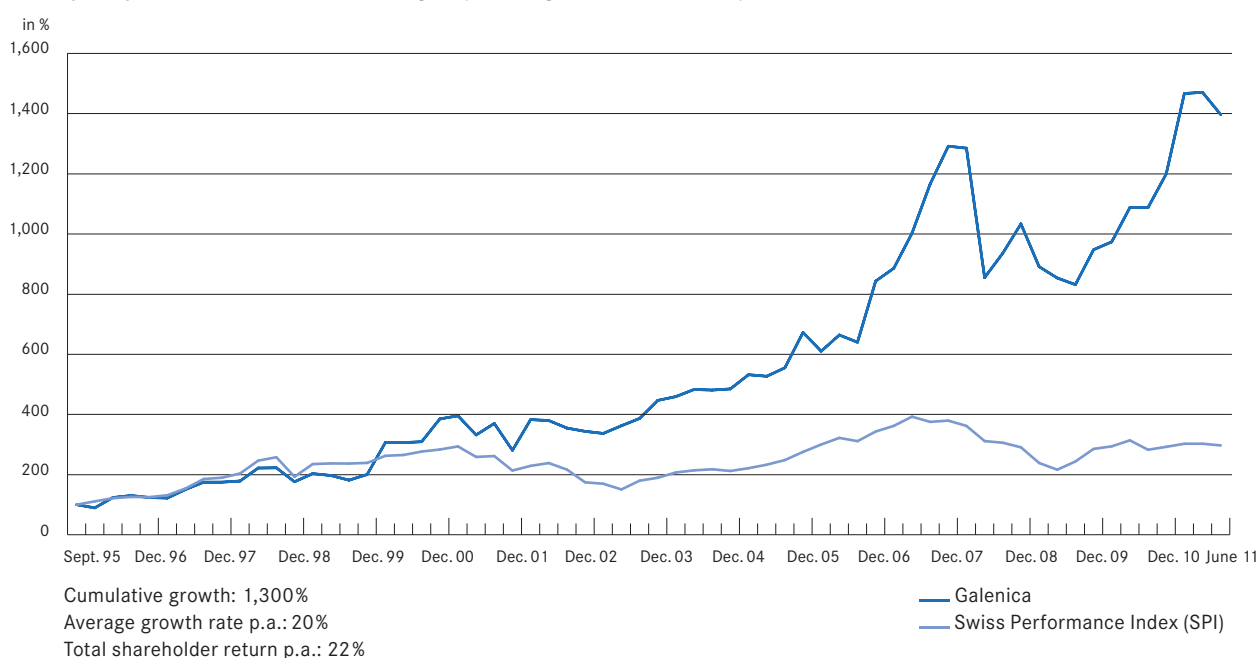


**HALF YEAR REPORT 2011**  
of the Galénica Group



# SHARE PRICE

## Share price performance 1995–2011 \_change in percentages at the end of the quarter



## KEY FIGURES

in million CHF	1.1.–30.6.2011	1.1.–30.6.2010
<b>Galenica Group</b>		
<b>Net sales</b>	<b>1,581.2</b>	<b>1,526.8</b>
_Pharma	296.0	286.8
_Logistics	1,033.5	985.4
_Retail	544.4	528.6
_HealthCare Information <sup>1)</sup>	25.0	24.0
_Net sales with other segments	(317.7)	(298.0)
<b>EBITDA<sup>2)</sup></b>	<b>208.3</b>	<b>216.4</b>
EBITDA in % of net sales	13.2%	14.2%
<b>EBIT<sup>2)</sup></b>	<b>172.7</b>	<b>164.1</b>
_Pharma <sup>2)</sup>	140.3	130.1
_Logistics	10.2	12.9
_Retail	24.2	22.3
_HealthCare Information <sup>1)</sup>	2.4	3.3
_Other and Eliminations	(4.4)	(4.5)
EBIT in % of net sales	10.9%	10.8%
<b>Net profit<sup>2)</sup></b>	<b>122.6</b>	<b>117.5</b>
<sup>1)</sup> In the segment information, HealthCare Information is summarized as «Other» along with the other activities of the sector Finance and Corporate Services		
Investment in tangible and intangible assets	26.7	36.1
Employees at balance sheet date (FTE)	5,615	5,439
Cash flow from operating activities	65.9	7.5
<b>Balance sheet</b>		
Cash at balance sheet date	104.0	291.9
Balance sheet total <sup>2)</sup>	2,901.4	3,010.8
Shareholders' equity <sup>2)</sup>	977.3	933.5
Equity ratio <sup>2)</sup>	33.7%	31.0%
Net borrowings	998.9	947.6
Gearing	102.2%	101.5%

<sup>2)</sup> Previous year adjusted due to a definitive purchase price allocation and/or due to IFRIC 14

## CONTENTS

### **Half year report 2011**

3 \_Foreword

5 \_Reporting

### **Interim financial statements 2011**

14 \_Consolidated income statement

15 \_Consolidated statement of comprehensive income

16 \_Consolidated statement of financial position

17 \_Consolidated statement of cash flows

18 \_Consolidated statement of changes in equity

19 \_Notes to the consolidated interim financial statements



## FOREWORD

### DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

\_In 2011, Galenica set itself the objective of matching last year's record result. At first glance, this may not seem all that ambitious. In reality, it is a major challenge given the strength of the Swiss franc, the uncertainty in the financial markets and the measures that have been taken by European governments to achieve drastic savings in healthcare budgets.

\_Galenica generates about two-thirds of its result in euros and US dollars, while 6,000 of its approximately 7,000 employees are paid in Swiss francs. This fact is reflected in the figures: in the first half of 2011, sales increased by 3.6% to CHF 1,581.2 million. Without the impact of the euro and dollar, EBIT and Group profits would have increased by 11% and 17% respectively. Converted into Swiss francs, EBIT improved by 5.3% to reach CHF 172.7 million and Group profits were up by 4.4%, reaching CHF 122.6 million.

\_Galenica is at the threshold of a five-year period that will be decisive for the Group's future. In the Pharma business sector we have a number of products and projects with significant potential:

- \_globalisation of our iron-based parenteral preparation Ferinject® and its registration in the USA under the name of Injectafer®;
- \_finalisation of the development and then global commercialisation of PA21, the novel phosphate binder;
- \_the Vaxom specialty immuno-stimulants;
- \_and in particular the new company we created with Fresenius Medical Care (FMC) that is destined to become world leader in nephrology.

\_Given this potential, and our conviction that the Galenica Group will be in an even stronger position in five years, we are once again going to make substantial investments for the future despite the uncertainty of financial markets. In particular, we are maintaining our commitment to research and development and expanding our operational, scientific and commercial activities. Financing for these projects will come from sales, licence fee income from CellCept and contributions from FMC.

\_Vifor Fresenius Medical Care Renal Pharma, in which Galenica holds a 55% stake with the other 45% held by FMC, has started operations in the USA. We are waiting on approval from the competition authorities in the second half of 2011 in order to be able to launch in Europe and the rest of the world. The company's Board of Directors is made up of leaders from both partners and meets every month in the United States or in Europe. Thanks to



this effective collaboration, management is fully operational in the American market and highly active in the development of the new product PA21 making good use of the new company's many synergies.

\_ As we have always maintained, iron deficiency is a very widespread illness throughout the world, however, it is not well recognised. An exception is the field of dialysis, in which patients are systematically treated with injectable iron products and 90% of patients receive iron regularly. The FDA's recent decision to reduce ESA (erythropoiesis-stimulating agents) dosing for patients with chronic kidney disease could increase the use of intravenous iron. In other indications (gastroenterology, cardiology, oncology, gynaecology, etc.) a number of the world's leading expert clinicians are aware of the benefits and are beginning to share their experience.

\_In Switzerland, where specialists first began to use injectable iron outside of dialysis more than ten years ago, the use of iron products increased significantly in the areas of gastroenterology and gynaecology and has now stabilized. Today almost all iron-deficient patients in these indications are being treated. And, in connection with recent publications by specialists in geriatric medicine, Vifor Pharma is also beginning to make the medical community in Switzerland aware of this indication.

\_Outside Switzerland, where we are still at the beginning of the process, awareness of Ferinject® for the treatment of iron deficiency and market receptiveness varies widely by therapeutic area and market. In general, support from clinical specialists is stronger than ever and the number of spontaneously published clinical studies continues to grow. Based on the experiences made in Switzerland,

Galenica believes that it will take time for such support to translate into generalised use, as has been the case in our country. It is essential to continue to conduct clinical studies for publication in the most influential scientific journals, as was recently the case in The «New England Journal of Medicine» and in «Gastroenterology». Galenica is focusing significant efforts in this area.

\_In the Health Division, the Logistics business sector has reached a very high technical level and provides first-class, quality services. Our investment in this sector is clearly bearing fruit as only the best service providers manage to resist very strong market pressure. The same is true for the Retail business sector that benefits from its highly trafficked locations, economies of scale and good organisation.

\_The Group has already been benefiting from David Ebsworth's extensive pharmaceutical industry experience for the past two years and he is fully engaged in preparing the organisation of the Group planned for 1 January 2012. As of this date, Etienne Jornod will take on the role of Executive Chairman of the Board of Directors. The new division of responsibilities between the Executive Chairman of the Board of Directors and the CEO was laid out in the Group's 2010 Annual Report and presented at the Annual General Meeting of 5 May 2011.

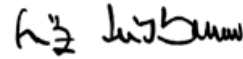
\_Given the environment in which we are currently evolving, accurate forecasting is extremely difficult. Nevertheless, we confirm that it is our objective to achieve a 2011 result comparable to last year's, a performance that is all the more remarkable considering the exceptional investments made for future growth.

\_This demonstrates the success of the Galenica business model that allows the Group not only to assure a measure of growth that is unique in Switzerland in terms of employment, share value, shareholder earnings but also allows us to honour our fundamental, ultimate goal of providing notable improvements in patients' quality of life along with service improvements to consumers and customers.

Bern, 17 August 2011

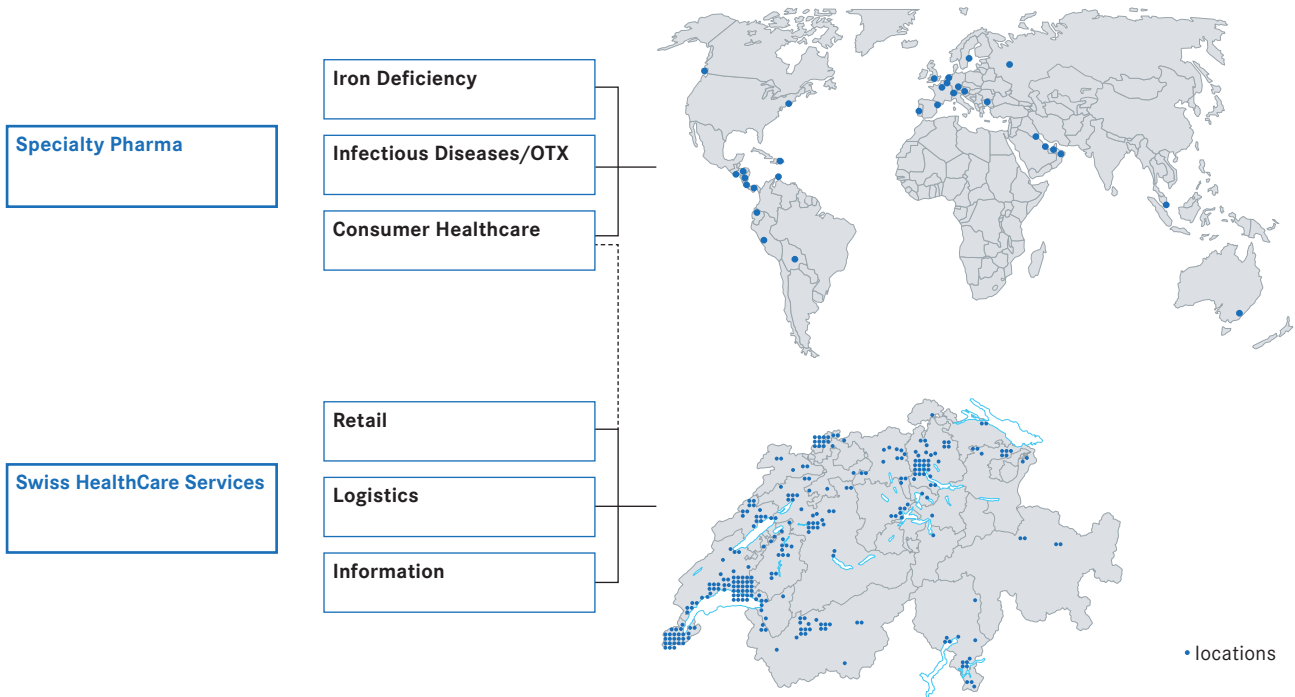


Etienne Jornod  
Chairman of the Board  
of Directors and CEO



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

## Strategy of the Galenica Group



# REPORTING

## GALENICA GROUP

### Sales and operating result

\_In the context of its long-term development strategy, Galenica is focusing on five highly promising projects, all of which are making good progress. The new company Vifor Fresenius Medical Care Renal Pharma started operating in the USA. The number of prescriptions for Ferinject® in new therapeutic indications (outside the field of dialysis) has grown by 40% to 60% in all the European countries where it has been introduced, supported by the results of new clinical studies. The process for registering Injectafer® in the USA is progressing as planned with FDA registration filing scheduled for 2012. The development (phase III) of the phosphate binder PA21 is also progressing very satisfactorily with registration filing scheduled for 2012 in Europe and the USA. The Vaxom products (Uro-Vaxom® and Broncho-Vaxom®) are now included in the Group's strategic priorities given their significant potential.

\_Therefore despite the strong Swiss franc, the uncertainty of financial markets, and drastic measures taken by European governments to reduce healthcare budgets, Galenica is once again making significant investments in research and development as well as in the continuous strengthening of the scientific and commercial organisations.

\_The Galenica Group intends to maintain sustainable growth with the broadest possible risk diversification. For example, the Health Division enjoys a very strong presence in the Swiss market reinforced by timely strategic initiatives like the creation of a highly automated distribution centre in Niederbipp and the creation of a chain of pharmacies located in heavily trafficked areas.

\_The challenge of the strong Swiss franc. The present currency situation is highly complex, with both the euro and the US dollar reaching historic lows against the Swiss franc in the first half of 2011 and no short-term recovery in sight. Galenica is significantly affected by this situation

because it generates around two-thirds of its results in euros and dollars, but pays the salaries of 6,000 of some 7,000 employees in Swiss francs. Only rigorous cost management and a focus on key priorities can limit the impact of the strong franc. The Group can partially compensate for this negative effect in Europe where it has its own sales affiliates, but not in markets in which the reference currency is the US dollar, particularly in the USA, Galenica's largest market.

\_Significant profit growth considering the currency impacts. Net sales of the Galenica Group rose by 3.6% to CHF 1,581.2 million over the same period in 2010. Without the impact of the euro and the US dollar, earnings before interest and taxes (EBIT) and Group profits would have increased by 11% and 17% respectively. Converted into Swiss francs, EBIT improved by 5.3% to reach CHF 172.7 million and the Group's profits increased by 4.4% reaching CHF 122.6 million. Adjusted for the impact of the euro and the US dollar, net profit after deducting minority interests, would have risen by about 3%.

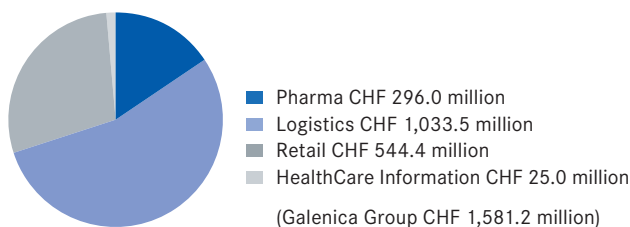
\_The efforts focused on R&D projects and to the Group's development have once again intensified. Despite the current environment, investments in R&D were CHF 60.1 million in the first half of 2011 (CHF 58.0 million in the first half of 2010) and investments in tangible and intangible assets rose to CHF 26.7 million.

### Pharma

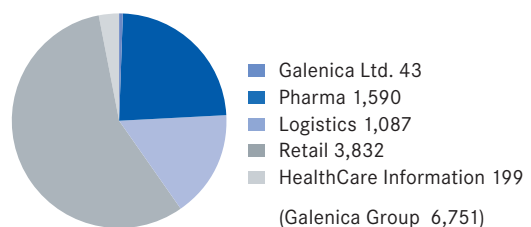
\_The new company Vifor Fresenius Medical Care Renal Pharma began operations in the USA and approval from the European competition authorities is expected in the second half of the year.

\_Ferinject® was successfully launched in France and South Korea and the product was approved in Australia and Lebanon. Ferinject® is now also reimbursable in Scotland and Norway, and the hospital price has been defined in Bulgaria and Romania. The medical community is continually being informed via congresses and symposia about the demonstrated efficacy of Ferinject® in different

Net sales by business sector as of 30 June 2011



Number of employees as of 30 June 2011



therapeutic areas. There has been a great deal of interest by specialists, but as the Swiss experience has shown, it will nevertheless take time to achieve broad application. \_Venofer® has performed very well in local currencies – particularly in the USA where, due to a new reimbursement system, dialysis clinics have begun to make more frequent use of parenteral iron products. The recent decision by the FDA to reduce ESA (erythropoiesis-stimulating agents) dosing also contributes to increased uptake. However sales were affected by increased price pressure from competition.

### Health

\_Galaxis acquired important new customers with parts of the TopPharm group of pharmacies and the drugstore chain Impuls.

\_The GaleniCare pharmacy network continued to grow and, as of mid-2011, comprised 286 wholly owned points of sale and 145 independent partner pharmacies.

\_e-mediast has been appointed to manage the newly established Object Identifier Registration Office, which once again confirms its key role in the Swiss eHealth system.

## PHARMA

### Sales and operating results

\_In the first half of 2011, Vifor Pharma made important progress in consolidating its position as a global specialty pharma company, in particular, in the further development of its product portfolio and in reinforcing the market penetration of its specialty injectable and oral iron therapies.

\_The beginning of the year was marked by a refocusing of the organisation to achieve four objectives: to create global functions; to deepen support for the company's country affiliate organisations and partners in the regions; to fully integrate the employees, products, know-how and capabilities of OM Pharma and to prepare for the launch of Vifor Fresenius Medical Care Renal Pharma.

\_Included in these initiatives were the repatriation of the Vifor Pharma iron portfolio from partners in Portugal and Peru and the incorporation of these products into the newly integrated affiliates in these countries, which previously focused solely on OM Pharma products. The regional hubs of Vifor Pharma were also strengthened and a new regional unit was established at the OM Pharma site in Geneva to focus on Southern Europe, the Middle East and Africa. These efforts not only ensure the continuity of the company's partnerships, but help develop them further. In Australia, Aspen Pharmacare Australia, which has an increased market presence following the purchase of Sigma Pharmaceuticals, was selected as a new sales partner for Ferinject®, which was recently approved by the Australian Therapeutic Goods Administration. In the Commonwealth of Independent States (CIS) countries, a new sales agreement was signed with Nycomed.

### Earnings by business sector

in million CHF	Net sales		Total revenue		EBITDA		EBIT	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010	30.6.2011	30.6.2010	30.6.2011	30.6.2010
<b>Pharma</b>	296.0	286.8	415.9	410.1	156.3	162.6	140.3	130.1
ROS <sup>1)</sup>					37.6%	39.6%	33.7%	31.7%
<b>Logistics</b>	1,033.5	985.4	1,038.4	992.9	17.9	20.8	10.2	12.9
ROS					1.7%	2.1%	1.0%	1.3%
<b>Retail</b>	544.4	528.6	582.6	558.2	33.9	31.8	24.2	22.3
ROS					6.2%	6.0%	4.5%	4.2%
<b>HealthCare Information</b>	25.0	24.0	25.3	24.6	4.9	5.9	2.4	3.3
ROS					19.6%	24.6%	9.6%	13.8%

<sup>1)</sup> in % of Total revenue

\_The Pharma business sector generated net sales of CHF 296.0 million representing 10.8% growth in local currencies. Growth in Swiss francs (+3.2%) was influenced by a number of factors including the very weak US dollar and pharma-political interventions in pricing, such as the incremental discount and price rollback imposed in Germany in August 2010. Licence income from CellCept amounted to CHF 70.3 million. Consolidated earnings before interest and taxes (EBIT) increased by 7.9% to CHF 140.3 million.

### Prescription drugs (Rx)

\_Worldwide sales of the iron products Ferinject® and Venofer® rose 11.7% in local currency (+0.8% in Swiss francs) to CHF 127.1 million.

\_Net sales of Ferinject® rose to CHF 39.9 million from last year's CHF 33.6 million, up 27.8% in local currencies and 18.7% in Swiss francs. Sales in Switzerland were stable at the very high level of CHF 15.4 million, equivalent to CHF 4.5 million per million inhabitants. In Germany, the second largest market for Ferinject®, prescriptions increased by 44%. However, the double impact of government-imposed rebates and the strong Swiss franc eroded this growth by 43% to a mere 1%. Elsewhere, prescriptions saw solid increase in Sweden (the third largest market for Ferinject®) up by 50%; in Great Britain, there was a 60% increase; and prescriptions in Spain were up by 33%. The medical community in the Netherlands (launch in 2010) and France (launch in 2011) have welcomed the introduction of Ferinject® with open arms. After only a few months of sales, the level of prescriptions in June in these countries reached 40% and 50% of German prescription levels respectively.

\_Venofer® saw a 5.9% increase in global sales in local currencies amounting to CHF 87.2 million overall (-5.7% in Swiss francs).

\_The oral iron therapy Maltofer® showed very encouraging growth with sales up 29.7% in local currencies to CHF 32.0 million (an increase of 24.0% in Swiss francs). These impressive results were achieved thanks to several factors including strong organic growth, successful public tenders in emerging countries where the management of iron deficiency is becoming increasingly important, as well as a targeted campaign to revitalise the brand.

\_Sales of other Rx products increased by 7.0% to CHF 26.1 million. These products include a number of Rx products, previously sold only in Switzerland, which have now also been launched in other countries by local affiliates thus enhancing their product offer. The German affiliate is the first to add such products to its portfolio.

\_CellCept revenues accounted for CHF 70.3 million (-31.7%). The expected decline was the result of a combination of generic launches in a number of European countries and the effects of currency fluctuation.

### Infectious diseases/OTX

\_Sales of the immuno-stimulant products Broncho-Vaxom® and Uro-Vaxom® showed encouraging growth: sales of Broncho-Vaxom® increased by 8.8% in local currencies (+4.2% in Swiss francs) to CHF 24.9 million, those of Uro-Vaxom® by 50.7% in local currencies (+37.8% in Swiss francs) to CHF 6.2 million.

\_The integration of OM Pharma has made it possible to open up further distribution channels for the iron and other Rx products.

### Total net sales Rx products

in million CHF	30.6.2011	30.6.2010	Change in %
<b>Intravenous (iv) iron replacement products:</b>			
Venofer®	87.2	92.5	-5.7
Ferinject®	39.9	33.6	+18.7
<b>Oral iron replacement products: Maltofer®</b>	32.0	25.8	+24.0
<b>Other Rx products</b>	26.1	24.4	+7.0
<b>Revenues and licence fee income:</b>			
CellCept, other	111.6	122.2	-8.7

## Consumer Healthcare

**\_Switzerland.** Total sales of Vifor Pharma Consumer Healthcare products in Switzerland amounted to CHF 39.7 million (+4.6%). Anti-Brumm® and Algifor® developed very successfully and third-party manufacturing also increased by more than 25% during the first half of 2011. Triofan® sales were negatively impacted by a weak cough and cold season while the performance of Equazen IQ™ was affected by restrictions imposed on promotional claims.

**\_Export.** Consumer Healthcare's export sales were CHF 12.5 million (-18.5%) and were very badly impacted by the strong Swiss franc.

## Vifor Pharma Rx

**\_Ferinject®: Further authorisations and successful launches.** Vifor Pharma continued to expand the reach of Ferinject®, the first high-dose, non-dextran intravenous iron therapy, with launches in France and South Korea, regulatory approvals in Australia and Lebanon, reimbursement approvals in Scotland and Norway, and pricing approvals in both Bulgaria and Romania where Ferinject® can now be used in hospitals. The Australian approval was particularly notable as it was the first time in that country that an intravenous iron product has been approved without a requirement to administer a test dose. In the USA, the studies supporting the future filing of Injectafer® (brand name of Ferinject® in the USA) progressed well. In the medical community, Ferinject® continued to be the focus of significant attention at a wide range of important medical congresses and symposia in the fields of cardiology, gastroenterology, oncology, nephrology, gynaecology and patient blood management. Several posters prepared for Vifor Pharma were awarded «poster of distinction» for the presentation of FERGI-COR (gastroenterology) and FAIR-HF (cardiology) study results.

### The strongest Infectious Diseases/OTX products in terms of net sales

in million CHF	30.6.2011	30.6.2010	Change in %
Broncho-Vaxom®	24.9	23.9	+4.2
Doxium®	12.9	14.2	-9.2
Dicynone®	9.2	8.6	+7.0
Uro-Vaxom®	6.2	4.5	+37.8

**\_In Switzerland,** sales of Ferinject® were stable at a high level in the first half of 2011. New patient groups are currently being tapped, enhancing growth prospects for the future.

**\_Venofer® maintains market position.** Venofer® continued to grow steadily in local currency terms despite unrelenting pressure from further launches of iron sucrose similars in some European countries. Outside Europe, and notably in the USA, the largest market for Venofer®, its volume of sales has grown substantially and the ongoing collaboration with Fresenius Medical Care continued to deliver results. As US dialysis clinics are working to reduce expensive ESA (erythropoiesis-stimulating agents) usage under the new bundling system introduced at the beginning of 2011, they are using new algorithms that require more iron to maintain haemoglobin levels. This change has had a positive effect on the volumes of iron used, helping to ensure that Vifor Fresenius Medical Care Renal Pharma got off to a successful start in the USA. In the European Union and Switzerland, approval from competition authorities for operations of the company outside the USA is expected in the second half of 2011.

**\_Oral iron preparations.** The leading oral iron product Maltofer® had a very strong start to 2011 with brand rejuvenation and successful state tenders, demonstrating strong recognition from governments in emerging markets for the product's quality and value in addressing iron deficiency.

**\_PA 21.** Recruitment for phase III clinical trials started very well, supported by Fresenius Medical Care and its world-leading network of dialysis centres.

**\_Infectious Diseases/OTX.** The newly created Infectious Diseases/OTX unit had a dynamic first half of 2011 with the immuno-stimulant products Broncho-Vaxom® and Uro-Vaxom® showing remarkable growth as work continued on an even-more targeted strategy to address a number of unmet medical needs. Vifor Pharma affiliates in Germany, Belgium and Romania began the promotion of OM Pharma products. In Portugal Doxium® completed its switch to become an OTC drug. In Switzerland a high-dosage form of Doxium® was approved.

**\_Quality and manufacturing: Audits successful.** Building on the successful FDA audit at the St. Gallen site in 2010, Vifor Pharma also successfully concluded a number of audits in the first half of the year, including an MHRA audit in Wigan and two Swissmedic audits in Switzerland.

### Vifor Pharma Consumer Healthcare

**\_Switzerland.** Sales of Consumer Healthcare products in the first half of 2011 were slower than expected due to a weak cough and cold season combined with a restriction in claims allowed in the promotion of Equazen IQ™. Algifor® sales were up significantly, supported by several promotional initiatives including the successful continuation of the launch of Algifor® syrup for children as an over-the-counter formulation also widely prescribed by paediatricians and reimbursed by health authorities in Switzerland and a new consultancy programme with complementary information material that helps pharmacies and drugstores increase their ability to advise migraine sufferers.

**\_Perskindol®** patches launched in late 2010 continued to grow and a new «Consultancy Shelf Concept», displaying all therapeutic areas in the Perskindol® range, was rolled out in a number of pharmacies and drugstores. Anti-Brumm® sales were very dynamic thanks to the recent launch of tick spray and tick test that helped revitalise this important brand.

**\_Toll manufacturing strong.** Third-party manufacturing grew markedly in the first half of the year, up 25% versus the previous year, due to increased capacity demands from both existing and new contracts.

**\_International sales.** The first half of 2011 saw a number of launches including Equazen eye q™ in Portugal, Anti-Brumm® by Hermes in Germany, and Nasmer® (Nycoklar) by Nycomed in January in Norway.

### The strongest Consumer Healthcare products (OTC) in terms of net sales

in million CHF	30.6.2011	30.6.2010	Change in %
Perskindol®	6.1	6.9	-11.6
Equazen eye q™	5.2	7.3	-28.8
Algifor®	4.9	4.0	+22.5
Anti-Brumm®	4.9	2.8	+75.0
Triofan®	2.7	2.5	+8.0

## LOGISTICS

### Sales and operating result

**\_The pressure on the Swiss healthcare market continues unabated.** In this environment, which is proving difficult for many players, demand for modular, forward-looking solutions such as those offered by the Logistics business sector is growing. It is services such as these that have enabled Alloga, Galexis, Unione Farmaceutica Distribuzione and G-Pharma to hold out against the generally negative market trend. Sales increased by 4.9% to CHF 1,033.5 million versus last year. Earnings before interest and taxes (EBIT) were CHF 10.2 million (-20.5%) comparable to the previous year due to the sale of a property in 2010.

**\_Galexis: Convincing quality.** High service quality and market presence proved to be success factors in acquisition activities and led, among other things, to winning back parts of the TopPharm group of pharmacies as customers, and to a new collaboration with the Impuls service cooperative, a major new customer from the drugstore sector.

**\_The own brand range GALecoline®** was expanded successfully, with the addition of a pregnancy test.

**\_In connection with preparatory work for the replacement of the material-handling system at the Lausanne-Écublens distribution centre,** Galexis supplied its customers from the Niederbipp centre on a trial basis, with a view to ensuring problem-free distribution during the renovation phase. The period of modification work was also used to rehearse emergency response measures to ensure security of supply throughout Switzerland in the event of the possible failure of a distribution centre due to a disaster.

**\_Unione Farmaceutica Distribuzione: Strong offering for Ticino.** Unione continued to expand its range of products and services for existing customers in collaboration with Galexis.

**\_Alloga: Investments in IT.** The large number of partners and their wide range of IT systems represent a major challenge for smooth data exchange. Alloga has complemented its IT system with a new integration platform, which serves to harmonise the interface with each partner and simplify order processing in future.

\_Thanks to the newly developed IT approval platform, which has been certified by the regional inspectorate of medicinal products (RHI) for northern Switzerland, Alloga is now in a position to significantly simplify and accelerate the market approval process for its customers. The service has been launched successfully and has attracted significant interest in the market.

**\_G-Pharma: An increasingly popular model.** The range of own brands currently comprises 30 products from the areas of analgesics, cold medication, and now dermatology. In the first half-year, a further major customer decided to entrust the administration of their own brands to G-Pharma.

## RETAIL

### Sales and operating result

\_The value of the pharmacy market has continued to contract over the last half year due to a combination of price cuts and reduced sales margins, together with fairly cautious consumer spending. Thanks to strict cost management, synergies in strategic purchasing for the various pharmacy formats, a further increase in cash sales and collaborative development of new offerings with suppliers, the Retail business sector succeeded in withstanding negative market influences to a significant extent. At CHF 544.4 million, sales were up 3.0% on the previous year and earnings before interest and taxes (EBIT) grew by 8.5% to CHF 24.2 million.

\_In an environment of continued pressure, many more pharmacies have decided to take advantage of the benefits offered by a group, enabling GaleniCare to recruit new locations (see table).

**\_Amavita: Partner for innovation.** Nestlé chose Amavita as its exclusive pharmacy partner for the Swiss launch of BabyNes, the world's first comprehensive feeding system for babies and infants. In a test phase that has been running since the end of May, 16 selected Amavita pharmacies have been selling both the milk formula capsules and the machines required for their preparation.

**\_Sun Store: Closer to the customer.** The presentation of Sun Store's marketing and communications tools has been adapted to target groups. The launch of a gluten intolerance test proved highly popular among customers, and Sun Store also offers a wide range of gluten-free foods.

**\_Coop Vitality: Rapid reassurance from telemedicine.** In collaboration with MEDGATE, the Swiss centre for telemedicine, Coop Vitality launched a tick check just in time for the tick season. In suspected cases of tick-transmitted Lyme disease customers can arrange for the affected areas of their body to be photographed at the pharmacy. The high-definition picture is then sent to MEDGATE for immediate diagnosis. If the suspicion is confirmed, the customer can be provided immediately with the necessary medication.

### GaleniCare pharmacies and shareholdings

	30.6.2011	31.12.2010	Change
Amavita pharmacies <sup>1)</sup>	129	127	+2
Sun Store pharmacies <sup>1)</sup>	106	104	+2
Coop Vitality pharmacies <sup>2)</sup>	45	42	+3
MediService specialty pharmacy <sup>1)</sup>	1	1	-
Majority holdings in other pharmacies <sup>1)</sup>	3	3	-
Minority holdings in other pharmacies <sup>2)</sup>	2	2	-
<b>Total own points of sale</b>	<b>286</b>	<b>279</b>	<b>+7</b>

<sup>1)</sup> Fully consolidated  
<sup>2)</sup> Consolidated at equity

### Independent partners of GaleniCare

	30.6.2011	31.12.2010	Change
Amavita partnerships	17	16	+1
Winconcept partner pharmacies	128	117	+11
<b>Total independent partners</b>	<b>145</b>	<b>133</b>	<b>+12</b>

**\_MediService: Success thanks to specialisation.** The business unit Pharma Direct Service is focusing on the niche area of quality-assured dispatch of prescription drugs by post. The business unit Pharma Care is adding further indications to existing therapy segments such as neurology, rheumatology, autoimmune diseases and oncology.

**\_Winconcept: Now also present in Ticino.** 21 pharmacies have signed a partnership agreement that came into effect on 1 July 2011. Entering the Ticino market, Winconcept will consolidate its position as the largest group of independent pharmacies active throughout Switzerland.

## HEALTHCARE INFORMATION

### Sales and operating result

\_The ongoing roll-out of TriaPharm® and the high demand for hospINDEX contributed significantly to the 4.2% increase in mid-year sales to CHF 25.0 million; earnings before interest and taxes (EBIT) amounted to CHF 2.4 million.

### Content management

\_e-mediast has been appointed to run the new Swiss Object Identifier (OID) Registration Office. OIDs serve to clearly identify information objects worldwide and will play a central role in the future of the Swiss eHealth system.

\_The new compendium application (KompendiumApp) for iPhone, iPad and iPod Touch will facilitate mobile access to all content in the Swiss Drug Compendium (Arzneimittel-Kompendium der Schweiz®) from Documed. The free application offers a wide range of functions that support searching for and identifying medicines, and thus contributes to ensuring drug safety.

### Process management

\_TriaPharm®. The pharmaceutical database my-eDossier, containing details of a patient's drug therapy and treatment, has been successfully developed and tested with a pilot installation. Additional modules for the administration of pharmacy chains have also been developed.

\_TriaMed®. Triamun continued to pursue its active involvement in various cantonal pilot projects in connection with eHealth Switzerland and the electronic patient dossier based on TriaMed®.

\_The functionalities for collaborative practice models (group and chain practices) have been further expanded.

## OUTLOOK FOR 2011

### Galenica Group

\_While developments in the international financial markets are currently extremely difficult to predict, currency fluctuations will almost certainly continue to have a negative effect on the Swiss export industry and thereby also on the Galenica Group. In addition, the unrelenting pressure on service providers and pharmaceutical companies in many healthcare markets, particularly Switzerland, will continue. Despite these circumstances, Galenica is maintaining its objective of achieving consolidated earnings at the previous year's level in 2011.

### Pharma

\_In the second half of 2011 Vifor Pharma will focus on driving the continued progress of Ferinject®, achieving additional regulatory and reimbursement approvals, and further reinforcing the company's position as an innovator in iron therapies.

\_The review of the newly created company Vifor Fresenius Medical Care Renal Pharma by EU and Swiss competition authorities is expected to be completed in the second half of 2011. It is only then that the second closing between Galenica and Fresenius Medical Care can take place. It will not only deepen the collaboration in the Pharma business sector, but also create an even stronger platform for Venofer® and Ferinject® in the field of chronic kidney insufficiency worldwide. It will also support the preparations for the filing of phosphate binder PA21 in the USA and EU, expected in 2012.

\_Efforts will continue to enhance the positioning and growth of the immuno-stimulant products Broncho-Vaxom® and Uro-Vaxom®, with a focus on improving the understanding of unmet medical needs and the market potential of these drugs. This work will include optimised partner management through the Vifor Pharma organisation, the construction of a key opinion leader network and positioning Uro-Vaxom® as an important element in the preventive management of recurrent urinary tract infections.

\_Communication of the results of sub-analyses from two major clinical studies, FERGI-COR (gastroenterology) and FAIR-HF (cardiology), will be published in key medical journals. The full results of the FERGI-MAIN study (gastroenterology) are expected to be presented and the planning phase for two new studies in the field of cardiology will be completed.

\_Vifor Pharma Consumer Healthcare Switzerland will build on its position as the number three provider in the Swiss OTC market and work to expand that position among pharmacies. These efforts will focus on life-cycle management of its leading products and the further expansion of the initiatives successfully launched at the end of 2010 and in early 2011 such as the Anti-Brumm® tick test and the Algifor® migraine programme.

#### **Logistics**

\_A new pricing model introduced on 1 July 2011 will further increase pressure in the healthcare market. In this environment, demand for optimised logistics services will remain high, and Galexis will therefore continue to expand its range of services and its offering. At the end of 2011, Alloga is to introduce detailed electronic dispatch notification of next-day deliveries to wholesalers and hospitals.

#### **Retail**

\_The introduction of a new pricing model for generics is likely to further accelerate the consolidation of the Swiss pharmacy market. In addition, the retail trade is becoming increasingly involved in the healthcare market, thereby reinforcing the competitive pressure on independent pharmacies. GaleniCare will therefore continue to pursue its strategy of expansion combined with consolidation.

\_Following a successful test run, Amavita will continue to act as the exclusive distributor for Nestlé's BabyNes range in Switzerland. The number of Amavita-branded products should increase to 25 by the end of 2011. From July 2011, the pharmacy Amavita Gare de Genève, an important member of the chain, will be modernised to meet the latest customer requirements. Sun Store pharmacies are to receive a facelift, with the redesign of perfumery departments and the revitalisation of the SunCard customer card.

\_MediService is about to introduce the next generation of multiple sclerosis medication, and new niches in infectious diseases and immunology are in preparation.

\_For Winconcept, the current focus is on implementing its entry into the Ticino market with a total of 21 pharmacies.

#### **HealthCare Information**

\_The CompendiumPORTAL editorial system from Documed is to be expanded with the aim of increasing the benefits for industrial partners and further optimising processes. The new module «Clinical Decision Support» for hospINDEX is intended to further improve drug safety in in-patient and out-patient care for specific patient groups (allergy sufferers, renal and liver patients). The pharmacies in the network of the Galenica Group are progressively introducing my-eDossier from TriaPharm®. TriaMed® will continue to participate in further pilot projects in connection with the eHealth strategy.











## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousand CHF	Share capital	Treasury shares	Fluctuation in value of financial instruments	Retained earnings	Accumulated translation differences	Equity attributable to shareholders of Galenica Ltd.	Non-controlling interests	Total equity
<b>Balance as of 31 December 2009</b>	<b>650</b>	<b>(4,485)</b>	<b>(19,905)</b>	<b>819,644</b>	<b>(51,944)</b>	<b>743,960</b>	<b>11,168</b>	<b>755,128</b>
Change in accounting standards <sup>1)</sup>				8,622		8,622		8,622
<b>Balance as of 1 January 2010</b>	<b>650</b>	<b>(4,485)</b>	<b>(19,905)</b>	<b>828,266</b>	<b>(51,944)</b>	<b>752,582</b>	<b>11,168</b>	<b>763,750</b>
Comprehensive income			2,194	117,687	16,059	135,940	(170)	135,770
Dividend				(48,699)		(48,699)	(401)	(49,100)
Transactions on treasury shares		1,819		(3,181)		(1,362)		(1,362)
Share-based payments				4,731		4,731		4,731
Change in scope of consolidation				–		–	289	289
<b>Balance as of 30 June 2010</b>	<b>650</b>	<b>(2,666)</b>	<b>(17,711)</b>	<b>898,804</b>	<b>(35,885)</b>	<b>843,192</b>	<b>10,886</b>	<b>854,078</b>
<b>Balance as of 31 December 2010</b>	<b>650</b>	<b>(10,152)</b>	<b>(17,383)</b>	<b>1,030,976</b>	<b>(92,114)</b>	<b>911,977</b>	<b>13,330</b>	<b>925,307</b>
Change in accounting standards <sup>1)</sup>				8,197		8,197		8,197
<b>Balance as of 1 January 2011</b>	<b>650</b>	<b>(10,152)</b>	<b>(17,383)</b>	<b>1,039,173</b>	<b>(92,114)</b>	<b>920,174</b>	<b>13,330</b>	<b>933,504</b>
Comprehensive income			5,708	105,998	(3,897)	107,809	16,620	124,429
Dividend				(51,914)		(51,914)	(401)	(52,315)
Transactions on treasury shares		(26,343)		(6,337)		(32,680)		(32,680)
Share-based payments				5,186		5,186		5,186
Change in scope of consolidation				(608)		(608)	(209)	(817)
<b>Balance as of 30 June 2011</b>	<b>650</b>	<b>(36,495)</b>	<b>(11,675)</b>	<b>1,091,498</b>	<b>(96,011)</b>	<b>947,967</b>	<b>29,340</b>	<b>977,307</b>

<sup>1)</sup> Previous year adjusted due to IFRIC 14 (see page 19)

Unaudited figures

On 5 May 2011, the General Meeting of Galenica Ltd. approved a dividend payment of CHF 52.0 million, corresponding to CHF 8.00 per registered share, for the business year 2010 (previous year: CHF 48.75 million, CHF 7.50 per registered share). The dividends were paid out to the shareholders on 12 May 2011.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GALENICA'S BUSINESS ACTIVITIES

\_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 parent company is Galenica Ltd., a public limited company with its head office in Bern, where it is also registered. The registered offices are at Untermattweg 8, 3027 Bern, Switzerland. Shares in Galenica Ltd. are publicly traded on the Swiss stock exchange SIX Swiss Exchange under securities no. 1553646 (ISIN CH0015536466).

## 2. ACCOUNTING PRINCIPLES

### Basis of accounting

\_The present unaudited consolidated interim financial statements for Galenica are based on the consolidated financial statements of the individual companies within the Group as of 30 June 2011, which have all been prepared in a uniform manner. Allowing for the changes in accounting standards detailed below, the consolidated interim financial statements were drawn up using the same accounting policies as the annual financial statements for the year ending 31 December 2010 and comply with International Financial Reporting Standards (IFRS), as well as IAS 34 – Interim financial reporting. The consolidated interim financial statements should be read in conjunction with the consolidated financial statements for 2010 as they update previously published information. Details of the consolidation and accounting policies are given in the Notes to the Consolidated Financial Statements for 2010.

\_The present consolidated interim financial statements are available in German, French and English; however, the German is the authoritative version.

### Changes in accounting standards

\_The accounting standards adopted are consistent with those of the previous financial year with the following exceptions. As of 1 January 2011, Galenica adopted the following new and amended International Financial Reporting Standards and interpretations. These changes have no impact or no material impact on the financial statements of Galenica.

### IAS 24 – Related Party Transactions

\_The revised standard clarifies the definitions of a related party and allows a partial exemption from the disclosure requirements for government-related companies. The application of the revised standard has no effect on these consolidated interim financial statements.

### IAS 32 – Classification of Rights issues

\_With the amendment of this standard, rights issues and certain options or warrants for the purchase of shares of the company in a foreign currency can be classified as equity instruments under certain conditions. The application of the revised standard has no effect on these consolidated interim financial statements.

### IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

\_The amendment allows a company under certain circumstances to recognise advance payments of contributions to defined benefit plans under IAS 19 as a pension asset. Due to the application of this IFRIC, Galenica recognised CHF 11.4 million as of 1.1.2010 and CHF 9.4 million as of 31.12.2010 from advance payments of contributions, which led in the consolidated statement of financial position as of 31.12.2010 to an increase of employee benefit assets of CHF 9.4 million, an increase of deferred tax liabilities of CHF 2.3 million, a decline in employee benefit liabilities of CHF 1.1 million and an increase in shareholders' equity of CHF 8.6 million as of 1.1.2010 and CHF 8.2 million as of 31.12.2010.

### IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

\_This interpretation regulates the accounting treatment of a full or partial repayment of a financial liability by issuing equity instruments. The application of the revised standard has no effect on these consolidated interim financial statements.

### Future changes in accounting standards

\_Galenica expects no significant impact on its financial position, profitability or cash flows from the application of the published new and revised standards and interpretations which will be applicable to future financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Scope of consolidation

\_The consolidated interim financial statements of Galenica comprise those of Galenica Ltd. and all its subsidiaries, including associates and joint-venture companies.

\_Subsidiaries and associates newly acquired during the first half of 2011 are included in the consolidated interim financial statements as from the date when control or significant influence respectively were obtained. Companies sold during the year are included up until the date control was lost. Detailed information on the subsidiaries and associates newly acquired during the first half of 2011 is included under the section Business combinations and investment in associates on page 24.

## Group currency and translation of foreign currencies

\_The consolidated interim financial statements of Galenica are prepared in Swiss francs (CHF) and, unless 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:

Exchange rates	Balance sheet*		Income statement**	
	30.6.2011	31.12.2010	2011	2010
1 EUR	1.22	1.25	1.28	1.44
1 GBP	1.35	1.46	1.48	1.65
1 USD	0.84	0.94	0.92	1.08
1 CAD	0.90	0.94	0.94	1.05

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

## 4. 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 actual 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 in which Galenica operates are not significantly influenced by seasonal or cyclical fluctuations during the year.

### Income tax

\_Galenica calculates income tax based on an estimate of the expected income tax rate for the full year.

## 5. SEGMENT REPORTING

### Basis of reporting

\_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 Galenica 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, Galenica is organised into business sectors according to products and services and has the reportable segments Pharma, Logistics and Retail. The operating result comprises all operating income generated and expenses incurred in the corresponding segments. The financing of Galenica takes place at Group level, which is why financial income and expenditure and income tax are reported at Group level only and not allocated to segments. The assets and liabilities include all positions of the statement of financial position that can be directly attributed to a segment or reasonably allocated to a segment.

### Pharma

\_Under the umbrella of Vifor Pharma, Galenica operates a fully integrated and internationally active specialty pharmaceutical group which researches, develops, produces and markets its own pharmaceutical products worldwide.

\_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, Vifor Pharma 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). As Vifor Pharma's biotechnology and pharmaceutical company, OM Pharma develops and produces high-quality synthetic and biotechnological drugs (OTX) for the therapeutic area of immunology and markets them worldwide.

\_Vifor Pharma develops and markets innovative and high-quality products aimed at improving the lives of patients with chronic kidney disease (CKD).

\_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 plays an important role in the pharmaceutical supply chain. Logistics offers prewholesale pharmaceutical and healthcare companies a broad range of specialised services spanning storage and distribution of their products in Switzerland through to debt collection.

\_As a pharmaceutical wholesaler, Logistics ensures delivery to all healthcare partners throughout Switzerland and within short deadlines. The Logistics companies supply pharmacies, physicians, drugstores and hospitals with over 65,000 different healthcare products.

### **Retail**

\_Galenica is the leading retail structure in the Swiss pharmacy market, with 431 locations. With 286 stores of its own and 145 partner pharmacies, Retail has attractive points of sale throughout the country. It has a chain of pharmacies under the Amavita brand, with 129 own locations, and also runs a chain of 106 own pharmacies under the Sun Store brand. Galenica also runs a chain of 45 own sales points in partnership with Coop under the Coop Vitality brand.

\_The specialty pharmacy MediService, which specialises in medication for in-home therapy, is also part of its pharmacy network, as are 3 majority holdings in pharmacies, 2 minority holdings in pharmacies, 17 Amavita partner pharmacies, and 128 Winconcept partner pharmacies.

### **Other**

\_The operating segment HealthCare Information does not fulfil the threshold criteria pursuant to IFRS 8 and has therefore been combined with the other activities of the Finance and Corporate Service Division under «Other» in segment reporting.

\_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 management solutions tailored specifically to the needs of the networked healthcare market. HealthCare Information is the leading provider of master data systems for Switzerland's entire healthcare market and publishes printed and electronic technical information on pharmaceutical products. Sector-specific, all-round management solutions are developed and marketed under the Triamun brand name. TriaPharm® was designed specifically for pharmacies, TriaOne® is a non-sector-specific ERP solution for retail and TriaMed® has been developed for physicians.

\_The companies which come under the Finance and Corporate Services Division mainly comprise the Group's central services. These include Group management, Corporate Finance, Controlling, Accounting, Tax, Treasury, Human Resources, Legal Services, Processes and Methods, General Secretariat, Corporate Communications and Investor Relations.

### **Eliminations**

\_Operations give rise to sales of goods and services between the business sectors. Finance and Corporate Services charges the other operating segments management fees for the organisational and financial management it provides.

\_All 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. Sales of goods and services between the business sectors and unrealised gains or losses arising therefrom are eliminated in the «Eliminations» column.

\_The segments' assets and liabilities include loans and current accounts held with respect to other segments. These positions are eliminated in the «Eliminations» column.

## Segment information 30.6.2011

### Products and services

in thousand CHF	Pharma	Logistics	Retail	Other	Eliminations	Group
Net sales	295,967	1,033,531	544,435	24,954	(317,717)	1,581,170
Other revenue	119,965	4,897	38,120	13,571	(33,210)	143,343
Revenue with other segments	(28,246)	(279,463)	(23,329)	(20,311)	351,349	–
<b>Total revenue third parties</b>	<b>387,686</b>	<b>758,965</b>	<b>559,226</b>	<b>18,214</b>	<b>422</b>	<b>1,724,513</b>
Depreciation and amortisation	(16,007)	(7,618)	(9,687)	(2,775)	574	(35,513)
<b>Earnings before interest and taxes (EBIT)</b>	<b>140,324</b>	<b>10,248</b>	<b>24,235</b>	<b>(1,382)</b>	<b>(681)</b>	<b>172,744</b>
Interest received						872
Interest paid						(21,292)
Other financial result (net)						(7,041)
Income from associates	–	–	1,269	–	–	1,269
<b>Earnings before taxes (EBT)</b>						<b>146,552</b>
Income tax						(23,959)
<b>Net profit</b>						<b>122,593</b>
<b>Assets</b>	<b>1,342,026</b>	<b>747,659</b>	<b>869,632</b>	<b>1,636,606</b>	<b>(1,694,569)<sup>1)</sup></b>	<b>2,901,354</b>
Investments in associates	–	–	17,746	–	–	17,746
<b>Liabilities</b>	<b>704,022</b>	<b>446,890</b>	<b>996,056</b>	<b>1,461,912</b>	<b>(1,684,833)<sup>2)</sup></b>	<b>1,924,047</b>
Investments in property, plant and equipment/ investment properties	9,293	5,010	8,365	349	(70)	22,947
Investments in intangible assets	1,624	631	1,603	537	(668)	3,727
Employees at 30 June (FTE)	1,508	914	2,975	218	–	5,615

### Geographic areas

in thousand CHF	Switzerland	Europe	America	Other countries	Eliminations	Group
Net sales	1,662,450	141,499	80,225	25,123	(328,127)	1,581,170
Other revenue	257,457	36,089	4,556	3,040	(157,799)	143,343
Revenue with other segments	(465,235)	(19,928)	(763)	–	485,926	–
<b>Total revenue third parties</b>	<b>1,454,672</b>	<b>157,660</b>	<b>84,018</b>	<b>28,163</b>	<b>–</b>	<b>1,724,513</b>
<b>Non-current assets<sup>3)</sup></b>	<b>1,420,407</b>	<b>114,393</b>	<b>225,460</b>	<b>244</b>	<b>–</b>	<b>1,760,504</b>

<sup>1)</sup> of which elimination of: intercompany positions CHF –1,694,021 thousand, other unallocated amounts CHF –548 thousand

<sup>2)</sup> of which elimination of: intercompany positions CHF –1,694,021 thousand, other unallocated amounts CHF 9,188 thousand

<sup>3)</sup> without financial assets, deferred tax assets and employee benefit assets

Unaudited figures

## Segment information 30.6.2010

### Products and services

in thousand CHF	Pharma	Logistics	Retail	Other	Eliminations	Group
Net sales	286,782	985,369	528,610	24,034	(297,968)	1,526,827
Other revenue <sup>1)</sup>	123,298	7,519	29,623	13,420	(22,753)	151,107
Revenue with other segments	(28,925)	(258,667)	(19,948)	(20,999)	328,539	–
<b>Total revenue third parties</b>	<b>381,155</b>	<b>734,221</b>	<b>538,285</b>	<b>16,455</b>	<b>7,818</b>	<b>1,677,934</b>
Depreciation and amortisation <sup>1)</sup>	(32,475)	(7,872)	(9,487)	(2,718)	229	(52,323)
<b>Earnings before interest and taxes (EBIT)</b>	<b>130,086</b>	<b>12,896</b>	<b>22,330</b>	<b>538</b>	<b>(1,756)</b>	<b>164,094</b>
Interest received						1,062
Interest paid						(20,364)
Other financial result (net)						(5,667)
Income from associates	–	–	855	(1)	–	854
<b>Earnings before taxes (EBT)</b>						<b>139,979</b>
Income tax <sup>1)</sup>						(22,517)
<b>Net profit</b>						<b>117,462</b>
<b>Assets<sup>1) 2)</sup></b>	<b>1,497,417</b>	<b>739,987</b>	<b>852,227</b>	<b>1,671,100</b>	<b>(1,749,941)<sup>3)</sup></b>	<b>3,010,790</b>
Investments in associates <sup>2)</sup>	–	–	14,403	–	–	14,403
<b>Liabilities<sup>1) 2)</sup></b>	<b>661,680</b>	<b>420,841</b>	<b>980,099</b>	<b>1,755,443</b>	<b>(1,740,777)<sup>4)</sup></b>	<b>2,077,286</b>
Investments in property, plant and equipment/ investment properties	19,672	5,030	7,013	338	(116)	31,937
Investments in intangible assets	1,419	980	2,350	733	(1,300)	4,182
Employees at 30 June (FTE)	1,388	927	2,908	216	–	5,439

### Geographic areas

in thousand CHF	Switzerland	Europe	America <sup>6)</sup>	Other countries <sup>6)</sup>	Eliminations	Group
Net sales	1,640,723	139,563	80,031	28,084	(361,574)	1,526,827
Other revenue <sup>1)</sup>	212,083	23,862	4,944	66	(89,848)	151,107
Revenue with other segments	(418,398)	(32,039)	(985)	–	451,422	–
<b>Total revenue third parties</b>	<b>1,434,408</b>	<b>131,386</b>	<b>83,990</b>	<b>28,150</b>	<b>–</b>	<b>1,677,934</b>
<b>Non-current assets<sup>2) 5)</sup></b>	<b>1,423,802</b>	<b>116,335</b>	<b>225,730</b>	<b>187</b>	<b>–</b>	<b>1,766,054</b>

<sup>1)</sup> Values adjusted due to a definitive purchase price allocation and/or due to IFRIC 14 (see page 19)

<sup>2)</sup> Values as at 31.12.2010

<sup>3)</sup> of which elimination of: intercompany positions CHF –1,750,074 thousand, other unallocated amounts CHF 133 thousand

<sup>4)</sup> of which elimination of: intercompany positions CHF –1,750,074 thousand, other unallocated amounts CHF 9,297 thousand

<sup>5)</sup> without financial assets, deferred tax assets and employee benefit assets

<sup>6)</sup> Values adjusted due to an alignment of the reporting structure of the geographic areas America und other countries

Unaudited figures

## 6. BUSINESS COMBINATIONS AND INVESTMENT IN ASSOCIATES

\_In the first half of 2011, the scope of consolidation was changed as a result of the following transactions:

### Business combinations

#### Retail business sector

\_Acquisition of pharmacies. GaleniCare Holding and Sun Store acquired pharmacies with different outlets in Switzerland. Upon acquisition, these pharmacies, which were mostly unincorporated businesses (asset deals), were merged with GaleniCare Ltd. and Sun Store SA, respectively.

\_The purchase consideration amounts to CHF 2.0 million and was settled by cash payment. The purchased goodwill totalling CHF 1.6 million was allocated to the Retail operating segment and corresponds to the added value of the pharmacies based on their locations and customer bases at the time of the takeover. The purchase price allocation has not yet been definitively concluded for acquisitions close to the balance sheet date.

#### Proforma figures for acquisitions made in 2011 for the first half of the 2011 financial year

\_Since they were included in Galenica's scope of consolidation, the businesses acquired have contributed net sales totalling some CHF 1.2 million and an operating profit (EBIT) of CHF 0.1 million to the Group's result as at 30 June 2011. 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 2011 can be calculated.

in thousand CHF	Fair value
Cash	3
Inventories	386
Securities/other current assets	23
Other short and long-term liabilities	(12)
<b>Fair value of net assets</b>	<b>400</b>
Goodwill	1,582
<b>Purchase consideration</b>	<b>1,982</b>
Future cash payable	(37)
Cash acquired	(3)
<b>Net cash flow</b>	<b>1,942</b>

### Investment in associates

#### Acquisitions of pharmacies

\_Galenica Holding and Coop acquired voting rights of 49% respectively 51% of a pharmacy in Switzerland. The purchase price of CHF 2.1 million was settled by cash payment. Upon acquisition this pharmacy was merged with Coop Vitality AG. The share-ownership ratio of Galenica and Coop of Coop Vitality AG remains unchanged with this transaction.

## 7. CONTINGENT LIABILITIES

\_During the first half of 2011, 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 2011 and 2013. The purchase obligations are expected to involve total payment of a maximum of CHF 16.0 million. The purchase rights amount to an estimated volume of CHF 18.7 million.

\_There were no changes to ongoing administrative and legal investigations in the first half of 2011. Galenica remains confident that the results of these investigations will not have a significant impact on the profits and financial position of the Group.

## 8. EVENTS AFTER THE REPORTING PERIOD

\_Several acquisitions occurred between 30 June 2011 and the date the consolidated interim financial statements were released.

#### Acquisitions in the Retail business sector

\_Acquisition of pharmacies. GaleniCare Holding has purchased several pharmacies. The assets and liabilities of these acquisitions will be consolidated as of the date control was obtained. The purchase consideration was CHF 2.0 million, and the fair value of the provisional net assets resulting from these additions was estimated at CHF 0.5 million on the acquisition date. The difference is reflected in the purchased goodwill due to the locations and the existing customer base of these businesses. Since the transactions were concluded shortly before the consolidated interim financial statements were prepared and released, it was not possible to publish the additional information required by IFRS.

\_There are no further significant events after the reporting period.

## 9. RELEASE OF THE GROUP'S CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR PUBLICATION

\_The Board of Directors of Galenica Ltd. released the Group's consolidated interim financial statements for publication on 2 August 2011.

## **Masthead**

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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](http://www.galenica.com).