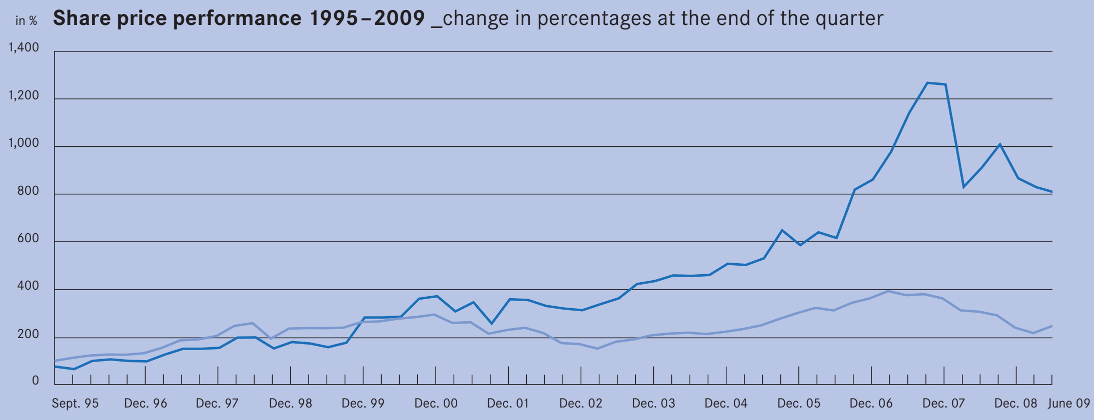
HALF YEAR REPORT 2009

of the Galenica Group

THE GALENICA GROUP – EXCELLENCE IN THE HEALTHCARE MARKET

SHARE PRICE



Cumulative growth: 732%
Average growth rate p.a.: 19%
Total shareholder return p.a.: 21%

KEY FIGURES

in million CHF	1.1.–30.6.2009	1.1.–30.6.2008
Galenica Group		
Net sales	**1,357.2**	**1,338.4**
_Vifor Pharma	211.1	211.1
_Logistics	1,011.3	1,010.8
_Retail	292.6	268.9
_Other	23.3	24.1
EBITDA	**211.3**	**231.7**
EBITDA in % of the net sales	15.6%	17.3%
EBIT	**147.4**	**123.7**
_Vifor Pharma	133.2	98.1
_Logistics	2.2	13.3
_Retail	13.3	9.9
_Other	0.9	1.5
EBIT in % of the net sales	10.9%	9.2%
Net profit	**115.9**	**104.8**
Investment in tangible and intangible assets	31.5	30.9
Cash flow from operating activities	100.1	88.8
	30.6.2009	31.12.2008
Cash at balance sheet date	47.4	95.2
Employees at balance sheet date (FTE)	3,538	3,431
Balance sheet total	2,218.1	2,101.6
Shareholders' equity	677.9	599.3
Equity ratio	30.6%	28.5%
Net liabilities	778.3	641.2
Gearing	114.8%	107.0%

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FOREWORD

DEAR SHAREHOLDERS,
LADIES AND GENTLEMEN,

_Despite the current economic environment and major challenges, consolidated earnings increased by 10.5%. Group sales increased by 1.4% compared with the same period of 2008 and EBIT by 19.1%.

_We have transformed Vifor Pharma into a fully integrated specialty pharmaceutical company. The aim now is to implement the strategy quickly and in full. In doing so, we focus on our core business – iron deficiency anaemia. We foresee continued heavy investment in Research, Clinical Development and Marketing. Our highest priority is the treatment of illnesses with associated iron deficiency anaemia. Here the ground work must be laid as it has been systematically done only in Switzerland for the past ten years. We have launched a process aimed at the long term and are investing now for the future.

_Focus on our core business, iron deficiency anaemia, means that we want to maximise the potential of Ferinject® while strengthening Venofer® against copy versions. For this reason the continual expansion of our cooperation with Fresenius Medical Care is crucial.

_Ferinject® is now available in 12 European countries, and the positive feedback from users is proof of its great potential. In Switzerland, less than 10% of intravenous iron replacement products are administered to dialysis patients as there is substantial knowledge in this market of how these medications can be used to successfully treat other indications. The higher this awareness, the faster and more comprehensive the market penetration of Ferinject® will be. The launch of Ferinject® in other countries and the simultaneous enhancement of know-how in the medical community for the use of iron replacement products outside of dialysis therefore take top priority. To this end, we will target the following therapy areas: surgery, oncology, gastroenterology, cardiology and pre-dialysis. We want to take advantage of our opportunities, but we also know that developing new markets and raising awareness will require a substantial investment of time.

_Sales of Consumer Healthcare Products have remained at the same level as last year. Sales in various countries were dampened by poor consumer sentiment and the cooperation with 3M was discontinued in Switzerland. Although the agreement with IVF Hartmann has been extended and renewed, the income from this cooperation will no longer be reflected in sales but only in profits.

_The most important event for Galenica in the first half of 2009 was the successful conclusion of the negotiations to acquire the Sun Store pharmacies. Since 1 July 2009, the Galenica Group has been managing more than 260 own pharmacies. The Retail business sector, which performed extremely well in the first half of 2009, has been considerably strengthened by this transaction.

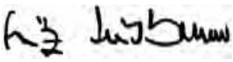
_Initial difficulties with the launch of the new distribution centre in Niederbipp had a negative effect on service quality, and corrective measures had an impact on profitability. While quality is back to the level expected by customers, the automation potential has not yet been adequately exploited. There have been delays, but we are on the right track.

_Due to new rules in International Financial Reporting Standards (IFRS) for operating segments, HealthCare Information will no longer be reported as a separate segment, but can now be found under «Other». The strategic importance of information management has not changed, and going forward, we will continue to develop our products and services. EBIT from these activities (Documed, e-mediat and Triamun) has exceeded CHF 2 million.

_The economic slowdown is also affecting Galencia, and the current economic environment, along with increasing pressure in the healthcare markets, makes it difficult to provide a reliable forecast. However, we hold fast to our estimate of posting an increase in consolidated net earnings for 2009 of around 10% on the previous year.

Bern, 18 August 2009

Etienne Jornod
Chairman of the Board
of Directors and CEO

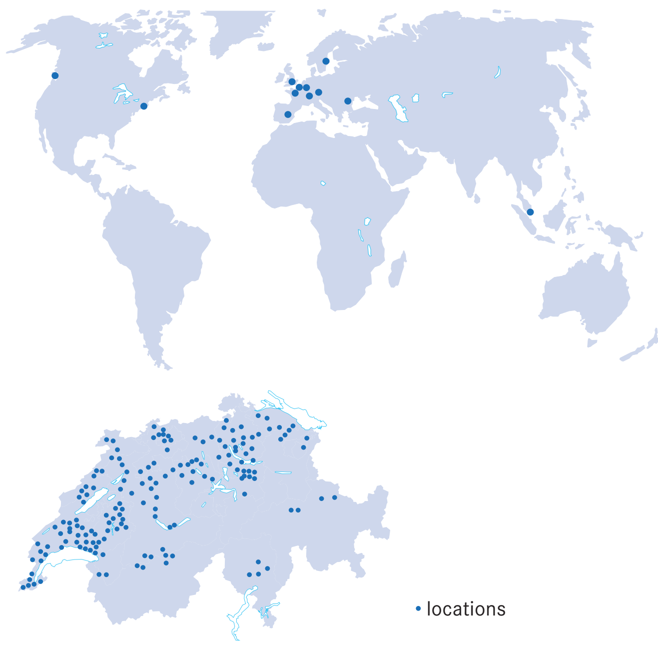


Fritz Hirsbrunner
Deputy CEO and CFO,
Head of Finance and
Corporate Services Division

Strategy of the Galenica Group

Specialty Pharma
- **Iron Deficiency Anaemia**
- **Consumer Healthcare**

Swiss HealthCare Services
- **Logistics**
- **Information**
- **Retail**



REPORTING

GALENICA GROUP

Result influenced by investments for the future

_The highlight for the Galenica Group in the first half of 2009 was the successful conclusion of negotiations to acquire the Sun Store pharmacies, which will add more than 100 points of sale to GaleniCare's pharmacy network from mid-2009. This move represents a giant step forward in strengthening and expanding the Retail business sector.

_A further milestone included the commencement of a partnership with Fresenius Medical Care to market parenteral iron replacement products for haemodialysis patients. The cooperation is off to a very successful start, particularly in the US. The agreement, especially concluded for the US and Europe, will help Galenica to preserve and reinforce the leading status of Venofer® in this key segment, despite the emergence of imitations. The market presence has been extended to key European markets with the incorporation of additional sales units in France, the Netherlands and Austria.

_The Pharma Division's transition to a fully integrated, speciality pharmaceuticals company is now complete. Vifor Pharma is entering a new era and the rapid implementation of the strategy, with a focus on the core business, iron deficiency anaemia, is forging ahead at full steam. The focus is on market development and expansion of Ferinject®, both with regard to geography and indications.

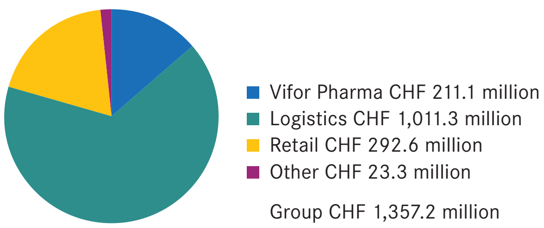
_Anthony Coombs, who led Vifor Pharma throughout the integration process, stepped down as CEO of Vifor Pharma in May but remains for certain tasks with Galenica. The recruitment process for a new CEO of Vifor Pharma has begun along with the search for a new CEO of the Galenica Group. In the meantime, Etienne Jornod, Executive Chairman of Vifor Pharma, is chairing the Vifor Pharma Executive Board.

_The launch of the new Galexis distribution centre in Niederbipp proved very challenging, which is not unusual for complex logistics projects of this nature but did impact profitability. Service quality is now right in line with customer demands. As a next step, its automation potential will be fully utilised and its profitability enhanced.

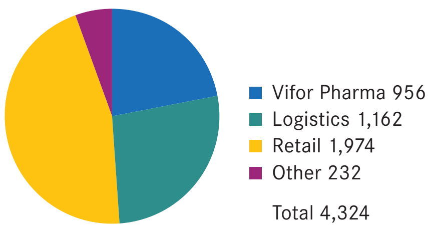
_Profit increased by 10.5% despite big challenges. Economic and political developments are putting healthcare markets under pressure, and Galenica too is feeling this pressure along with the effects of the slower economy. Despite these challenges, consolidated earnings increased by 10.5% to CHF 115.9 million. Net sales rose to CHF 1,357.2 million, an increase of 1.4% over the same period of 2008. Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) were CHF 211.3 million, while earnings before interest and taxes (EBIT) increased by 19.1% to CHF 147.4 million. Investments in tangible and intangible assets totalled CHF 31.5 million in the first half of 2009 compared with CHF 30.9 million in the same period of 2008.

_Due to the new International Financial Reporting Standards (IFRS) for the determination of operating segments, HealthCare Information will no longer be recorded as a separate segment. Going forward, it will fall under «Other».

Net sales per business sector at 30 June 2009



Number of employees at 30 June 2009



Earnings of each business sector at 30 June

in CHF millions	Net sales		Total revenue		EBITDA		EBIT	
	2009	2008	2009	2008	2009	2008	2009	2008
Vifor Pharma	**211.1**	**211.1**	**413.3**	**397.7**	**181.7**	**190.6**	**133.2**	**98.1**
ROS[1]					44.0%	47.9%	32.2%	24.7%
Logistics	**1,011.3**	**1,010.8**	**1,016.8**	**1,021.0**	**10.1**	**19.0**	**2.2**	**13.3**
ROS					1.0%	1.9%	0.2%	1.3%
Retail	**292.6**	**268.9**	**306.5**	**281.0**	**17.9**	**16.2**	**13.3**	**9.9**
ROS					6.1%	6.0%	4.6%	3.7%

[1] in % of the revenue

VIFOR PHARMA

A new era begins

_Vifor Pharma has been fully integrated and transformed into a market-focused company. It is now entering a new era in which the company can focus on strategy implementation while setting clear priorities. Its core business is iron deficiency anaemia. Vifor Pharma intends to develop and maximise the full potential of Ferinject®, for which it is investing heavily in clinical studies and marketing. Vifor Pharma is also investing in the establishment of a product pipeline with medications for treating anaemia. The development of the phosphate binder PA21 is also moving full-steam ahead. At the same time, measures are being taken to reinforce the position of the long-standing iron replacement products Venofer® and Maltofer® against product imitations. Our partnership with Fresenius Medical Care for parenteral iron products plays a key role in this regard. Meanwhile, the company is continuing its CellCept projects and its partnership with Roche. The strong Consumer Healthcare brands are being further developed with a focus on the Swiss market. Where adequate potential has been identified in key foreign markets, the company will take advantage of export opportunities and local partnerships.

_Investments drive results. While the global economic crisis has scarcely affected prescription drug sales, in some countries it did push back sales of Consumer Healthcare products. At CHF 211.1 million, Vifor Pharma's sales remained at the previous year's level. Licence income from CellCept was CHF 175.5 million. Strategic investments in research, clinical development and product commercialisation affected the results. Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to CHF 181.7 million, while consolidated earnings before interest and taxes (EBIT) rose by 35.8% to CHF 133.2 million owing to the reduction in amortisation of immaterial assets.

Vifor Pharma Rx

_Sales of intravenous iron products Ferinject® and Venofer® totalled CHF 109.0 million (+11.6%), while those of oral preparations decreased by –4.9% to CHF 23.7 million. For the first time, sales of Ferinject® in Switzerland were higher than that of Venofer®; sales of parenteral iron products rose by 27.3% to CHF 16.7 million. Sales of Ferinject® have continued to develop in other European countries as well. However, to mirror the success seen in Switzerland, long-term market priming and further clinical studies in therapeutic fields apart from dialysis are needed. In Switzerland, the Rx business unit excluding the iron franchise posted sales of CHF 29.6 million (+16.1%).

_Ferinject®: Highly promising market potential ready to be tapped. To date, intravenous iron replacement products have primarily been used to treat dialysis patients. However, because iron deficiency is also part of many other illnesses, there is great market potential for Vifor Pharma's products. The market penetration of Ferinject® is increasing in pace as knowledge of the use of intravenous iron replacement products in indications outside of dialysis grows. In Switzerland, less than 10% of intravenous iron replacement products are used for treatment of dialysis patients: the majority is now used in other therapeutic indications such as gynaecology and iron deficiency syndrome. The market entry of Ferinject® in other countries and the simultaneous enhancement of know-how in the medical community regarding the use of iron replacement products outside of dialysis (nephrology) are therefore being pursued as a top priority. The focus is on the therapeutic indications of nephrology (CKD patients not requiring dialysis), oncology, gastroenterology, cardiology and surgery. To specifically increase awareness of intravenous iron replacement treatments, Vifor Pharma took part in four different international specialist conferences (nephrology, cardiology, surgery and haematology) in the first half of 2009 alone. There is a high degree of interest and a great need for knowledge in the medical community; the various symposia were all very well attended and Vifor Pharma was able to establish itself as a reputable and professional partner.

Total sales Vifor Pharma Rx

in CHF millions	30.6.2009	30.6.2008	Change in %
Intravenous iron replacement products: Venofer®, Ferinject®	109,0	97.7	11.6
Oral iron replacement products: Maltofer®	23.7	25.0	-4.9
Other prescription – only products in Switzerland	29.6	25.5	16.1
Revenues and licence fee income: CellCept, other	190.9	182.3	4.8

_Ferinject® is now available in 12 European countries, with Austria, the Netherlands and Spain having been added in the first half of 2009. New subsidiaries in Austria and the Netherlands (responsible for the Benelux states) began operations in the spring. A joint venture agreement was signed with Spanish licence partner Uriach in July. The newly founded Vifor Uriach Pharma will mainly market Vifor Pharma's iron replacement products in Spain. Each partner holds a 50% stake in the new company.

_Venofer®: Cooperation begun with FMC. An exclusive licence agreement with Fresenius Medical Care (FMC), which covers the marketing of Venofer® and Ferinject® in haemodialysis, took effect in January. FMC has professional expertise and a leading position in dialysis, which will allow it to further expand the strong market position of parenteral iron replacement products while defending Venofer® against a number of copies. In North America alone, FMC serves 60% of all dialysis centres.

_Oral iron preparations. Around the world, Maltofer® is part of a highly segmented market with many competitor products. In addition, some international distribution partners sold off their existing stocks in the first half of 2009. Global sales amounted to CHF 23.7 million (–4.9%).

_CellCept. The revenues for CellCept were CHF 175.5 million in the first half of 2009. The US patent for CellCept expired in May, which had little effect on revenues during this time period. However, going forward, the launch of generic products in the US and the pending expiration of the European patent at the end of 2010 is expected to affect CellCept licence income. This fact has already been taken into account for long-term planning.
_The results of the induction phase of the ALMS study (Aspreva Lupus Maintenance Study), one of the largest Phase III studies ever conducted in lupus nephritis, were published in the Journal of the American Society of Nephrology in May. The study is continuing and is currently in the maintenance phase.

_A Phase III clinical study for pemphigus vulgaris, a serious skin disease, was completed at the beginning of the year. It is the first placebo-controlled study of its kind. The results are now being published and presented to the medical community. Patients suffering from pemphigus vulgaris are currently treated with high-dose corticosteroids. The aim of the study was to prove that administration of CellCept can enable a reduction in the dosage of corticosteroids without leading to new inflammation of the skin. Although the study did not meet its primary endpoint or deliver statistically significant findings, it did provide clinically relevant results on the use of mycophenolate mofetil, CellCept's active ingredient, compared with corticosteroids. The patients treated with CellCept showed more rapid and long-term adherence to the treatment and were able to be kept on a lower dosage of corticosteroids for a longer period.

_Phosphate binder PA21. The clinical development programme for the phosphate binder PA21 has been accelerated. A Phase II study is currently underway at 75 locations in 9 countries. Initial results are due out in Q1 2010.

_Expansion of warehouse capacity at production site in St. Gallen. Vifor Pharma in St. Gallen purchased the logistics facility of Braun Medical AG, measuring some 8,000 m^2 including the grounds. Vifor Pharma has now secured the warehouse capacity it needs close to the production facility and has created the ideal framework for potential expansion.

Vifor Pharma Consumer Healthcare
_Total sales of Vifor Pharma Consumer Healthcare products decreased in the first half of 2009 by –14,0% to CHF 63.7 million, influenced by the loss of representation for 3M products, poor consumer sentiment, particularly outside of Switzerland, and currency effects. Swiss sales totalled CHF 31.9 million (–2.3% year-on-year). As a general trend in the first half of 2009, wholesalers first sold off their existing stock accumulated at the end of 2008, which was reflected in the sales growth.

Vifor Pharma Consumer Healthcare's strongest OTC products in terms of sales

in CHF millions	30.6.2009	30.6.2008	Change in %
Equazen eye q™	7.6	9.2	– 17.3
Perskindol®	6.7	6.9	–3.0
Algifor®	4.7	4.2	12.9
Triofan®	3.9	4.0	– 1.5
Otalgan®	3.8	4.1	–8.5
Antibrumm®	2.2	3.1	–27.5

_Switzerland. While the cooperation with 3M has ended, the contract with IVF Hartman has been expanded and renewed for five years. Since Vifor Pharma now receives a service fee as part of the agreement, the relevant income is now shown only under profit rather than sales.
_The highest-selling OTC products grew at different rates (see table). The growth of Algifor® was supported by its advertising campaign and the successful launch of Algifor® Dolo Junior. Last year, Perskindol® benefited greatly from Euro 08 – a one-off effect that did not carry over to the first half of 2009.

_International. Vifor Pharma Consumer Healthcare's export sales were CHF 10.0 million (–12.8%). International activities are currently focused on the launch of Equazen eye q™ in key European countries; an agreement has also been signed with a large wholesaler in Mexico. The British market remains under high pressure, and Potters is no exception. As a result, sales of Equazen eye q™ were sluggish. A further factor in the sales decline of this product has been currency effects. Additionally, the Swiss marketing materials for Equazen eye q™ had to be revised, which meant that promotional activities all but ceased in the first six months of the year.

LOGISTICS

Projects on schedule

_The authorities have announced further healthcare cost-cutting measures. There is still some uncertainty among partners in the healthcare market as to when the measures will be introduced and how far-reaching they will be.
_At CHF 1,011.3 million, sales for Galexis, Alloga, Globopharm and Unione Farmaceutica Distribuzione remained at the previous year's level. The partial loss of a large customer group was compensated for by Globopharm's sales. However, sales of some product lines, such as cosmetics, suffered the effects of poor consumer sentiment. EBIT was CHF 2.2 million (–83.8%), still affected by the launch of the new logistics centre in Niederbipp, the exclusion of earnings from the real estate sale that occurred in the first half of 2008 and the costs related to the integration of Globopharm.

_Niederbipp now running smoothly. The launch of the Niederbipp distribution centre proved more difficult than anticipated. However, the processes are now running smoothly; currently the centre has 98.5% availability. The goal now is to enhance profitability, in particular by making full use of automation potential. The former sites in Schönbühl and Zurich have been completely shut down, and all customers and merchandise have been transferred to Niederbipp. Parts of the old sites have already been let and both buildings are up for sale.
_A new need has emerged for deep freeze logistics (down to –40 °C). After a successful pilot phase, the Logistics business sector has been able to prove its competency in this new service. Galexis has also expanded its industrial services. A new e-newsletter regularly updates suppliers about recent developments. The GALecoline brand of capital goods for medical practices was well received on the market and further items such as GALecoline Sleeper kiddy (an examination table for children), GALecoline Doppler (devices for vascular ultrasound) and GALecoline Medikeeper (medicine cabinet) have been added. The electronic system that networks the warehouse of Unione Farmaceutica Distribuzione with the Niederbipp distribution centre is now also complete. Customers in Ticino now have access to the full product line, some 65,000 articles, in Niederbipp.

_Alloga reinforces its position. With the integration of Globopharm, which was acquired at the beginning of 2009, Alloga has reinforced its position in the prewholesale sector. The integration is expected to be complete by mid-2010. The project to increase the level of automation has been completed, and Alloga acquired new wholesale customers, such as Doetsch Grether AG.

GaleniCare pharmacies and shareholdings

	30.6.2009	31.12.2008	Change
Own Amavita pharmacies[1]	118	116	+2
MediService[1]	1	1	–
Coop Vitality pharmacies[2]	35	31	+4
Majority holdings in other pharmacies[1]	3	5	–2
Minority holdings in other pharmacies[2]	2	2	–
Total own points of sale	**159**	**155**	**+4**

[1] Fully consolidated
[2] Consolidated at equity

Independent partners of GaleniCare

	30.6.2009	31.12.2008	Change
Amavita partnerships	10	9	+1
Winconcept partner pharmacies	95	95	–
Total independent partners	**105**	**104**	**+1**

RETAIL

Consolidated growth

_The Retail business sector can look back on a very pleasing half year: with an operating result of CHF 13.3 million, it exceeded the prior-year result by 34.6%. Sales grew by 8.8% to CHF 292.6 million, 5.2% of which is due to acquisitions and 3.6% of which to organic growth. The latter was primarily achieved in German-speaking Switzerland, while sales in French-speaking Switzerland and Ticino grew only slightly. This is mostly due to a tougher competitive environment. The impact of declining consumer sentiment was particularly felt in the cosmetics and perfumes segment.

_There were no major structural changes noted in the Swiss pharmacy market, presumably also because measures to reduce the sales margin have not yet been decided or implemented. However, it is becoming increasingly difficult to acquire pharmacies in areas with high sales potential. As such, the established strategy – a mix of expansion and consolidation – has proven successful.

_More pharmacies with more services. In all, GaleniCare's pharmacy network has grown slightly despite the consolidation process and includes, as of the end of June, 159 own points of sale and 105 independent partner pharmacies (see tables). Various special services – the Diavita Programme for diabetics, free hearing tests and osteoporosis checks – proved very popular and were used by many customers.

_High customer satisfaction with MediService. MediService's Pharma Care concept continued to develop very well. New medical services for select patient groups were introduced to the areas of oncology and dermatology. Parts of the direct supply service for Globopharm's chronically ill patients were transferred to MediService in the wake of the integration process. Since the beginning of this year, MediService has been using the TriaMed® software for management and care in the Pharma Care and Homecare areas. The system is centred around full and partial electronic prescription systems along with the use of electronic patient histories. A survey conducted last spring revealed well above-average customer satisfaction with MediService.

OTHER: HEALTHCARE INFORMATION

Growth remains stable

_Sales for HealthCare Information were CHF 23.3 million (+2.1%). The operating result was CHF 2.2 million.

_Higher safety. The government's eHealth strategy sparked demand for products from e-mediat. The long-term investments in the expansion of the INDEX product range have now begun to bear fruit. Hospitals in particular are demanding more products that enhance drug safety. The establishment of a database containing images of all key medications and their galenical forms is one way of meeting this goal. Additionally, the federal government has contracted for a system to reference and centrally manage a list of persons in Switzerland with medical training.

_Effective network support. TriaMed® saw a satisfying increase in demand: nearly 1,400 physicians and group practices have purchased this system to date. With the newly launched TriaMed TS®, practices have the option of running their applications via an external Triamun server. The TriaPharm® pharmacy management software now supports electronic invoicing of health insurers. The system now also offers fully automated validation for prescription content.

OUTLOOK FOR 2009

Galenica Group

_Although the first half of 2009 was positive for the Galenica Group, the company must remain cautious about developments ahead. There is renewed pressure by the authorities with regard to healthcare costs, particularly drug prices and sales margins. The global economic crisis, coupled with weak consumer sentiment, will continue to affect at least some segments of Galenica. As anticipated, the expiration of CellCept's US patent will have an effect on licence income in the second half of the year. Important investments in Research, Development and Marketing to secure long-term Group success will also impact the operating result.

_At the same time, sales of Ferinject® will continue to grow. The acquisition of the Sun Store pharmacies will help improve Group profit in the second half of the year. As from 1 July 2009, Galenica has more than 260 own pharmacies in top locations.

_In all, the Galenica Group anticipates growth in consolidated earnings in the order of approximately 10% over the prior year.

Vifor Pharma

_The second half of 2009 will also focus on the market launch of Ferinject® in a number of European countries. As part of this process, Vifor Pharma is examining various business models for marketing. It is also considering a representative office in Latin America.

_Vifor Pharma is responding to patient feedback with single-dose vials of Ferinject®. A study on chronic heart failure will conclude in 2009. Clinical work in one gastroenterology study has been completed and the results are expected to be published this year. Upon consultation with the FDA, there are currently five studies being conducted in the US to obtain safety data with regard to treatment for women, CKD and iron-deficiency anaemia. In other countries, studies are being prepared for the indications of non-dialysis CKD, oncology, haematology, gynaecology and iron deficiency without anaemia.

_Vifor Pharma Consumer Healthcare's activities are focused on the further development of key markets in Switzerland, backsourcing for the manufacture of key products – such as Equazen eye q™ blister packs and liquid, or preservative-free Triofan® – as well as the selective expansion of exports of key leading brands to crucial European markets. Preparations are underway for the introduction of Equazen eye q™ to the German market. A number of options are being considered to enhance production capacity in Villars-sur-Glâne. Antibrumm® Après-Pic, which relieves itching from insect bites, will be launched this summer.

Logistics

_The Logistics business sector is making every effort to increase profitability for the second half of 2009. To this end, processes are being optimised for the Niederbipp distribution centre. Alloga will continue to pursue the transfer of previous Globopharm customers while preparing to move activities from the former Globopharm logistics centres in Stäfa and Villmergen to Burgdorf.

Retail

_The acquisition of the Sun Store pharmacy chain was approved by the Competition Commission, which enabled the merger to take effect on 1 July 2009. This has increased the number of GaleniCare pharmacies by more than 100 shops in attractive locations, which are the ideal complement to the existing network. GaleniCare will continue to pursue its expansion and consolidation process.

_To promote customer advisory services on all levels and add free hearing tests to additional locations, GaleniCare is investing additional resources in specialised training for its employees. Moreover, Amavita will renew its branding in the second half of the year and intensify its communication activities. MediService will expand its services to the new therapeutic segments of haematology and haemato-oncology.

Other: HealthCare Information

_The index of medically trained professionals will be introduced during the second half of the year. The pilot study for the new TriaPharm® system, resulting from the integration of ActivPOS®, was a success. The user-friendly system with an optimal back-office solution is now ready for production and rollout will begin during the second half of 2009.

HALF YEAR RESULTS 2009

CONSOLIDATED INCOME STATEMENT

in thousand CHF	1.1.–30.6.2009	1.1.–30.6.2008
Revenue		
Net sales[1]	1,357,179	1,338,421
Other revenue	216,282	210,879
Total revenue	**1,573,461**	**1,549,300**
Operating costs		
Cost of goods sold	(984,974)	(980,474)
Staff costs	(197,522)	(173,400)
Other operating costs	(179,636)	(163,766)
Depreciation	(63,973)	(107,913)
Total operating costs	**(1,426,105)**	**(1,425,553)**
Earnings before interest and taxes (EBIT)	**147,356**	**123,747**
Financial income	6,281	26,454
Financial expenses	(25,648)	(32,735)
Income from associates	887	609
Earnings before taxes (EBT)	**128,876**	**118,075**
Income tax	(12,998)	(13,250)
Net profit	**115,878**	**104,825**
attributable to:		
_Galenica Ltd. shareholders	115,654	104,005
_Non-controlling interests	224	820

in CHF		
Earnings per share	17.87	16.05
Diluted earnings per share	17.81	15.99

[1] Previous year's figures adjusted on the basis of IFRIC 13 (see page 17).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

in thousand CHF		30.6.2009		31.12.2008
Current assets				
Cash		47,397		95,234
Securities[1]		14,329		13,556
Receivables		695,816		523,031
Tax receivables		891		788
Inventories		212,529		231,134
Prepaid expenses and accrued income		33,910		23,402
Assets held for sale		–		3,558
Total current assets	45%	**1,004,872**	42%	**890,703**
Fixed assets				
Tangible assets		357,465		338,254
Investment properties		53,652		54,220
Intangible assets		710,389		728,032
Investments in associates		10,824		9,950
Financial assets[1]		65,760		67,362
Deferred tax assets		9,831		7,761
Employee benefit receivables		5,297		5,297
Total fixed assets	55%	**1,213,218**	58%	**1,210,876**
Total assets	100%	**2,218,090**	100%	**2,101,579**

Liabilities and shareholders' equity

in thousand CHF		30.6.2009		31.12.2008
Current liabilities				
Financial liabilities[1]		311,358		271,510
Liabilities[2]		392,247		423,594
Tax payable		46,746		40,433
Accrued expenses and prepaid income		126,805		124,645
Provisions		56,544		60,097
Total current liabilities	42%	**933,700**	44%	**920,279**
Long-term liabilities				
Financial liabilities[1]		544,888		519,159
Deferred tax liabilities		37,126		43,627
Employee benefit liabilities		12,169		8,685
Provisions		12,277		10,518
Total long-term liabilities	27%	**606,460**	27%	**581,989**
Shareholders' equity				
Share capital		650		650
Retained earnings[2]		666,127		587,773
Shareholders' equity before non-controlling interests		**666,777**		**588,423**
Non-controlling interests		11,153		10,888
Total shareholders' equity	31%	**677,930**	29%	**599,311**
Total liabilities and shareholders' equity	100%	**2,218,090**	100%	**2,101,579**

[1] Previous year's figures adjusted on the basis of IAS 1R (see page 17).
[2] Previous year's figures adjusted on the basis of IFRIC 13 (see page 17).

CONSOLIDATED STATEMENT OF CASH FLOWS

in thousand CHF	1.1.–30.6.2009	1.1.–30.6.2008
Net profit[1]	115,878	104,825
Income tax	12,998	13,250
Depreciation on tangible assets, investment properties and intangible assets	63,973	107,913
(Gain)/Loss on disposal of tangible assets	(169)	(80)
(Gain)/Loss on disposal of assets held for sale	(2,542)	(6,996)
Increase/(Decrease) in provisions/employee benefit	(5,485)	(2,691)
Net financial result	19,367	6,281
(Gain)/Loss from associates	(887)	(609)
Other non-cash changes	3,695	1,461
Change in receivables	10,236	(50,829)
Change in inventories	22,597	21,132
Change in liabilities	(111,628)	(40,886)
Change in other net current assets	1,294	(71,455)
Interest received	757	3,365
Interest paid	(11,874)	(13,758)
Other financial receipts/(payments)	(4,100)	35,329
Dividends received	14	14
Income tax paid	(14,062)	(17,509)
Cash flow from operating activities	**100,062**	**88,757**
Investment in tangible assets/Investment properties	(27,692)	(26,259)
Investment in intangible assets	(3,758)	(3,746)
Investment in financial assets	(3,907)	(7,148)
Investment in securities	–	(377)
Proceeds from tangible assets/Investment properties	467	301
Proceeds from intangible assets	–	410
Proceeds from financial assets	7	97
Proceeds from securities	3	254,551
Proceeds from assets held for sale	5,800	13,225
Purchase of subsidiaries (net cash flow)[2]	(103,321)	(876,180)
Purchase of non-controlling interests	–	(5,407)
Cash flow from investing activities	**(132,401)**	**(650,533)**
Dividend payment	(45,739)	(42,136)
Purchase of treasury shares	(997)	(9,852)
Sale of treasury shares	6,450	6,824
Assumption of financial liabilities	34,801	1,290,801
Repayment of financial liabilities	(10,583)	(664,179)
Cash flow from financing activities	**(16,068)**	**581,458**
Translation differences	570	(6,185)
Increase/(Decrease) in cash	**(47,837)**	**13,497**
Cash at 1 January	95,234	40,739
Cash at 30 June	**47,397**	**54,236**

[1] Previous year's figures adjusted on the basis of IFRIC 13 (see page 17).
[2] Including partial payment of CHF 100.0 million for the acquisition of Sun Store.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousand CHF	1.1.-30.6.2009	1.1.-30.6.2008
Net profit	**115,878**	**104,825**
Other comprehensive income		
Hedge transactions		
_change in fair value	(15,128)	5,628
_realised in the consolidated income statement	–	–
«Available-for-sale» financial assets		
_change in fair value	(4,847)	(2,649)
_realised in the consolidated income statement	394	–
Translation differences	19,338	(34,880)
Comprehensive income	**115,635**	**72,924**
attributable to:		
_Galenica Ltd. shareholders	115,411	72,104
_Non-controlling interests	224	820

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousand CHF	Share capital	Treasury shares	Fluctuation in value of financial instruments	Retained earnings	Accumulated translation differences	Shareholders' equity before non-controlling interests	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2008[1]	**650**	**(11,077)**	**(6,291)**	**503,366**	**(5,571)**	**481,077**	**11,864**	**492,941**
Comprehensive income[1]			2,979	104,005	(34,880)	72,104	820	72,924
Dividend				(38,788)		(38,788)	(482)	(39,270)
Transactions on treasury shares		(2,820)		(49)		(2,869)		(2,869)
Share-based payments				471		471		471
Change in scope of consolidation				(4,210)		(4,210)	(1,197)	(5,407)
Balance as at 30 June 2008	**650**	**(13,897)**	**(3,312)**	**564,795**	**(40,451)**	**507,785**	**11,005**	**518,790**
Balance as at 1 January 2009[1]	**650**	**(13,175)**	**657**	**650,178**	**(49,887)**	**588,423**	**10,888**	**599,311**
Comprehensive income			(19,581)	115,654	19,338	115,411	224	115,635
Dividend				(45,369)		(45,369)	(401)	(45,770)
Transactions on treasury shares		6,500		(1,047)		5,453		5,453
Share-based payments				3,301		3,301		3,301
Change in scope of consolidation				(442)		(442)	442	–
Balance as at 30 June 2009	**650**	**(6,675)**	**(18,924)**	**722,275**	**(30,549)**	**666,777**	**11,153**	**677,930**

[1] Previous year's figures adjusted on the basis of IFRIC 13 (see page 17).

_On 14 May 2009, the General Meeting of Shareholders of Galenica Ltd. approved a dividend payment of CHF 45.5 million, corresponding to CHF 7.00 per registered share, for the financial year 2008 (previous year: CHF 39.0 million, CHF 6.00 per registered share). The dividends were paid out to the shareholders on 19 May 2009.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of accounting

_The unaudited consolidated interim financial statements for the Galenica Group are based on the consolidated financial statements of the individual companies within the Group as at 30 June 2009, which have all been prepared in a uniform manner. Allowing for the changes in accounting regulations detailed below, the consolidated interim financial statements for the Galenica Group were drawn up using the same valuation guidelines as the annual financial statements for the year ending 31 December 2008 and comply with International Financial Reporting Standards (IFRS), as well as IAS 34 – Interim financial reporting and the requirements of the Swiss Exchange (SIX). The consolidated interim financial statements should be read in combination with the consolidated financial statements for 2008 as they update previously published information. Details of the consolidation and accounting principles are given in the Notes to the Consolidated Financial Statements for 2008.
_The present consolidated interim financial statements are available in German, French and English; however, the German is the authoritative version.

Changes in accounting policies

_The accounting policies adopted are consistent with those of the previous financial year with the following exceptions. As at 1 January 2009, the Galenica Group adopted the following new and amended standards and interpretations. These changes have no impact, or no significant impact, on the financial position, profitability or cash flows of the Galenica Group.

IFRS 2 – Share-based payments – vesting conditions and cancellation
_The amended standard introduces the new term «non-vesting condition» and clarifies the definition of «vesting condition». The standard also prescribes the accounting treatment of share-based payments that are effectively cancelled because a non-vesting condition is not satisfied. The amendment has no impact on the financial position, profitability or cash flows of the Group.

IFRS 8 – Operating segments
_IFRS 8 replaces IAS 14 – Segment reporting. Segment information no longer has to be reported by business area and geographical region, but is based on internal reporting of operational areas to management. Galenica has amended its segmentation and reporting of financial information accordingly.

IAS 1R – Presentation of financial statements
_The amended standard relates to the presentation of transactions with shareholders and other transactions recognised directly in equity. Transactions that are recognised directly in equity but not carried out with shareholders must now be shown in a separate element of the financial statements, i.e. the consolidated statement of comprehensive income. In addition, the amended standard also clarifies the classification of derivatives, which should be either short or long-term. Based on these enhanced specifications, Galenica has reclassified and categorised derivatives used to hedge borrowing as long-term. The reclassification led to a decrease in securities under current assets and an increase in financial assets under fixed assets of CHF 9.0 million as at 30 June 2008 and of CHF 8.8 million as at 31 December 2008. It also resulted in CHF 32.5 million of current financial liabilities being moved under long-term financial liabilities as at 30 June 2008, and CHF 51.6 million as at 31 December 2008.

IAS 23R – Borrowing costs
_The revised standard requires that borrowing costs which can be allocated directly to the construction or acquisition of a qualifying asset be capitalised as part of the cost of the relevant asset, meaning capitalisation is no longer optional. Given that the accounting policies of the Galenica Group already envisage the capitalisation of borrowing costs of qualifying assets, this amendment has no impact on the financial position, profitability or cash flows of the Galenica Group.

IFRIC 13 – Customer loyalty programmes
_The interpretation provides guidance on the accounting treatment for customer loyalty programmes operated by manufacturers or service providers themselves, or by third parties. The adjustment ensuing from the first-time application of IFRIC 13, which was recognised in retained earnings as at 1 January 2008 and in the following periods, led to an increase of CHF 2.0 million in other liabilities as at 1 January 2008, of CHF 2.3 million as at 30 June 2008 and CHF 2.2 million as at 31 December 2008. It also led to an increase in sales revenue reductions of CHF 0.3 million in the consolidated interim financial statements as at 30 June 2008, and of CHF 0.2 million in the consolidated annual financial statements as at 31 December 2008.

IFRIC 16 – Hedges of a net investment in a foreign operation
_This interpretation applies to entities that hedge the foreign currency risk arising from their net investments in foreign operations and treat this as hedge accounting in accordance with IAS 39 – Financial instruments: recognition and measurement. This interpretation has no effect as the Group does not hedge its net investments in foreign operations.

Estimation uncertainty and assumptions

_In order to prepare consolidated interim financial statements that comply with generally accepted accounting principles, senior management is obliged to use estimates and assumptions which have an impact on the reported carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the income and expenses reported for the relevant accounting period. Despite the fact that the estimated and assumed figures have been obtained using all available information and arrived at with the greatest care, the real results may differ. Any adjustments resulting from changes in estimates and assumptions are made during the reporting period in which the original estimates and assumptions changed.

Seasonal influences on operations

_Sales in the business sectors which the Galenica Group operates in are not significantly influenced by seasonal or cyclical fluctuations during the year.

Scope of consolidation

_The consolidated interim financial statements for the Galenica Group comprise those of Galenica Ltd. and all its subsidiaries, including associates and joint-venture companies.
_Detailed information on the subsidiaries and associates newly acquired during the first half of 2009 is included under the section Business Combinations and Acquisition of Non-controlling Interests on pages 22 and 23.

Group currency and translation of foreign currencies

_The consolidated interim financial statements of the Galenica Group are prepared in Swiss francs (CHF) and, if not otherwise indicated, are rounded up or down to the nearest CHF 1,000.
_The principal exchange rates against the Swiss franc which are of importance for the consolidated interim financial statements are as follows:

	Balance sheet*		Income statement**	
Exchange rates	30.6.2009	31.12.2008	2009	2008
1 EUR	1.5250	1.4888	1.5059	1.6060
1 GBP	1.7934	1.5286	1.6845	2.0747
1 USD	1.0856	1.0561	1.1297	1.0508
1 CAD	0.9396	0.8640	0.9382	1.0437

*Period-end exchange rate **Average rates for the half year

NOTES TO THE CONSOLIDATED HALF YEAR RESULTS

Segment information

_The Management Approach is used to determine the operating segments with reporting obligations. Accordingly, external segment reporting is based on the internal organisational and management structures of the Group and the internal financial reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker of Galenica is the Board of Directors of Galenica Ltd. It defines business activities and monitors internal reporting to assess performance and resource allocation.
_For the purposes of company management, the Galenica Group is organised into business sectors according to products and services and has the following four segments with reporting obligations:

Vifor Pharma
_Under the umbrella of Vifor Pharma, Galenica operates a fully integrated specialty pharmaceutical group which researches, develops, produces and markets its own pharmaceutical products throughout the world.
_Vifor Pharma focuses on the following core businesses: iron deficiency anaemia and Consumer Healthcare (non-prescription products). To ensure rapid and direct access to the various global markets, the company operates its own subsidiaries and works together with licensing partners.
_Vifor Pharma is the world leader in the market for pharmaceutical iron replacement products. Customers in more than 100 countries are supplied from Switzerland. Vifor Pharma manufactures a comprehensive range of prescription (Rx) and non-prescription (OTC) products, and herbal remedies. Vifor Pharma also markets products manufactured by third parties (parapharmacy). In addition, Vifor Pharma holds the global rights (ex. Japan) to develop and market CellCept, developed by Roche, for all applications involving auto-immune diseases with the exception of transplants.

Logistics
_The Logistics business sector offers prewholesale pharmaceutical companies a broad range of specialised services spanning storage and distribution of their products in Switzerland through to debt collection.
_In addition to trading, the business sector also provides integrated healthcare logistics services for pharmacies, physicians, drugstores and hospitals, thereby ensuring the supply of medication throughout Switzerland.

Retail
_GaleniCare Holding is the leading retail structure in the Swiss pharmacy market. It has its own chain of pharmacies under the Amavita brand, with 128 locations. GaleniCare also runs a chain of 35 pharmacies in partnership with Coop under the Coop Vitality brand.
_The specialty pharmacy MediService, which is specialised in medication for in-home therapy, is also part of the pharmacy network.

Other operating segments
_The HealthCare Information business sector and Finance and Corporate Services Division, which are combined under the «Other» segment, do not fulfil the threshold criteria of IFRS 8 and have therefore been amalgamated.
_The companies in the HealthCare Information business sector offer solutions for the networked healthcare market. They operate comprehensive databases which provide additional knowledge for all service providers in the Swiss healthcare market, and develop and market the TriaPharm® pharmacy management software and TriaMed® for medical practices.
_The companies which come under the Finance and Corporate Services Division mainly comprise the Group's central services.
_Finance and Corporate Services charges the operating segments management fees for the organisational and financial management it provides. The other inter-segmental services are charged at arm's length. Unrealised gains or losses may arise from the billing of services and sales of assets between the different segments. These are eliminated and recognised in the «Eliminations» column under Segment information.

Segment information as at 30.6.2009

Products and services

in thousand CHF	Vifor Pharma	Logistics	Retail	Other	Eliminations	Group
Net sales	211,112	1,011,253	292,617	23,325	(181,128)	1,357,179
Other revenue	202,219	5,520	13,913	15,768	(21,138)	216,282
Revenue with other segments	(30,533)	(147,077)	(11,252)	(15,024)	203,886	–
Total revenue third parties	**382,798**	**869,696**	**295,278**	**24,069**	**1,620**	**1,573,461**
EBITDA	**181,690**	**10,064**	**17,914**	**3,898**	**(2,237)**	**211,329**
Depreciation	(48,512)	(7,906)	(4,603)	(3,039)	87	(63,973)
Earnings before interest and taxes (EBIT)	**133,178**	**2,158**	**13,311**	**859**	**(2,150)**	**147,356**
Income from interest	2,121	941	409	7,371	(9,902)	940
Interest paid	(1,247)	(2,496)	(3,796)	(14,023)	9,902	(11,660)
Other financial result (net)	(972)	85	(49)	(7,711)	–	(8,647)
Income from associates	–	–	892	(5)	–	887
Earnings before taxes (EBT)	**133,080**	**688**	**10,767**	**(13,509)**	**(2,150)**	**128,876**
Income tax	(11,094)	(30)	(475)	(1,205)	(194)	(12,998)
Net profit	**121,986**	**658**	**10,292**	**(14,714)**	**(2,344)**	**115,878**
Assets	**1,110,619**	**759,971**	**355,602**	**2,230,005**	**(2,238,107)**	**2,218,090**
Investments in associates	–	–	10,667	157	–	10,824
Liabilities	**337,579**	**488,425**	**372,839**	**1,124,437**	**(783,120)**	**1,540,160**
Investment in tangible assets/Investment properties	16,222	6,773	3,260	1,437	–	27,692
Investment in intangible assets	997	329	1,390	1,241	(158)	3,799
Employees at closing date (FTE)	899	997	1,433	209	–	3,538

Geographic areas

in thousand CHF	Switzerland	Europe	America	Other countries	Eliminations	Group
Net sales	1,420,715	67,531	58,445	18,439	(207,951)	1,357,179
Other revenue	243,889	23,862	4,820	831	(57,120)	216,282
Revenue with other segments	(249,875)	(14,374)	–	(822)	265,071	–
Total revenue third parties	**1,414,729**	**77,019**	**63,265**	**18,448**	**–**	**1,573,461**
Assets	**1,784,374**	**167,195**	**265,193**	**1,328**	**–**	**2,218,090**

Segment information as at 30.6.2008

Products and services

in thousand CHF	Vifor Pharma	Logistics	Retail	Other	Eliminations	Group
Net sales[1]	211,095	1,010,780	268,921	24,118	(176,493)	1,338,421
Other revenue	186,559	10,177	12,102	15,012	(12,971)	210,879
Revenue with other segments	(31,724)	(138,326)	(8,389)	(16,000)	194,439	–
Total revenue third parties	**365,930**	**882,631**	**272,634**	**23,130**	**4,975**	**1,549,300**
EBITDA	**190,565**	**19,035**	**16,246**	**4,854**	**960**	**231,660**
Depreciation	(92,504)	(5,713)	(6,357)	(3,401)	62	(107,913)
Earnings before interest and taxes (EBIT)	**98,061**	**13,322**	**9,889**	**1,453**	**1,022**	**123,747**
Income from interest	3,630	1,747	503	6,989	(8,580)	4,289
Interest paid	(1,143)	(2,446)	(3,540)	(22,850)	8,580	(21,399)
Other financial result (net)	(5,560)	38	(527)	16,878	–	10,829
Income from associates	–	–	577	32	–	609
Earnings before taxes (EBT)	**94,988**	**12,661**	**6,902**	**2,502**	**1,022**	**118,075**
Income tax	(9,353)	(1,939)	(401)	(1,270)	(287)	(13,250)
Net profit	**85,635**	**10,722**	**6,501**	**1,232**	**735**	**104,825**
Assets[2]	**1,298,071**	**697,247**	**336,938**	**2,037,907**	**(2,268,584)**	**2,101,579**
Investments in associates[2]	–	–	9,787	163	–	9,950
Liabilities[2]	**290,336**	**422,549**	**363,520**	**1,247,642**	**(821,779)**	**1,502,268**
Investment in tangible assets/Investment properties	11,270	10,833	4,475	213	(3)	26,788
Investment in intangible assets	961	545	2,228	535	(145)	4,124
Employees at closing date (FTE)[2]	805	988	1,429	209	–	3,431

Geographic areas

in thousand CHF	Switzerland	Europe	America	Other countries	Eliminations	Group
Net sales	1,399,138	69,688	52,097	18,904	(201,406)	1,338,421
Other revenue	261,030	968	10,344	–	(61,463)	210,879
Revenue with other segments	(262,795)	(74)	–	–	262,869	–
Total revenue third parties	**1,397,373**	**70,582**	**62,441**	**18,904**	**–**	**1,549,300**
Assets[2]	**1,693,797**	**148,117**	**259,523**	**142**	**–**	**2,101,579**

[1] Figures for Retail adjusted on the basis of IFRIC 13 (see page 17).
[2] Values as at 31.12.2008.

BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

_In the first half of 2009, the scope of consolidation was increased as a result of the following business mergers and other major transactions:

Vifor Pharma business sector

_Acquisition of Pharmasolutions B.V. On 1 January 2009, Galenica acquired the entire share capital of the Dutch company Pharmasolutions B.V.

_The purchase consideration of EUR 128,000 (CHF 200,000) includes transaction costs of EUR 68,000 and was paid in cash. The market value of the provisional net liabilities immediately prior to the acquisition amounted to EUR 218,000 (CHF 342,000) and consists of cash in the amount of EUR 37,000, receivables and other current assets in the amount of EUR 122,000, fixed assets in the amount of EUR 2,000, less liabilities of EUR 379,000. The goodwill of EUR 345,000 (CHF 542,000) consists of the existing client base and immediate access to the Dutch market.

_Pharmasolutions B.V. was renamed Vifor Pharma Nederland B.V. in the course of the first quarter of 2009.

_Acquisition of Nefro Medizintechnik Grosshandelsgesellschaft m.b.H. On 1 April 2009, Galenica acquired the entire share capital of the Austrian company Nefro Medizintechnik Grosshandelsgesellschaft m.b.H., a specialist wholesaler for medical technology devices and other pharmaceutical products.

_The purchase consideration of EUR 562,000 (CHF 857,000) was paid in cash. The market value of the provisional net liabilities immediately prior to the acquisition was EUR 101,000 (CHF 154,000) and consists of cash in the amount of EUR 514,000, receivables and other current assets in the amount of EUR 73,000, less liabilities of EUR 486,000. The goodwill of EUR 461,000 (CHF 703,000) consists of the immediate access which the company provides to the Austrian market. The purchase price allocation has not yet been definitively concluded.

_Nefro Medizintechnik Grosshandelsgesellschaft m.b.H. was renamed Vifor Pharma Österreich GmbH in the course of the second quarter of 2009.

Logistics business sector

_Acquisition of Globopharm AG. On 5 January 2009, Galenica acquired the entire share capital of the Swiss company Globopharm AG and its subsidiaries. Globopharm specialises in pharmaceutical distribution and is active in various business areas. Its core business encompasses logistics services for pharma companies (prewholesale). Globopharm also supplies professionals and patients with its own range of healthcare products and operates a pharmacy.

_The purchase consideration amounts to CHF 7.3 million, CHF 5.0 million of which was paid in cash. The residual purchase consideration of CHF 2.0 million will fall due in February 2011. The transaction costs of CHF 0.3 million are factored into the purchase consideration.

_The goodwill of CHF 6.5 million consists of acquirer-specific synergies that are expected to arise from the acquisition. The purchase price allocation has not yet been definitively concluded.

_Acquisition of non-controlling interests in Farmagest Holding SA, Bipharm SA and Farmacia Centro Breggia SA. On 1 January 2009, Galenica acquired the residual 26.74% of voting shares of the abovementioned companies from its subsidiary Unione Farmaceutica Distribuzione SA. In these transactions, non-controlling interests with a value of CHF 0.2 million were acquired. Since Galenica only has a stake of 73.26% in the seller Unione Farmaceutica Distribuzione SA and the transactions were executed at market value, the payment of the purchase consideration will lead to an increase in non-controlling interests of CHF 0.6 million. This will ultimately result in a net increase in non-controlling interests in equity capital of CHF 0.4 million.

Retail business sector

_In the first half of 2009, GaleniCare Holding Ltd. acquired voting rights of between 50% and 100% in several pharmacies for a total amount of CHF 1.1 million. Upon acquisition, these pharmacies, which were mostly asset deals, were merged with GaleniCare Ltd. The purchased goodwill in the amount of CHF 1.0 million was transferred to GaleniCare Holding Ltd.

_The purchase consideration amounting to CHF 1.1 million was paid in cash.

_The goodwill of CHF 1.0 million corresponds to the added value of the pharmacies based on their locations and customer bases at the time of the takeover. The customer bases do not correspond to the accounting criteria set out under IAS 38.

Proforma figures for acquisitions made in 2009 for the first half of the 2009 financial year

_Since they were included in Galenica's scope of consolidation, the businesses acquired have contributed net sales totalling some CHF 39.4 million and an operating loss (EBIT) of CHF 0.9 million to the Group's result as at 30 June 2009. Since the majority of companies acquired in the Retail business sector were asset deals, neither the contribution to the result nor the net sales that would have accrued upon completion of the acquisitions on 1 January 2009 can be calculated.

_The changes in the scope of consolidation have resulted in the following credit and debits with regard to assets and liabilities as well as the corresponding net fund:

in thousand CHF	Globopharm Book value	Globopharm Market value	Other Book value	Other Market value	1.1.–30.6.2009 Book value	1.1.–30.6.2009 Market value
Cash	3,325	3,325	842	842	4,167	4,167
Trade accounts receivable	76,951	76,951	133	133	77,084	77,084
Inventories	2,562	2,562	255	255	2,817	2,817
Other current assets	927	927	32	32	959	959
Tangible assets	8,910	8,910	3	3	8,913	8,913
Intangible assets	151	151	–	–	151	151
Financial assets	12	12	–	–	12	12
Deferred tax assets	2,248	2,248	–	–	2,248	2,248
Trade accounts payable	(65,205)	(65,205)	(267)	(267)	(65,472)	(65,472)
Short and long-term financial liabilities	(22,578)	(22,578)	(418)	(418)	(22,996)	(22,996)
Deferred tax liabilities	(325)	(325)	(74)	(74)	(399)	(399)
Employee benefit liabilities	(3,925)	(3,925)	–	–	(3,925)	(3,925)
Other short and long-term liabilities	(2,285)	(2,285)	(576)	(576)	(2,861)	(2,861)
Fair value of net assets	**768**	**768**	**(70)**	**(70)**	**698**	**698**
Goodwill		6,533		2,257		8,790
Purchase consideration		**7,301**		**2,187**		**9,488**
Future cash payable		(2,000)		–		(2,000)
Cash acquired		(3,325)		(842)		(4,167)
Net cash flow		**1,976**		**1,345**		**3,321**

_Due to the fact that valuations have still to be completed, the data on the acquired assets and liabilities are not definitive.

Contingent liabilities

_During the first half of 2009, there was little change in the contingent liabilities in the form of guarantees to customers and liabilities for the acquisition of securities.
_Galenica has signed purchase agreements for acquiring pharmacies. These purchase rights or obligations will mature between 2010 and 2013. The purchase obligations are expected to involve total payment of CHF 17.9 million at the most. The purchase rights amount to an estimated volume of CHF18.4 million.
_There were no changes to ongoing administrative and legal investigations in the first half of 2009. Galenica remains confident that the results of these investigations will not have a significant impact on the profits and financial position of the Group.

Events after the balance sheet date

_Between 30 June 2009 and the release of the consolidated interim financial statements, the following acquisition was made.

Acquisition in the Vifor Pharma business sector
_Acquisition of Vifor Uriach Pharma S.L. On 1 July 2009, Galenica acquired 50% of the share capital plus one share of the Spanish company Vifor Uriach Pharma S.L. The joint venture is being undertaken with the Spanish company J. Uriach Y Compañia SA. Vifor Uriach Pharma S.L. is controlled and managed by Galenica owing to its contractually agreed management majority, and is fully consolidated with effect from the date of acquisition. Vifor Uriach Pharma S.L. specialises in the sale of medicines for iron deficiency therapy.
_The purchase price for the shares was EUR 2.6 million (CHF 4.0 million). At the time the consolidated interim financial statements were approved, only a preliminary balance sheet was available. The market value of the provisional net assets immediately prior to the acquisition was EUR 0.2 million (CHF 0.3 million). The goodwill of EUR 2.4 million (CHF 3.7 million) consists of the existing customer base and guarantee of immediate access to the Spanish market.

Acquisition in the Retail business sector
_Acquisition of Sun Store SA. On 3 March 2009, Galenica announced that it had signed an agreement to acquire the pharmacy chain Sun Store with more than 100 points of sale throughout Switzerland. Sun Store pharmacies are particularly well known in shopping centres and cities with high customer traffic. The pharmacies generally cover up to 600 square metres, enough space to offer a wide range of beauty, wellness and health products. By allowing for expansion to over 260 pharmacies, the acquisition of Sun Store will enable the Health Division to expand its leadership status in a market currently characterised by consolidation. Separate management of these units is not planned. The acquisition required the approval of the Swiss Competition Commission. The transaction was carried out on 1 July 2009.
_The purchase price for the entire share capital of Sun Store was CHF 436.5 million, of which Galenica made a partial payment of CHF 100.0 million; this includes transaction costs of CHF 0.5 million. Since the acquisition was concluded only shortly before the consolidated interim financial statements were prepared and released, it was not possible to complete the calculation of the additional information required under IFRS. The goodwill anticipated from the acquisition of Sun Store is attributed to the locations and the existing customer base.

Release of the consolidated interim financial statements for publication

_The interim financial statements were approved for publication by the Board of Directors of Galenica Ltd. on 4 August 2009.

EXPLANATIONS OF PICTURES

_The Galenica Group selected the theme of integration for the visual images in the Annual Report 2008. The Galenica Group brings together people and companies from a variety of backgrounds and cultures, with a wide range of expertise and activities. This diversity is an essential combination for a successfully functioning whole.

_There is no more fitting example of this than an orchestra. Every individual member of the orchestra is a leading specialist in their instrument, but only together can they achieve something that the individual would not be capable of alone.

_Please see below for explanations of the photographs used in the Half Year Report 2009, produced in cooperation with the Bern Symphony Orchestra (BSO).

_A **violin** is in fact a «little viola». It is colloquially known as a fiddle, although fiddle also has a more generalised meaning than violin. The BSO includes 17 first and 14 second violins.

_The **French horn** has been a fixture of the orchestra since the 18th century. Its roots go back to ancient times when horns were largely made of animal horn and were used as signal instruments.

_The **tuba** is the lowest pitched brass instrument. It can have three to six valves and owing to its wide and therefore strong conical bore, belongs to the bugle-horn family. Tuba was the name given to a wind instrument made of brass or bronze during the Roman Empire. It took the form of a straight, elongated tube with narrow bell, similar to a fanfare horn, and was presumably akin to the Greek salpinx. The BSO has one tuba.

Layout and realisation: WerbeLINIE Ltd., Thoune   Text: int/ext Communications Ltd., Basle   Photographies: Jean-Jacques Ruchti, Aarau   Lithographies: Denz Lith Art Ltd., Bern   Printer: Stämpfli Ltd., Bern

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_The half year report is also available in French and German and can be downloaded as a PDF at www.galenica.com.