

## PRESS RELEASE

Date 16 March 2010  
Contact Investor Relations: Fritz Hirsbrunner, Deputy CEO and CFO, Head of Finance & Corp. Services Division, Galenica Group  
Media Relations: Christina Hertig, Head of Corporate Communications, Galenica Group  
Subject Results of the Galenica Group for 2009

*(( for public release on 16 March 2010, 7.30 a.m. CET ))*

### **Double-digit growth despite high investments and difficult market environment: 11% rise in profit**

**Galenica generated a double-digit percentage growth in profit for the fourteenth consecutive year in 2009. The consolidated net profit of the Galenica Group totalled CHF 210.4 million (+11.2%). Galenica is the only company listed on the Swiss stock exchange to have achieved such a performance.**

**The result was affected by the considerably higher investments in clinical development (R&D: +34.7%) and the marketing of Ferinject<sup>®</sup>. A further significant increase in investment in research and development is planned in 2010.**

**At the next General Meeting, Professor Michel Burnier (internationally renowned specialist in the field of nephrology, CHUV) and Hans Peter Frick (Group General Counsel, Nestlé) will be proposed for election to the Board of Directors. The Board of Directors will also recommend payment of a dividend of CHF 7.50 (+7.1%) to the General Meeting.**

Galenica generated consolidated net sales of CHF 2,911.2 million in 2009, a 7.7% increase over the previous year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) decreased by 14.6% to CHF 401.1 million, while earnings before interest and taxes (EBIT) increased by 1.1% to CHF 266.1 million. Consolidated net profit increased by 11.2% to CHF 210.4 million in 2009. Investments in intangible and tangible assets totalled CHF 70.3 million (previous year: CHF 79.4 million), while investments in research and development increased by 34.7% to CHF 114.1 million.

#### **General Meeting of 6 May 2010**

At the General Meeting on 6 May 2010, the Board of Directors will propose the re-election of Mr Kurt W. Briner and Mr This E. Schneider for a further three-year period of office. Carl M. Meyer who has rendered great services to the company has reached the age limit and will leave the Board of Directors. Two new members will be proposed for election to the Board of Directors. They are Professor Michel Burnier, Head of Nephrology at University Hospital CHUV, Lausanne, and Hans Peter Frick, Group General Counsel, Nestlé. In addition, the Board of Directors will recommend an ordinary dividend of CHF 7.50 per registered share (+7.1%). An advisory vote will continue to be held on the remuneration report this year.

#### **Galenica Ltd.**

Untermattweg 8 · P.O. Box · CH-3001 Bern  
Phone +41 58 852 85 17 · Fax +41 58 852 85 58  
media@galenica.com · www.galenica.com

## **PHARMA**

The Pharma business sector generated net sales of CHF 444.7 million in 2009 (+2.5%). Adjusted for currency and changes in the product portfolio, this represents a 4.5% increase over prior year. OM Pharma, which was integrated on 1 November 2009 into Vifor Pharma, accounted for CHF 16.6 million of sales.

While the success of the iron replacement products had a positive impact on EBITDA, various factors had a negative effect on it: investments in research and development of CHF 107.0 million (+35.7%), as well as the establishment of sales affiliates, together with marketing and sales activities. Simultaneously, licence fee income from CellCept dropped as expected to CHF 302.6 million (-14.6%) due to the expiry of the US patent in May 2009. EBITDA thus declined by 22.7% to CHF 308.7 million. Due to lower amortisation of intangible assets, EBIT dropped only by 6.4% to CHF 209.7 million.

### **Iron replacement products**

International sales of the intravenous iron products Ferinject<sup>®</sup> and Venofer<sup>®</sup> increased by 8.9% – or 11.6% in local currency – to CHF 225.0 million. Sales of the oral iron replacement product Maltofer<sup>®</sup> declined by 8.8% to CHF 44.4 million, which is ascribable to inventory reductions by various international distribution partners and increasing competition.

By the end of 2009, Ferinject<sup>®</sup> was registered in 18 European countries as well as in Switzerland and was launched in 13 countries. The response has been very positive. Iron deficiency anaemia is a common comorbidity with numerous chronic illnesses. Since the symptoms are often vague and difficult to diagnose, many patients remain untreated. The awareness of this illness and its treatment options can only increase as knowledge grows of the underlying mechanisms, diagnostic methods are improved and medical professionals become better informed. In Switzerland, sales of Ferinject<sup>®</sup> exceeded those of Venofer<sup>®</sup> for the first time. In total, sales of both products increased by 10.4% to CHF 32.2 million, clearly demonstrating that the Swiss market has recognised the advantages of Ferinject<sup>®</sup> and the strategy of expanding the market in new therapeutic areas is successful. Venofer<sup>®</sup> remains the gold standard for treating iron deficiency anaemia in dialysis. The US market share of Venofer<sup>®</sup> grew further from 63% to 67%, evidence that the cooperation with Fresenius Medical Care (FMC) and Luitpold Pharmaceuticals is bearing fruit. Venofer<sup>®</sup> has been able to further extend its market leadership position.

### **Establishment of sales affiliates**

Part of Vifor Pharma's strategy is to establish an own presence in key markets through sales affiliates which are responsible locally for product commercialisation. Vifor Pharma now has 9 sales affiliates in Europe as well as affiliates in Peru and Singapore.

### **Clinical studies with Ferinject<sup>®</sup>**

As part of its strategic focus, Vifor Pharma has defined the therapeutic areas with particularly attractive market potential for Ferinject<sup>®</sup>: chronic kidney disease without dialysis, chronic heart failure, oncology/haematology, gynaecology, IBD and patient blood management (reduction in blood transfusions). In Europe alone, some eight million patients from these categories suffer from iron deficiency requiring treatment. Vifor Pharma aims to build up medical evidence in therapeutic areas outside dialysis through a comprehensive programme of clinical studies with Ferinject<sup>®</sup>.

Date 16 March 2010  
Page 3/7  
Subject Results of the Galenica Group for 2009

In November 2009, the results of the large FAIR-HF study were presented at the American Heart Association congress in Orlando and published in the New England Journal of Medicine. About one-quarter of patients who suffer from chronic heart failure are also diagnosed with iron deficiency. Patients treated with Ferinject<sup>®</sup> showed a significant improvement in quality of life and the severity of the heart failure was reduced.

FIND CKD is a major study that examines the benefits of Ferinject<sup>®</sup> over oral iron replacement products for the treatment of patients with chronic kidney disease. The study is being conducted in some 1,000 patients at 250 centres worldwide.

Two gastroenterological studies are being conducted to determine the effect of Ferinject<sup>®</sup> on IBD and related anaemia.

Two other studies are investigating cancer patients with anaemia and their treatment with Ferinject<sup>®</sup>. Further studies are planned to examine the treatment of anaemia in pregnant women and the symptoms of iron deficiency without anaemia, as well as pre-surgical administration of Ferinject<sup>®</sup> to minimise the need for blood transfusions.

After extensive discussions with the FDA, the American partner Luitpold Pharmaceuticals launched two additional studies in close collaboration with Vifor Pharma. These studies aim to gain approval for a wide range of indications, similar to those in Europe, for Injectafer<sup>®</sup> (brand name for Ferinject<sup>®</sup> in the USA). After conclusion of these studies, the New Drug Application for US registration will be amended and re-filed.

#### **Clinical study with PA21**

The Phase II clinical study for the phosphate binder PA21 was successfully completed. An initial analysis of the results shows that both the primary and secondary endpoints were achieved, and that PA21 was safe and well tolerated. Evaluation of all data should be completed by the middle of the year. Vifor Pharma is currently looking for partners for the further development of PA21.

#### **Clinical studies with CellCept**

The current studies on CellCept and the collaboration with Roche are being continued as planned. In 2009, a Phase III clinical study was concluded on the use of CellCept in treating pemphigus vulgaris, a serious skin disease. The results of the Apreva Lupus Maintenance Study ALMS – one of the largest Phase III studies ever to be conducted on lupus nephritis – indicate that there are differences in patients treated with CellCept depending on race, ethnicity and geographic origin. The study is currently in its maintenance phase. Results are expected around the end of 2010.

#### **Consumer Healthcare products**

Total consolidated sales of Vifor Pharma Consumer Healthcare declined by 11.7% to CHF 107.9 million. Adjusted for currency and changes in the product portfolio, the decrease amounts to 4.7%. Including OM Pharma, which was integrated with effect from 1 November 2009, sales increased by 1.9% to CHF 124.5 million.

In Switzerland, sales declined by 6.0% to CHF 79.7 million, which is ascribable to the decrease in production for third-party tenders and the end of the cooperation with 3M. At the same time, the contract with IVF Hartmann was expanded and renewed. The income from this will now be shown

Date 16 March 2010  
Page 4/7  
Subject Results of the Galenica Group for 2009

under operating result rather than sales. Adjusted for these changes, sales remain at the previous year's level.

Income from exports of Vifor Pharma Consumer Healthcare products declined 24.5% year-on-year. The reasons for this included the difficult economic situation in various export countries and unfavourable exchange rates. Adjusted for currency effects, sales declined by 14.9% to 28.2 million.

The strongest OTC products in terms of sales showed varied developments. The difficult economic situation has caused sales of Equazen eye q<sup>TM</sup> to decline, particularly in the UK. At the same time, sales in Swiss francs suffered negative currency effects. Overall, sales of Equazen eye q<sup>TM</sup> fell by 16.2% to CHF 14.6 million; sales in terms of units remained steady, however.

Perskindol<sup>®</sup> achieved sales of CHF 13.7 million, which is a similar level to previous year. Vifor Pharma is the preferred partner for many professional sports teams in Switzerland, for instance in ice hockey and football. Perskindol<sup>®</sup> was also able to gain additional market share in key international markets. Algifor<sup>®</sup> sales increased by 10.3% to CHF 10.4 million thanks to new launches and an advertising campaign, while Triofan<sup>®</sup> sales increased slightly by 1.7% to CHF 9.7 million. The new preservative-free formula has been in high demand. Perskindol<sup>®</sup>, Algifor<sup>®</sup> und Triofan<sup>®</sup> are among the 15 top selling OTC brands in Switzerland.

New OTX medications were also added to the portfolio with the acquisition of OM Pharma. OM Pharma's four leading products Broncho-Vaxom<sup>®</sup>, Uro-Vaxom<sup>®</sup>, Doxium<sup>®</sup> and Dicynone<sup>®</sup> are now among Vifor Pharma's top ten sellers.

## **LOGISTICS**

Efforts by Galexis to stabilise and further optimise operations at the distribution centre in Niederbipp proved successful. After initial teething problems, availability of over 98% was achieved by mid-2009, which testifies to the highest level of quality, even by European standards. Measures were taken in order to be able to enhance profitability and make full use of automation potential in Niederbipp in the future; however, these were linked with additional ad hoc costs and adversely affected the operating result, particularly in the first six months of the year. While the 2008 EBIT of CHF 17.3 million was influenced by the sale of a property, in 2009, it totalled CHF 10.6 million in spite of expenses for the integration of Globopharm acquired in early 2009. On a comparable basis, this corresponds to a slight fall of 5.4%, showing that profitability improved significantly in the second half of the year. Sales increased by 1.4% from CHF 2,034.4 million to CHF 2,062.3 million.

### **Galexis and Alloga further expand services**

Galexis developed the cold storage chain for temperatures down to -40°C, in line with growing customer requirements. To create greater transparency, a new pricing model was also developed which is based more precisely on key financial information.

Alloga's validated refrigeration capacity doubled in 2009. This was one reason why Alloga was selected as a partner of choice by the Federal Office of Public Health and the military pharmacy for measures against a possible A H1N1 pandemic. The integration of Globopharm, which was acquired at the start of 2009, into Alloga is proceeding according to plan and will be completed by mid-2010. This will practically double Alloga's volumes.

Date 16 March 2010  
Page 5/7  
Subject Results of the Galenica Group for 2009

## **RETAIL**

Sales in the Retail business sector increased markedly in 2009 by 50.4% to CHF 837.7 million. The acquisition of the Sun Store pharmacy chain made a significant contribution to this, accounting on its own for 39.0% of sales growth from 1 July 2009. Sales by Coop Vitality of CHF 105.6 million (+23.9%), which are consolidated at an equity level, are not included in this figure. The operating result of the Retail business sector was CHF 41.8 million (+82.8%).

### **Sun Store completes the pharmacy format range**

Without a doubt, the highlight of 2009 for GaleniCare was its acquisition of the Sun Store pharmacy chain with more than 100 points of sale in the whole of Switzerland. Through this and other acquisitions and new partnerships, the number of locations at the end of the year under review increased by 118 to 377, 268 of which were pharmacies owned by the Group.

The number of Amavita points of sale increased from 125 to 133 (121 own pharmacies, 12 Amavita partner pharmacies). In addition, the Amavita brand was repositioned in 2009 under the slogan "Experts in health and beauty". This included revitalising the brand image.

Free hearing tests were added to the now broad standard range of services in 2009. GaleniCare pharmacies also offer an efficient, low-cost hearing aid for slight to moderate hearing loss.

The joint venture with Coop also continued to prove a successful model. Marketing platforms such as the Coop newspaper and Coop Supercard in particular had a positive impact on the performance of Coop Vitality pharmacies, as reflected in strong organic growth of 6.7%.

The Pharma Care therapy support service of the specialty pharmacy MediService increased sales by 47.4%, around 20% of which are ascribable to the integration of Globocare (Globopharm), and surpassed by far the growth of the pharmaceutical market. Pharma Care was able to further reinforce its market position in the existing therapeutic segments and to tap new therapeutic niches in areas such as dermatology, gastroenterology, neurology and autoimmune diseases.

## **OTHER: HEALTHCARE INFORMATION**

The fact that the government stepped up its eHealth strategy in 2009 increased general awareness of the subject of electronic networking in the healthcare sector. The HealthCare Information business sector was thus able to position itself excellently through the investments it made in previous years. Sales were similar to the previous year at CHF 43.0 million (+3.8%). Thanks to lower expenditure and an optimised cost structure, the operating result increased markedly from CHF 0.2 million to CHF 2.2 million.

### **In-demand solutions for content and process management**

e-mediati expanded the products in its successful INDEX range with further components, including an image database of the most frequently requested medications. This makes a considerable contribution to clear identification and thus supports the safe use of medicine. compendiumPORTAL from Documed automates the processes for compiling the Swiss Drug Compendium and has been introduced at the prepress and registration stages, meeting with a high degree of interest from customers.

Date 16 March 2010  
Page 6/7  
Subject Results of the Galenica Group for 2009

At the request of the RefData Foundation and in collaboration with the Federal Office of Public Health, Documed also developed a system to reference persons in Switzerland with medical training in 2009. Almost 100,000 specialists had been recorded in the system by the end of the year. TriaPharm<sup>®</sup> from Triamun was further expanded with additional functionalities such as OLPFact, direct invoicing to health insurers. By the end of 2009, around 500 doctors were using the medical practice software TriaMed<sup>®</sup>, installed on over 1,000 work stations. In order to increase sales, three partners were contracted to distribute and support TriaMed<sup>®</sup> by the end of 2009.

### **GALENICA GROUP STRATEGY – OUTLOOK**

The strategy of the Galenica Group is characterised by two key elements: firstly, a consistent focus on one particular sector – the healthcare market, and secondly, a steady diversification of activities over years with a view to achieving a sensible distribution of risk. In this context, strategic decisions are always geared to the long-term development of the Group.

In 2009, Galenica's Board of Directors reviewed the strategic priorities and their order of importance. The top priority is creating awareness of iron deficiency anaemia in areas outside dialysis and showing that Ferinject<sup>®</sup> is the best product available for this. The simultaneous further development of all other Group activities – the pharmacy chains, OTX and OTC products, logistics and information management – helps to evenly distribute risks and finance Group activities.

2009 was characterised by a very large increase in investments in Research and Development. Galenica intends to further increase these efforts significantly in 2010. The Board of Directors has taken this decision even though it may have an impact on the development of profit growth in the short term. It is convinced that Galenica is in the enviable position of having a new medicine with an enormous potential. In order to achieve this, the medical community must be made aware of the importance of iron deficiency whose various symptoms are often underestimated but frequently have a dramatic impact on the quality of life of patients. The challenge of making the medical community aware of the benefits of treatment with Ferinject<sup>®</sup> is a long and costly process, but one which can be extremely positive for Galenica. For that reason, Galenica will invest in 2010 the whole budgeted growth of the net profit of about 20% in further clinical studies and in the commercialisation of Ferinject<sup>®</sup>.

Date 16 March 2010  
Page 7/7  
Subject Results of the Galenica Group for 2009

**EBIT, EBITDA and consolidated net profit of the Galenica Group (in million CHF)**

	<b>2009</b>	<b>2008</b>	<b>in %</b>
Pharma	209.7	224.0	-6.4
Logistics	10.6	17.3	-38.9
Retail	41.8	22.9	82.8
Other	5.9	4.2	42.8
Eliminations	(1.9)	(5.2)	
<b>EBIT of the Group</b>	<b>266.1</b>	<b>263.2</b>	<b>1.1</b>
<b>EBITDA of the Group</b>	<b>401.1</b>	<b>469.5</b>	<b>-14.6</b>
<b>Net profit of the Group</b>	<b>210.4</b>	<b>189.2</b>	<b>11.2</b>

Further information can be found in the annual report 2009 of the Galenica Group. The PDF version can be downloaded from [www.galenica.com](http://www.galenica.com), under 'Investor Relations – Corporate Publications'. (<http://www.galenica.com/Galenica/en/media/releases.php>)

**For further information:**

**Investor Relations:**  
**Fritz Hirsbrunner, Deputy CEO and CFO**  
Tel. +41 58 852 85 29  
E-mail: [investors@galenica.com](mailto:investors@galenica.com)

**Media Relations:**  
Christina Hertig, Head of Corporate Communications  
Tel. +41 58 852 85 17  
E-mail: [media@galenica.com](mailto:media@galenica.com)

*Galenica is a diversified group active throughout the healthcare market which, among other things, develops, manufactures and markets pharmaceutical products, runs pharmacies, provides logistical and database services and sets up networks. The Galenica Group enjoys a leading position in all of its business sectors – Pharma, Logistics and Retail. A large part of the Group's income is generated by international operations.*

Additional information on the Galenica Group can be found at [www.galenica.com](http://www.galenica.com).