is committed to the quality of medicines along the entire value chain.



Management of the material topic (GRI 3-3)

Medication errors or reductions in the quality of medications can have serious consequences for a patient's health. They also pose a reputational risk for the companies involved. Digitalisation opens new opportunities for innovative solutions to improve patient safety. Galenica is committed to ensuring the quality of medicines along its entire value chain and takes the appropriate measures along the supply chain in terms of infrastructure, processes, and employee training and education. This helps prevent medication errors, reduce side effects and lower healthcare costs. With personal and competent advice and a unique range of products and services, Galenica supports its patients in all life situations and helps people of all ages lead a healthy life. Galenica thus makes an important contribution to the well-being and health of the Swiss population.

GDP guidelines for a good distribution practice

Alloga, Galexis, UFD, Pharmapool, Verfora and the Bichsel Group adhere to the GDP (Good Distribution Practice) guidelines for human medicinal products in an exemplary manner. On the one hand, these legal requirements are intended to prevent counterfeit drugs from entering legal supply chains. On the other hand, control measures within the distribution chain ensure the quality and integrity of drugs. Drug temperature is recorded and analysed in real time throughout the entire life cycle, from production through to delivery to the customer. If there are deviations in temperature, the causes are investigated and suitable measures are taken in accordance with GDP guidelines. In addition to these guidelines, the aforementioned companies apply their own standards and processes in their day-to-day work to ensure patient safety at all times.

Galexis, UFD, Pharmapool and the Bichsel Group each operate their own fleet comprising 164 delivery vans (up to 3.5 tonnes) and 5 lorries (14 to 22 tonnes). All vehicles are GDP-compliant and are fitted with an air conditioning system in the loading space, which is mandatory for the transport of pharmaceutical products.

Uninterrupted cold chain for medicines

All Wholesale & Logistics companies, as well as Medifilm, Mediservice and Bichsel, provide an uninterrupted cold chain for the storage and transport of temperature-sensitive drugs. At Alloga, this also applies to so-called ultra-deep-freeze logistics, in other words, storage and dispatch at -80°C , the required temperature for a new generation of cancer drugs. In preparation for the delivery of COVID-19 vaccines, Alloga further expanded its ultra-deep-freeze logistics in the reporting year. Temperature control is ensured by using dry ice in special containers. Alloga and Galexis also use paraffin-filled cooling elements, which, in contrast to water-based cooling elements, ensure the medicines remain at a more stable temperature. The proportion of transported refrigerated products in the reporting year was 6% for Galexis' own vehicle fleet and around 31% for third-party transport.

Quality systems

HCI Solutions provides master data for the Swiss healthcare market. The company is also active in the field of e-health with the aim of increasing patient and medication safety in the Swiss healthcare system. With innovative digital solutions such as Documedis[®], HCI Solutions makes a significant contribution to safe and efficient healthcare in Switzerland. To guarantee the quality of medication data, HCI Solutions carries out process-integrated checks. The company checks the recording of drug data according to the four-eyes principle, while the six-eyes principle applies to sensitive active substances (such as blood thinners). HCI Solutions carries out random quality checks on a daily basis and a more comprehensive inspection every two weeks. Any error discovered is documented and its cause investigated. HCI Solutions is certified to ISO 9001:2015 and ISO 13485:2016.

The QMS of the Service Unit Pharmacies has standard operating procedures (SOP) for all relevant pharmacy processes. These include the manufacture and dispensing of drugs, data protection, confidentiality, hygiene and the disposal of medications. Galenicare regularly carries out audits to ensure compliance with the SOPs in the individual pharmacies. In addition to these announced audits, anonymous test

purchases and phone calls as well as inspections by cantonal pharmacists take place in all pharmacies. Several times a year, Galenica conducts QMS and legal requirements courses for pharmacy employees. For specific services such as heart checks, allergy checks, diabetes checks and vaccinations, employees complete certified courses and obtain certificates of competence.

As a company specialising in pharmaceutical manufacturing and home care with its own certified general pharmacy, the Bichsel Group places great importance on the quality of its products and services. The company carries out numerous chemical and microbiological analyses on a daily basis to check end products, raw materials and packaging materials and holds manufacturing licenses, EU GMP certificates for medicinal products and EC certificates for medical devices in accordance with Directive 93/42/EEC of the European Council.

The specialty pharmacy Mediservice supports patients with chronic and rare illnesses by providing additional services such as home care and patient events. Mediservice also has a licence to operate as a public pharmacy and a wholesale licence. Accordingly, Mediservice's QMS meets a wide range of requirements.

Further information on certifications and quality systems can be found in the section [Sustainable and ethical corporate governance](#).

Continuous monitoring of all products

Product safety is checked and safeguarded at Verfora using a variety of approaches. Verfora checks that contract manufacturers qualify for the necessary processes by carrying out initial and regularly recurring audits. Compliance with the GMP guidelines is assessed and must be adhered to so that safe products can be manufactured for patients at all times. The audits also take into account environmental, health and safety factors within the partner companies. The products are then carefully examined before being placed on the market to ensure that they have been manufactured and tested in accordance with the GMP guidelines and that they meet all applicable specifications. As with all medications, Verfora products undergo a preclinical and a clinical trial to ensure their safety and efficacy. Once the products are on the market, pharmacovigilance is at the heart of Verfora's safety efforts, i.e. the continuous monitoring of all products. All new Verfora employees are trained in pharmacovigilance and receive a checklist of steps to be taken in the event of side effects. In addition, pharmacovigilance training is held for all employees every year. The company also systematically checks advertisements and advertising posters for products to ensure they are correct. In parallel to pharmacovigilance, the products are regularly analysed in the laboratory until the end of their life so that any deviations in quality can be identified and remedied at an early stage.

Promoting the technical competence of employees

In 2023, 119 pharmacists successfully completed the quality management course. Quality management and patient safety are also key issues in the basic training of pharmacy assistants working towards their Federal Proficiency Certificate.

Where required, Verfora offers training sessions for pharmacies when new medications are launched in order to promote employees' skills and ensure patient safety and health. In 2023, Verfora conducted 130 training sessions for around 8,400 pharmacy assistants and pharmacists.

Increased patient safety using e-medication solution

Digitalisation opens new, innovative ways to increase patient safety. Documedis® is the process-integrated solution for increased medication and patient safety in the healthcare system. Documedis® offers specific e-health applications and services relating to the medication process based on INDEX data. HCI Solutions works with various reference communities to make Documedis® available in the electronic patient record. This will allow more functions to be made available to the various service providers in the future, such as merging several e-Mediplans, which will result in an increase in patient safety. Documedis® is already being implemented in pharmacy, medical and hospital software.

The Documedis® module Primary Care Algorithms (PCA.CE) provides the option of offering precise identification of health disorders and illnesses using algorithms. There are 33 algorithms in total. Documedis® also includes Clinical Decision Support Checks (CDS.CE Check). These checks enable pharmacists to check the patient's used or planned medication for known risks, duplication or allergies to active substances. There are currently 13 such CDS.CE checks. The CDS.CE Check thus supports service providers when prescribing new medications or when supplementing existing medication. HCI Solutions is constantly expanding the functionality of Documedis®. In February 2023, Documedis® Vaccination has been made available and offered to service providers free of charge via pharmaVISTA during a test phase. In addition, the Swiss vaccination plan is now also reproduced in CDS.CE. Documedis® Vaccination is the new digital all-in-one solution for vaccination: from vaccination documentation and analysis to the creation of a clear vaccination plan.

Objectives patient safety

Goal	Status	Target year	Measurement parameter	2023	2022
We will increase the use of Clinical Decision Support Checks (CDS.CE) to 500 million by 2025 and 1 billion by 2030.	↗	2030	Number of CDS.CE checks (Clinical Decision Support)	278 million	110 million
Customer satisfaction is at the centre of all activities. The willingness to recommend rNPS is used to systematically measure the satisfaction of end customers and determine the gap compared to the average of the competition.	→		Target achievement rNPS	92.5%	N/A

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

In 2023, Galenica was able to further increase patient safety. In the year under review, 277,609,287 CDS checks were carried out by service providers. Target achievement by 2025 and 2030, respectively, is realistic.

The satisfaction of our customers is at the heart of all our activities. To measure these, the net promoter score (NPS) of the Amavita, Sun Store and Coop Vitality pharmacies is used and the distance compared to the average of the competitor is calculated. The NPS measures the extent to which consumers would recommend a product, a service, a brand or company. Compared to the competition, the ambitious target was not fully achieved at 92.5%. Galenica does not disclose the effective amount or the difference from the best competitor for competition reasons.

Evaluation of the management approach and measures

- Quality management: The QMSs of the companies of the Galenica Group are regularly and systematically audited.
- GDP guidelines: Regional agencies for therapeutic products periodically perform audits to determine GDP compliance.
- Pharmacovigilance: At Verfora, all employees have a duty to submit to the responsible internal department any reports of side effects received from specialists and patients promptly and in full. Information on the duration, progression and impact of the side effect and on the dosage and duration of product use plays a key role in this. Verfora documents and investigates each report, taking appropriate measures where necessary.

Pharmacovigilance: forwarding reports

Aspect	Unit	2023	2022	2021	2020	2019
Pharmacovigilance:						
forwarding of reports of side effects						
- compliance with deadline for forwarding a report of side effects	%	97	98	92	97	98
Reliable procurement and supply chain						
Availability of medicinal products on average	%	98.8	99.0	99.6		

In 2023, Verfora employees met the deadline for forwarding reports of side effects in 97% of cases (target: >90%). At Bichsel, the responsible parties met the deadline for forwarding reports of side effects to the authorities in 100% of cases.

Security of supply and procurement

GRI report

Supply bottlenecks in the pharmaceutical supply chain are increasing worldwide, including in Switzerland. Galenica strives to ensure the highest possible availability of medicines in order to guarantee a reliable supply to the population.



Management of the material topic (GRI 3-3)

Causes of the increasing supply bottlenecks include centralised manufacturing at just a few locations in the world as well as outages and quality problems in the value chain. As a leading fully integrated healthcare provider, Galenica depends on the ability of manufacturers to deliver. As a result, the reliable procurement and supply of medicines to the population are becoming increasingly important for Galenica. The challenges posed by the COVID-19 pandemic have further reinforced the relevance of procurement and supply security. A reliable supply of medicines is crucial to the health and well-being of the Swiss population.

Scheduling system and cooperation

Galenica works closely with suppliers to ensure the greatest possible availability of medicines. As a result of coordinated processes, the suppliers provide information about possible supply bottlenecks at an early stage. An IT-based scheduling system helps Galenica optimise its procurement and logistics processes.

Responding to critical bottlenecks in good time

The logistics companies of the Galenica Group review the inventory range in the pharmaceutical sector on a daily basis, enabling them to respond in good time to bottlenecks and increased demand. If critical bottlenecks occur or there is an increased demand for specific products, as has been the case time and again due to COVID-19, logistics companies quickly change the way they work. The delivery of non-essential products, such as cosmetics or perfumes, is temporarily discontinued, if necessary, in order to guarantee the supply of essential products. In addition, the amount that each customer can order is reduced to prevent hoarding purchases.

Evaluation of the management approach and measures

– Key figures: Key figures relating to the availability of medicines are collected on a daily basis to allow the Galenica companies to respond in good time to bottlenecks and increased demand.

Availability of medicines

The availability of medicines is a major global challenge and naturally also affects the Swiss market. Over the past two years, COVID-19 has clearly demonstrated how disruptions in global supply chains have a negative impact on local availability. The more important it is that drugs that are available in principle or will be available again can be delivered to service providers as quickly as possible. Here, Galenica's logistics operations manage to make and keep over 99% of these medications available throughout Switzerland within 24 hours. In 2023, Galaxis and its partner Sandoz launched the Safety Stock Initiative to increase the security of supply of medicines to the Swiss population.

Health promotion

GRI report

Galenica aims to be the first point of contact for healthcare advice for people in pharmacies, digitally or at home, thereby ensuring nationwide, low-threshold access to healthcare services.



Management of the material topic (GRI 3-3, 203-2)

Particularly in view of the ageing population, preventive health care and prevention are important measures to promote the well-being and health of the Swiss population. Galenica has anchored this approach in the Care strategic programme. The aim is to be the first point of contact for healthcare advice for people in pharmacies, digitally or at home and thus to guarantee nationwide, low-threshold access to healthcare services.

Thanks to Galenica's healthcare services, customers receive the necessary advice in the pharmacy in the event of acute complaints and, if necessary, the appropriate medication based on the diagnosis. This may also include certain prescription medications. Advice is straightforward and cost-effective and helps patients to recover quickly. To simplify billing of these services, Galenica cooperates with various health insurers to promote the pharmacy as a primary care location in alternative health insurance models.

Vaccination is another approach to health promotion. In addition to the flu and tick vaccinations, vaccinations against COVID-19 can also be administered following a consultation in the pharmacies. In 2023, two pilot projects were also launched in some cantons to vaccinate against whooping cough and herpes zoster. Documedis® Vaccination and the Vac Check from HCI Solutions allow vaccinations to be documented digitally. This makes it possible to identify risks and create a digital vaccination plan with an overview of all vaccination appointments.

Galenica offers various other check-ups in its pharmacies to prevent diseases. HerzCheck® (CardioTest) is the prevention service offered by the Swiss Heart Foundation and can help to determine the risk of heart attacks and strokes and, if possible, to prevent them. Galenica also offers blood pressure and blood sugar measurements in its pharmacies as well as rapid allergy tests that check the blood for antibodies against allergens. Once the results of these checks are available, customers are advised by trained specialists.

Objective health promotion

Goal	Status	Target year	Measurement parameter	2023	2022
We increase the number of healthcare services provided by 10% annually until 2027.	↗	2027	Increase in % compared to previous year	14%	N/A

- ↗ Realistic
- Partially delayed/critical
- ↘ Critical
- = Achieved
- × Not achieved

Evaluation of the management approach and measures

- Targets from the corporate strategy for expanding primary care, vaccination and prevention.
- Increasing the number of services and advice used in pharmacies.
- Increase in sales through services and advice offered in pharmacies.

Social commitment

GRI report

Galenica is committed to various social and humanitarian projects. These include donations and sponsorship of social initiatives and events.



Management of the material topic (GRI 3-3)

As a strong partner in the Swiss healthcare market, Galenica is committed to the well-being of patients at all levels. The company is also involved in various social and humanitarian projects. This includes donations and sponsoring social initiatives and events. These philanthropic activities contribute to the well-being and cohesion of the communities being assisted.

Main partner of the crowd-donating platform "there for you"

"there for you" is a neutral platform on which social and humanitarian projects as well as initiatives from the fields of climate protection, animal welfare and child welfare are presented. Galenica focuses its commitment on current social and humanitarian projects. The specific projects that Galenica supports are determined together with the employees of the Galenica Group.

The aim of "there for you" is to enable as many crowd donating projects as possible to be implemented and thus actively help where help is needed. In doing so, the platform undertakes to select the individual projects carefully and conscientiously. With regular updates and videos

at the start and end of the project, "there for you" ensures maximum transparency and shows supporters where and how their money is used. In 2023, an online meeting was held with "there for you", in which three projects were presented by their initiators themselves. Employees were then able to vote for their favourite project online. Another vote took place at the end of 2023, again online via the intranet. Employees were able to distribute further donations to four projects.

Further partnerships of the subsidiaries

Sun Store has been selling items every year since 2001, the proceeds of which are donated to the Winds of Hope Foundation. Winds of Hope advocates for the forgotten suffering of children who are victims of wars, disasters and especially the Noma disease. In 2023, Sun Store was able to donate CHF 15,000 to the organisation.

Galexis has been supporting the Sternschnuppe Foundation for many years with an annual contribution of CHF 10,000. The foundation uses this money to meet the wishes of children with illnesses or disabilities. Alloga has been working with SAZ Burgdorf for several years and employs a small team in their packaging department as part of a social commitment. The "Social Kilometre" programme designed by Pharmacieplus SA and its partners Galexis AG and UFD evaluates each kilometre covered during the year by the vehicles of the Pharmacieplus pharmacies that work with us wholesalers. Our common goal is to pay a selected association one cent for every kilometre driven.

Evaluation of the management approach and measures

– Employees decide on specific project participation at there for you.

Calculation basis

GRI report

By systematically collecting and analysing data, we strive to provide transparent insights into our environmental, social and economic impact.

Data on our environmental impact (GRI 2-2, 2-4, 302-1, 302-2, 305-1, 305-2, 305-3)

The environmental key figures basically include all companies of the Galenica Group. The environmental data of companies with a minority interest and new companies such as Padma, which have only been part of Galenica since 2023, are not included. However, data from new companies will be collected from 2024.

For Amavita, Sun Store and other Galenica Group pharmacies, the electricity consumption of 304 shops was determined by extrapolating the available data from 246 locations. Almost all sales outlets are rented, which is why only the annual costs per location are available, but not the actual consumption. The electricity consumption of the pharmacies was therefore calculated using the electricity costs for the reporting year and the average electricity prices per region according to the Swiss Federal Electricity Commission (ElCom). In 2023, the heat consumption of all 304 pharmacies was also extrapolated based on a representative sample in 27 branches. Among other things, the differentiation according to the heat source (51% district heating, 33% natural gas and 16% heating oil) was also taken into account. The municipal waste generated was extrapolated on the basis of a representative sample of 20 pharmacies in total. The average pharmacy generated around 4 tonnes of waste in 2023. The water consumption of all branches was also extrapolated. The available data from 14 locations served as the basis for this. The methodology used in 2022 and previous years is described in the sustainability reports for the corresponding years.

As Galenica is constantly optimising the system of environmental indicators and gradually expanding the system boundaries (due to the primarily inorganic growth of the company), the data is only comparable to a limited extent from year to year. For example, in 2022 the environmental indicators of Coop Vitality were retroactively excluded for previous years, as these are included 100% at Coop. Furthermore, in 2023, for example, the operation of Mediservice was no longer recognised by Galenica, but by Redcare Pharmacy. The new extrapolation method for pharmacies is responsible for the biggest change in many key figures at Group level and therefore also contributes to the fact that comparability with previous years is only meaningful to a limited extent.

The CO₂ emissions caused by energy consumption are calculated using science-based emission factors (Swiss Greenhouse Gas Inventory of the Federal Office for the Environment and the UK Department for Environment, Food & Rural Affairs). The calculated CO₂ emissions relate to direct and indirect emissions. According to the Greenhouse Gas

Protocol, Galenica's direct sources of emissions are the generation of space heating and the operation of its own vehicle fleet (= Scope 1). The most important indirect sources of emissions are the production of purchased district heating and electricity (= Scope 2) and the logistics services provided by contract drivers (= Scope 3).

Due to the ongoing specification of the calculation basis, some of the previous year's environmental figures have been restated. Reference to the recalculation is made at the relevant sections in the report.

Data on our employees (GRI 2-2, 2-4)

The key figures on the number of employees include all companies of the Galenica Group with a majority holding. The other employee indicators only include those companies that are fully integrated into the Galenica Group's HR system. The HR integration of new companies that have only been part of Galenica since 2023 will take place at a later date. Due to systemic challenges, full HR integration may take some time, depending on the size of the company. The data on our employees from 2022 has been adjusted for better comparability due to the joint venture with Redcare Pharmacy (deconsolidation of Mediservice).

GRI-Index

Statement of use: Galenica Ltd. has reported in accordance with the GRI Standards for the period 1 January 2023 to 31 December 2023.

GRI 1 used: GRI 1: Foundation 2021

Applicable GRI Sector Standards: None

GRI Indicator	Description	Reference
GRI 2 General Disclosures 2021		
The organization and its reporting practices		
Disclosure 2-1	Organizational details	Group structure and shareholders
Disclosure 2-2	Entities included in the organization's sustainability reporting	Group companies Calculation basis
Disclosure 2-3	Reporting period, frequency and contact point	Impressum
Disclosure 2-4	Restatements of information	Calculation basis
Disclosure 2-5	External assurance	None
Activities and workers		
Disclosure 2-6	Activities, value chain and other business relationships	Business model Website Value chain
Disclosure 2-7	Employees	Employment
Disclosure 2-8	Workers who are not employees	Employment
Governance		
Disclosure 2-9	Governance structure and composition	Board of Directors Members of the Board of Directors Organizational Regulations
Disclosure 2-10	Nomination and selection of the highest governance body	Board of Directors
Disclosure 2-11	Chair of the highest governance body	Members of the Board of Directors
Disclosure 2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability organisation Articles of Association
Disclosure 2-13	Delegation of responsibility for managing impacts	Sustainability organisation
Disclosure 2-14	Role of the highest governance body in sustainability reporting	Materiality matrix
Disclosure 2-15	Conflict of interest	Group structure and shareholders Board of Directors Other remuneration Code of Conduct
Disclosure 2-16	Communication of critical concerns	Whistleblower Reporting Office
Disclosure 2-17	Collective knowledge of the highest governance body	Sustainability organisation

Disclosure 2-18	Evaluation of the performance of the highest governance body	Letter from the Chair of the Remuneration Committee
Disclosure 2-19	Remuneration policies	Principles and responsibilities in setting compensation Articles of Association
Disclosure 2-20	Process to determine remuneration	Remuneration system of the Board of Directors Remuneration system of the Corporate Executive Committee Articles of Association
Disclosure 2-21	Annual total compensation ratio	Confidentiality constraints – Galenica considers this information to be confidential and does not communicate information on median salaries
Strategy, policies and practices		
Disclosure 2-22	Statement on sustainable development strategy	Foreword
Disclosure 2-23	Policy commitments	Sustainable and ethical corporate governance Integrity in the supply chain
Disclosure 2-24	Embedding policy commitments	Code of Conduct Sustainable and ethical corporate governance Integrity in the supply chain
Disclosure 2-25	Processes to remediate negative impacts	Code of Conduct Sustainable and ethical corporate governance Integrity in the supply chain Code of Conduct
Disclosure 2-26	Mechanisms for seeking advice and raising concerns	Sustainable and ethical corporate governance Integrity in the supply chain Code of Conduct
Disclosure 2-27	Compliance with laws and regulations	Compliance with laws and regulations
Disclosure 2-28	Membership associations	Memberships of associations and interest groups
Stakeholder engagement		
Disclosure 2-29	Approach to stakeholder engagement	Dialogue with stakeholders
Disclosure 2-30	List of material topics	Collective bargaining agreements
GRI 3 Material Topics 2021		
Disclosure 3-1	Process to determine material topics	Materiality matrix
Disclosure 3-2	List of material topics	Materiality matrix
Sustainable and ethical Governance		
GRI 3 Material Topics 2021		
Disclosure 3-3	Management of material topics	Management approach
GRI 201 Economic Performance 2016		

Disclosure 201-1	Direct economic value generated and distributed	Economic performance
GRI 205 Anti-corruption 2016		
Disclosure 205-2	Communication and training about anti-corruption policies and procedures	Compliance with laws and regulations
Disclosure 205-3	Confirmed incidents of corruption and actions taken	Anti-corruption
GRI 206 Anti-competitive Behavior 2016		
Disclosure 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Compliance with laws and regulations
Integrity in the supply chain		
GRI 3 Material Topics 2021		
Disclosure 3-3	Management of material topics	Management approach
Data protection		
GRI 3 Material Topics 2021		
Disclosure 3-3	Management of material topics	Management approach
GRI 418 Customer Privacy 2016		
Disclosure 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer privacy
IT security and cybercrime		
GRI 3 Material Topics 2021		
Disclosure 3-3	Management of material topics	Management approach
Greenhouse gas emissions and resources		
GRI 3 Material Topics 2021		
Disclosure 3-3	Management of material topics	Management approach
GRI 302 Energy 2016		
Disclosure 302-1	Energy consumption within organization	Energy Calculation basis
Disclosure 302-2	Energy consumption outside of the organization	Energy Calculation basis
Disclosure 302-3	Energy intensity	Energy
Disclosure 302-4	Reduction of energy consumption	Energy
GRI 304 Biodiversity 2016		
Disclosure 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Responsible use of land and water
Disclosure 304-2	Habitats protected or restored	Responsible use of land and water
GRI 305 Emissions 2016		
Disclosure 305-1	Direct (Scope 1) GHG emissions	Emissions Calculation basis
Disclosure 305-2	Energy indirect (Scope 2) GHG emissions	Emissions Calculation basis

Disclosure 305-3	Other indirect (Scope 3) GHG emissions	Emissions Calculation basis
Disclosure 305-4	GHG emissions intensity	Emissions
Disclosure 305-5	Reduction of GHG emissions	Emissions

GRI 303 Water and Effluents 2018

Disclosure 303-1	Interactions with water as a shared resource	Responsible use of land and water
Disclosure 303-3	Water withdrawal	Water and Effluents

Waste and packaging**GRI 3 Material Topics 2021**

Disclosure 3-3	Management of material topics	Management approach
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GRI 306 Waste 2020

Disclosure 306-3	Waste generated	Waste generated and directed to disposal
Disclosure 306-5	Waste directed to disposal	Waste generated and directed to disposal

Attractive workplace**GRI 3 Material Topics 2021**

Disclosure 3-3	Management of material topics	Management approach
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GRI 401 Employment 2016

Disclosure 401-1	New employee hires and employee turnover	Employment
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GRI 404 Training and Education 2016

Disclosure 404-2	Programs for upgrading employee skills and transition assistance programs	Training and education
Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews	Training and education

Occupational health and safety**GRI 3 Material Topics 2021**

Disclosure 3-3	Management of material topics	Management approach
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GRI 403 Occupational Health and Safety 2018

Disclosure 403-1	Occupational health and safety management system	Health and safety precautions for employees
Disclosure 403-5	Worker training on occupational health and safety	Health and safety precautions for employees
Disclosure 403-6	Promotion of worker health	Health and safety precautions for employees
Disclosure 403-7	Prevention and mitigation of occupational health and safety impact directly linked by business relationships	Health and safety precautions for employees
Disclosure 403-9	Work-related injuries	Work-related injuries and illnesses
Disclosure 403-10	Work-related ill health	Work-related injuries and illnesses

Equality and diversity**GRI 3 Material Topics 2021**

Disclosure 3-3	Management of material topics	Management approach
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GRI 405 Diversity and Equal Opportunity 2016

Disclosure 405-1	Diversity of governance bodies and employees	Diversity of governance bodies and employees
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Patient safety

GRI 3 Material Topics 2021

Disclosure 3-3	Management of material topics	Management approach
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Security of supply and procurement

GRI 3 Material Topics 2021

Disclosure 3-3	Management of material topics	Management approach
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Health promotion

GRI 3 Material Topics 2021

Disclosure 3-3	Management of material topics	Management approach
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GRI 203 Indirect Economic Impacts 2016

Disclosure 203-2	Significant indirect economic impacts	Management approach
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Social commitment

GRI 3 Material Topics 2021

Disclosure 3-3	Management of material topics	Management approach
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Spotlights

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Reopening of Switzerland's largest pharmacy

Spotlights

The reopening of the newly renovated Amavita Bahnhof Apotheke was a special moment for the team. The approximately 1,500 customers a day will also feel comfortable in the newly designed premises.



When around 30 journalists are shown a pharmacy, it must be a very special one. In fact, the Amavita Apotheke in Zurich's main station is the largest pharmacy in Switzerland in terms of floor space! No wonder the reopening of this vibrant location attracted media interest. For three years, the around 100-strong team worked in a temporary building while the premises in the historic south wing of Zurich's main station were renovated and redesigned. The flagship pharmacy has been shining in new splendour since the beginning of November 2023. It now has 16 cash registers, three consultation rooms, a medication robot as well as a laboratory and analysis area. Clearly marked zones with different product categories help customers to find their way around. The reopening of the Amavita Bahnhof Apotheke means greater convenience not only for customers, but also for employees. The years at the temporary site were challenging at times and the anticipation of returning was great – even if around 60,000 products had to be organised first!

Impressive facts and figures about the Amavita Bahnhof Apotheke:

- Open 365 days a year, from 7 a.m. through to midnight
- Over 700 m² on two floors
- Around 1,500 customers per day
- Approx. 70,000 medicines/products in the range
- Health services such as vaccinations, AllergyCheck (AllergieCheck), CardioTest (HerzCheck), SkinCheck (HautCheck), blood tests
- More than 10,000 documents and clarifications per year
- Around 100 employees who can provide advice in a total of 23 languages

“There are no embarrassing questions”

Spotlights

This is the slogan that is prominently displayed in the pharmacy's shop window. In this way, we test a direct customer language that gets straight to the point. Consultation Plus focuses on customer concerns that require a special level of discretion, i.e. issues that not everyone likes to talk about, but which are of concern to many, such as cystitis or erectile dysfunction.



With Consultation Plus, which was tested as a pilot project in the Amavita pharmacy in Zollikofen (BE) at the end of 2023, particular attention is paid to discreet advice. If required, customers should receive in-depth advice on their health concerns at one of the Galenica Group pharmacies. To further strengthen the positioning of the pharmacy as a highly qualified point of contact in healthcare, Galenica invests not only in staff training and professional development, customer targeting and visibility of its offering, but also reviews the design of the pharmacy's itself on an ongoing basis. After all, some health problems are best discussed discreetly.

In the Amavita pharmacy in Zollikofen (BE), Galenica meets the need for discretion with a consultation room located on the sales floor that is clearly visible as soon as you enter the pharmacy. The room is decorated in warm colours, creating an atmosphere of trust and the necessary intimacy for a consultation.

The consultation room is therefore one element of the Consultation Plus pilot project with which we want to gain new insights into the needs of our clients with regard to sensitive health issues. This enables not only to better meet customer needs, but also to increase the number of advice-related and service offerings that are subject to a charge and recognised by health insurance funds. For patients, these consultations represent additional added value, as prescription medications can also be dispensed directly if necessary.

To make access to Consultation Plus particularly easy, interested persons can book their appointment online at www.amavita.ch/diskrete-beratung or by telephone.

Initial experiences from the pilot project have been positive.

How Dora Graber benefits from digital connectivity

Spotlights

The example of the fictitious patient Dora Graber shows just how important interconnectedness is in the healthcare system. The functionalities of Documedis® are highly relevant for patient safety and the seamless connection of stakeholders.



Dora Graber is admitted as an emergency to Lucerne Cantonal Hospital (LUKS) and treated in the emergency centre. Fortunately, she is able to leave the hospital after a few days. The necessary drug treatment will continue at home. Like all patients, Dora Graber also receives a digital medication plan, the eMediplan from LUKS. It was created by the clinical information system Epic, which is used worldwide, and which also includes Documedis®, a digital service from the Galenica network. Documedis® automatically checks the patients' used or planned medication for known risks such as interactions, allergies or duplicate medication – a measure of enormous relevance for patient safety.

At Dora Graber's request, LUKS will in future send (transmission function still under development) e-prescriptions and eMediplan directly to the Amavita pharmacy in the patient's place of residence via a secure channel. The pharmacist imports the LUKS eMediplan. To do so, she uses the interface to the Triapharm® pharmacy system and renews the Documedis CDS.CE interaction check. What LUKS couldn't know is well known to Dora Graber's main pharmacy: the elderly lady is taking a medication to treat her high cholesterol. In her agitation at the time of hospitalisation, she forgot to tell the LUKS medical team about this. The antibiotic prescribed by the cantonal hospital interacts with the cholesterol-lowering drug in an undesirable way. The pharmacist responsible now looks for alternatives in the HCI Pharmavista application and replaces it with another product following consultation with LUKS. A final, software-supported check shows that a painkiller can be replaced by a cheaper generic one. Other than that, all the checks are normal. Dora Graber's medication is prepared in the Amavita pharmacy and collected by the patient.

And digital connectivity, which brings numerous benefits, goes even further for this patient: Dora Graber is insured with Helsana. Her grandson installs the Compassana patient app for her. Scanning the QR code from the eMediplan into the app is simple and Dora Graber's medication is updated on Compassana. The app will help the patient take her medication correctly. By the way: like many other apps in the healthcare sector, the Helsana app also uses the services of HCI Solutions.

Initiatives for more sustainability at Galexis

Spotlights

Solar panels, habitats for wild bees and electric vehicles. The sustainability initiatives of pharmaceutical wholesaler Galexis are creative and effective.



Sustainability is of the utmost strategic importance in the Galenica network. Making an active contribution is firmly anchored in the vision and corporate management. All companies contribute to sustainable business activities with their own initiatives. Galexis plays a pioneering role. Galexis implemented four sustainability measures in the 2023 financial year. Around 5,700 solar modules were installed on the roof at the Niederbipp site – enough to cover a third of the site's electricity needs! Electricity from our own roofs will therefore help reduce greenhouse gas emissions and thus contribute to an important Group objective. Not only the roof, but also the outdoor space of the distribution centre in Niederbipp is being used for another measure, this time to preserve biodiversity. A wild bee park is being created on an unused grass area. More than half of wild bees are threatened with extinction. However, these small creatures are important in our ecosystem, especially for pollinating plants. The wild bee park at Galexis now provides the perfect habitat for wild bees.



Galexis is also working on innovative projects in transport logistics: the first electric-powered delivery vehicles have been in operation in the greater Zurich area since early 2023 in collaboration with an external transport company. The use of e-vehicles is part of Galexis' sustainability strategy and is intended to help reduce the consumption of fossil fuels in its vehicle fleet by 40% by 2028. Initial experiences have been positive, and drivers appreciate one side effect of electric vehicles: the quietness in the driver's cab. Range is currently still the limiting factor for widespread use of such vehicles, but an important first step has been taken.

Incidentally, Galexis employees with e-vehicles do not have to worry about the range of their private cars: in November 2023, the charging infrastructure in Niederbipp was expanded from four to eight stations.

“Living with Parkinson’s disease” – a care management offer for those affected and their relatives

Spotlights

With the new Home Care Coordination Office, which was created in 2023, we support patients in organising and coordinating their treatment as well as in procuring products and medical aids. This not only makes life easier for those affected, but also relieves the burden on their relatives. The pilot project “Leben mit Parkinson” (Living with Parkinson’s), an initiative of the Home Care Coordination Service, shows that the offer has met with great interest and is appreciated.



With the University Hospital in Bern (Inselspital Bern) and the Swiss Parkinson’s Network Mittelland (Schweizer Netzwerk Parkinson Mittelland), we were able to gain important partners to establish this home care service. In the first few months alone, we already advised more than 20 people with Parkinson’s disease in the Bern and Solothurn region.

On-site assessment provides the necessary insight

As a first step, the Care Manager visits those affected and their relatives at home. This is crucial: this is the only way for them to gain an insight into the overall situation (space, falling and tripping hazards, medication, coping with everyday activities such as personal hygiene, eating and drinking, social contacts, etc.). The results of this assessment are then documented in a short and easy-to-understand report which – with the consent of the persons concerned – provides all the professionals involved, such as doctors or therapists with valuable information.

If medical aids are required or there are open questions, such as about social insurance, the Parkinson’s Care Manager will, depending on the situation, bring the Home Care Coordination Service into the loop, which then takes care of researching and ordering – including the entire range of services from the entire Galenica network – or navigates through the administrative jungle of healthcare.

Small everyday aids – a huge relief

Initial experiences and valuable feedback from those affected show that even small adjustments in the home, such as installing additional railings, eliminating tripping hazards or optimising medication management, can make life easier for those affected and offer valuable added value for them and their relatives.

Our offers are intended to have a lasting effect: for this reason, following the assessment, the Care Manager usually conducts follow-up calls with the affected persons and their relatives at appropriate intervals. This allows measures to be adapted or expanded if necessary.

We want to be a long-term point of contact for those affected and their relatives, providing them with all the options available from the Galenica network as required.

Galenica in the metaverse

Spotlights

With Vitaverse, Galenica launched an innovative project targeted at young people. Galenica meets young people where they like to spend their time: in the online world.



Meet AMA, a character in the metaverse who answers questions about hygiene and sexuality. With the avatar AMA, short for “ask me anything”, we are present where many young people hang out: in the digital world of the game Fortnite. Vitaverse is the name of the innovative project with which we want to give young people the opportunity to discuss burning topics anonymously in the metaverse.

Questions addressed to AMA are answered by sex educators from the organisation “Sexuelle Gesundheit Schweiz”, which guarantees the professionalism and confidentiality of the information provided. Vitaverse would not be a Galenica initiative if the online and offline universes were not interlinked: after visiting Fortnite, young people can pick up a starter kit containing useful hygiene products and information material at one of 11 Amavita pharmacies in German-speaking Switzerland.

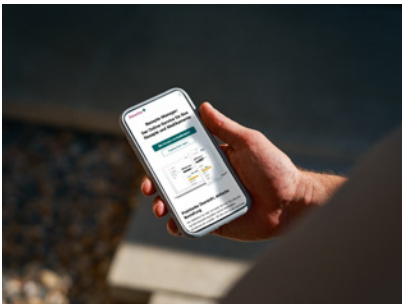
The website playsafe.amavita.ch expands our project with more in-depth information. We used social media campaigns and influencers to raise awareness of Vitaverse among young people.



Relief for patients on long-term medication

Spotlights

The Prescription Manager is a simple online solution for managing individual medications. From 2024, all Galenica pharmacy formats should be able to use the digital helper for the benefit of their patients.



It is the result of a collaborative and agile development process: the Prescription Manager. The Prescription Manager is a digital helper that makes treatment easier, particularly for elderly people and those with chronic illnesses who require regular medication. With the Prescription Manager, patients can manage their repeat prescriptions – including reminders to renew prescription – and easily reorder medications.

Medications can be pre-ordered online and then collected from a pharmacy. Anyone who wants to save themselves a regular trip to the pharmacy can opt to have them sent by post via the Prescription Manager.

There is a lot of development work behind this practical and elegant solution. After all, we are operating in the highly regulated market for prescription drugs and dealing with sensitive data.

The Prescription Manager is currently available to customers of 56 selected Amavita pharmacies. There are plans to expand the offering to all 380 Amavita, Sun Store and Coop Vitality pharmacies in 2024.

More trust, more responsibility

Spotlights

The leadership philosophy “Servant Leadership” shapes the transformation of Galenica. Managers delegate decision-making powers in a targeted manner and align management without compromise with the interests of the team and the goals of the Galenica Group. Recently, this management philosophy has also found its way into pharmacies.



Galenica has always been committed to ensuring that careers in the pharmacy sector remain attractive for the next generation. The opportunity to take on responsibility in day-to-day work, regardless of the hierarchy, is an important element here. With the introduction of three role models, we have created such an opportunity for pharmacy assistants. Whether in the role of being responsible for personnel planning, for vocational training or for the promotion of healthcare services: based on a list of criteria, the pharmacy managers transfer roles to employees with potential who would like to develop and thrive in their job. The aim is to give employees more responsibility, to strengthen trust within the teams and to contribute to overall job satisfaction.

Another change in terms of trust and responsibility is bringing together Amavita and Sun Store pharmacies into regional groups. This significantly fosters collaboration between pharmacies. The regional groups meet regularly to exchange experience, jointly develop targets and sales measures and can also support each other in the event of staff shortages when needed. The feedback is positive, as a pharmacy manager in French-speaking Switzerland puts it in a nutshell: “We find solutions more quickly.” And this ultimately benefits our customers!

Social commitment – also in 2023 together with employees

Spotlights

The partnership with "there for you" – an important pillar of Galenica's social commitment – makes it possible to support projects that are particularly important to Galenica employees.

there for you.

Galenica has been the main partner of the crowd-donating platform "there for you" since 2022. The digital platform makes it possible to collect donations for social, humanitarian and sustainable projects. The platform operators guarantee a careful selection of initiatives and the greatest possible transparency, from project implementation through to completion. For us, the partnership with "there for you" is one of the pillars of our social commitment.

In this context, the involvement of employees is important to us. In summer 2023, an online event was held at which the initiators and a representative of "there for you" had the opportunity to present three specific aid projects in person. Our employees were then able to vote for the project that is particularly close to their hearts. The project initiators were overwhelmingly grateful, which they expressed in video messages or through heartfelt words in a letter.

In December 2023, employees could select additional projects via an online vote on the intranet, and these projects then received donations before Christmas. This included an initiative for student sponsorships for protection against genital mutilation.

The partnership with [there for you](#) is continuing and employees will also be involved in the project selection process in 2024.

“Not everyone is lucky enough to go through working life without detours”

Spotlights

Galenica is aware of its social responsibility as an employer and has been involved with GEWA in the area of professional reintegration for some time. In an interview, Irene Strobel, Head of HR Business Partner & Consulting at Galenica, talks about the collaboration with GEWA and initial success stories.



How exactly does the collaboration between Galenica and GEWA work?

We were already in regular contact with GEWA a few years ago. However, the collaboration intensified further in 2023. The collaboration specifically involves the GEWA job coaches contacting us with potential profiles. We then look for suitable areas and tasks within our company.

Why does Galenica engage with GEWA?

Personally, I think it is very important for employers like Galenica to engage with such institutions. Not everyone is lucky enough to be healthy and go through working life without detours and organise their day-to-day work. It is important that we contribute to the reintegration of people who want to regain their footing and are looking for time and space to do so. I always think it could happen to any of us, including me. In that case, I would be very grateful for such opportunities. And in the best-case scenario, we at Galenica gain a motivated individual who contributes and develops with us.

Are there any concrete success stories?

Yes, there are. In 2023, a young woman was working directly with me. She was originally a lawyer and actively supported me over several months, especially with regard to employment law and the revision of regulations. It was really a joy to see her self-confidence return from week to week. In the end, she was ready to return to the job market in the profession she had learned. As we were unfortunately unable to offer her a suitable position at Galenica, she successfully reoriented herself outside Galenica.

I would also like to emphasise that the support provided by GEWA is extremely important and effective. The GEWA job coach and I worked very well together and were therefore able to ideally support the young woman on her journey.

About GEWA

GEWA is a social economy enterprise. Its core objective is to enable people with psychological challenges to find their place (again) in the working world. As a specialist in this field, it has developed offers for professional integration. These offerings are embedded as real economic services with their own businesses in various sectors.

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Forward-looking statements (GRI 2-3)

The combined Annual and Sustainability Report 2023 is published on 12 March 2024. It is published once a year and covers the reporting period from 1 January to 31 December. This Annual Report contains forward-looking statements. In this Annual Report, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives. Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Galenica's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Galenica's past and future filings and reports, in past and future filings, press releases, reports and other information posted on Galenica Group Companies' websites. Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication. Galenica disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.