

PRESS RELEASE

Date 17 August 2010
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Subject Results of the Galenica Group for the first half of 2010

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Successful first half: earnings growth invested in future projects

Despite a difficult environment, the Galenica group was successful in H1 2010. Net sales of Galenica increased by 12.5% to CHF 1,526.8 million. These sales include OM Pharma and Sun Store for the first time. This year, the Galenica Group is investing its complete earnings growth in projects to secure the future as planned, and as a result EBITDA amounted to CHF 217.5 million (+2.9%) and EBIT was CHF 164.1 million (+11.3%). Group profit was similar to the previous year's level at CHF 117.4 million (+1.3%). The Galenica Group is forecasting earnings to be at the previous year's level in 2010, thus confirming its growth target. Potential incremental profits are being invested in clinical studies and marketing for Ferinject®.

The mutual recognition procedure for Ferinject® was completed in an additional 11 European countries in record time triggering national approval processes and the drug has now been approved in 16 countries. Numerous clinical studies in various therapeutic areas demonstrate the great potential of this product. The results of the Phase II clinical studies for the phosphate binder PA21 were highly favourable. Vifor Pharma will carry out Phase III studies in Europe and the USA. Galexis has signed an exclusive agreement with Procter&Gamble Prestige Products for the distribution of perfume and cosmetic products in Switzerland. The GaleniCare pharmacy network continues to grow and now comprises 273 own points of sale (+5) and 125 independent partner pharmacies (+16).

GALENICA GROUP

Galenica increased its net sales in the first half of 2010 by 12.5% to CHF 1,526.8 million even though the pressure to reduce healthcare costs has increased massively in many European countries impacting the entire pharmaceutical sector, including Galenica. The strong Swiss franc also had a negative effect on international sales. OM Pharma and Sun Store sales from January to June 2010 are consolidated for the first time and account for 11.9% of the growth. Due to the decision to reinvest potential earnings growth in projects to secure the future, consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled CHF 217.5 million (+2.9%), while earnings before interest and taxes (EBIT) were CHF 164.1 million (+11.3%). This resulted in consolidated earnings of CHF 117.4 million (+1.3%). Investments in tangible and intangible assets totalled CHF 36.1 million in the first half of 2010, an increase of 14.6% on the previous year.

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PHARMA

The Pharma business sector generated sales of CHF 286.8 million (+35.8%). The sales of OM Pharma were included for the first time. Pharma political challenges in many countries and the strong Swiss franc had a negative impact on sales figures. Due to strategically significant high investments in research & development and marketing & sales, EBITDA fell by 10.4% to CHF 162.9 million. EBIT declined slightly to CHF 129.3 million (-2.9%).

Vifor Pharma Rx

Sales of the intravenous iron products Ferinject[®] and Venofer[®] performed extremely well, increasing by 24.8% to CHF 126.2 million; in Switzerland, sales of these products were CHF 18.5 million (+15.2%). Global sales of the oral product Maltofer[®] amounted to CHF 25.8 million (+8.7%). Vifor Pharma has thus further secured its position as the global market leader in iron replacement products. Excluding iron replacement products, the Rx business unit generated sales of CHF 24.4 million (+25.1% on a comparable basis) in Switzerland. CellCept is under pressure in the USA from generics; licence fee income from this product fell accordingly by 41.4% to CHF 102.9 million.

Ferinject[®]: Strong growth rates and excellent study results. Ferinject[®] shows strong growth in all markets in which it has been launched. Vifor Pharma completed the mutual recognition procedure (MRP) for Ferinject[®] in an additional 11 European countries; the product has already received national approval in France, Iceland and Malta.

In order to extend medical data of the efficacy of Ferinject[®] in indications outside dialysis, Vifor Pharma is conducting nine clinical studies in seven different therapeutic areas. The clinical phase of the gastroenterology study FERGI-COR is complete and clearly demonstrates the efficacy and the favourable safety and tolerability profile of Ferinject[®] in the correction of iron deficiency anaemia in patients with inflammatory bowel syndrome. In collaboration with Luitpold Pharmaceuticals, Inc., the clinical trials for the registration of Ferinject[®] in the USA (under the name Injectafer[®]) are going according to plan; submission of the approval application is expected in 2012.

Venofe[®]: Increased market share. As a result of the collaboration with Fresenius Medical Care (FMC), the market share of Venofe[®] in the USA grew to 69% despite increased competition.

PA21: Collaboration with FMC. The phosphate binder PA21 showed excellent results in the Phase II clinical study. Based on the positive results, Vifor Pharma will conduct the Phase III studies in Europe and the USA. In the USA they will be carried out in close cooperation with FMC who is also intended to be the partner for future marketing of the product in the USA.

Vifor Pharma Consumer Healthcare

Sales of Vifor Pharma Consumer Healthcare products – including the sales of OM Pharma for the first time – increased by 94.8% to CHF 110.4 million in the first half of 2010. The integration of OM Pharma is on track. In Switzerland, a joint sales team is promoting OM Pharma and Vifor Pharma products.

Switzerland. Swiss sales totalled CHF 37.7 million. OTC products increased by 1.2% whereas the Swiss OTC market decreased by 1.7% over the same period. A liquid form of Equazen IQ[™] was launched in Switzerland. Sales of the new Perskindol[®] Active Patch exceeded expectations. The Antibrumm[®] line was supplemented by a special product against tick bites. Vifor Pharma relaunched Revalid N[®] as a fortifying and restoring hair care line comprising ampoules, shampoo and capsules.

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Export. The strong Swiss franc had a negative impact on the reporting of export sales, which were CHF 72.6 million.

LOGISTICS

The sales of Galexis, Alloga and Unione Farmaceutica Distribuzione were CHF 985.4 million and below the previous year's level, due in particular to the impact of government measures to reduce prices and margins. The sales of Globomedica, which ceased to be a part of the Galenica Group due to a management buyout, are also no longer taken into account. As a result of the improved performance at Galexis and the successful integration of Globopharm as well as the disposal of a non-operating real estate, EBIT rose to CHF 12.9 million, and ROS to 1.3%.

Exclusive agreement with P&G Prestige Products

Procter&Gamble Prestige Products mandated Galexis as of 1 July 2010 to distribute its perfume and cosmetic products in Switzerland.

The integration of Globopharm into Alloga was completed at the end of May; all partners will now be serviced from Burgdorf.

RETAIL

Sales in the Retail business sector grew by 80.7% to CHF 528.6 million, after taking into account Sun Store's sales for the first time, which accounted for 72.4% of the increase. The growth strategy combined with consolidation measures is paying off. On a comparable basis, there was an increase in sales of 8.3% of which 3% are based on acquisitions. EBIT was CHF 22.3 million (+67.8%). The business sector was therefore able to deliver a satisfactory result, despite the difficult situation on the Swiss pharma and pharmacy market.

Growing pharmacy network

The integration of the Sun Store pharmacies is proceeding according to plan and initial synergies have already been achieved in the areas of Logistics, Purchasing, Finance and IT.

At the end of June 2010 GaleniCare's pharmacy network comprised 273 own points of sale, five more than at the end of 2009 and 125 independent partner pharmacies (+16) are collaborating closely with it. MediService launched new medical services for selected patient groups in the areas of oncology, cystic fibrosis and metabolic diseases under its Pharma Care concept.

OTHER: HEALTHCARE INFORMATION

Increased demand

HealthCare Information sales rose by 3.1% to CHF 24.0 million. EBIT was CHF 3.3 million (+54.0%).

Thanks to the increased focus on drug safety in hospitals and increased efforts on the part of insurers to contain costs, demand for the INDEX products from e-mediart increased. The practice management software TriaMed[®] is already in use with almost 600 clients. The rollout of TriaPharm[®] in Amavita Pharmacies was stepped up significantly with around two to three installations per week.

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OUTLOOK FOR 2010

Galenica Group

Increasing political pressure on the healthcare industry worldwide and the strong Swiss franc will continue to have a negative impact on Galenica's sales figures. Despite this, sales of Ferinject[®] will continue to grow. The partnership with Fresenius Medical Care will be intensified which will contribute to strengthening the position of Venofer[®] in the area of dialysis.

As potential earnings growth will be fully invested in activities intended to exploit existing potential, the Galenica Group is forecasting consolidated earnings at the previous year's level for 2010.

Change in the Corporate Executive Committee: Philippe Milliet leaves the Galenica Group

Philippe Milliet, Head of the Health Division, has decided to pursue a new professional challenge and will be stepping down from his position as a member of the Corporate Executive Committee on 31 August 2010. He will continue to exercise certain specific mandates for a period of time for Galenica's Corporate Executive Committee.

The Board of Directors would like to thank Philippe Milliet for his considerable contribution to the development of the Galenica Group, in particular of the Health Division, and values his professional commitment, his extensive expertise and the quality of his work. The Board of Directors regrets his decision to leave and wishes him all the best for the future.

The management of HealthCare Information will report to Jean-Claude Clemençon, Head of Logistics, while Felix Burkhard, Head of Amavita, will take over the management of the Retail business sector. Both report directly to Etienne Jornod, Chairman and CEO of the Galenica Group. This management structure will remain in place until the new Group CEO assumes his function; his name will be announced in March 2011.

Pharma

Ferinject[®] will be launched in additional European countries. Several studies in various therapeutic areas are underway to strengthen the medical evidence for this product. Following discussions with the European and American authorities, the Phase III clinical development studies for the phosphate binder PA21 will be commenced.

Vifor Pharma Consumer Healthcare's activities are focused on the integration of OM Pharma and leveraging further synergies. Registration and launch of Perskindol[®] Actiflex and Perskindol[®] Dolo Hot in Switzerland are planned for the second half of 2010.

Logistics

Expansion of the Galexis IT infrastructure is intended to increase reserve capacity and prevent downtime. The creation of an IT integration platform for Alloga customers will make it faster and easier for them to connect.

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Retail

Retail will continue to pursue its proven expansion strategy combined with consolidation measures. Coop Vitality will add at least two new locations and Sun Store will open one location in Locarno and one in an attractive location at the train station in Biel/Bienne.

Other: HealthCare Information

The clinical functions of the INDEX products are being expanded and the options for presenting product information using new electronic media enhanced. The graphic interface of TriaPharm[®] and TriaOne[®] will be dramatically improved.

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

	30.06.2010	30.06.2009	in %
EBIT Business sectors			
Pharma	129.3	133.2	-2.9
Logistics	12.9	2.2	+486.4
Retail	22.3	13.3	+67.8
Other: HealthCare Information	3.3	2.2	+54.0
Group EBIT	164.1	147.4	+11.3
Group EBITDA	217.5	211.3	+2.9
Net profit of the Group	117.4	115.9	+1.3

Further information can be found in the half year report 2010 of the Galenica Group. The PDF version can be downloaded from www.galenica.com/en/medien/publikationen/halbjahresbericht.php

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Galenica is a diversified group active throughout the healthcare market which, among other things, develops, manufactures, markets and distributes pharmaceutical products, runs pharmacies, provides logistical and database services and sets up networks. The Galenica Group enjoys a leading position in all 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.