



LOGISTICS

STRATEGIC PRIORITIES

- _Increasing customer loyalty by continuously improving services and developing new ones as well as expanding the product offering
- _Improving profitability by optimising processes and utilising synergy effects



Jean-Claude Cléménçon

«The Logistics business sector offers customers a complete range of services, making a major contribution toward creating a comprehensive service for the entire Swiss healthcare market. State-of-the-art technology and competent, dedicated employees offer a unique level of flexibility and the ability to provide tailored solutions that benefit the entire market.»

Sales and operating results

_Sales for the Logistics business sector reached CHF 2,015.0 million (-2.3%). This decline is mainly due to the fact that sales of Globomedica, a part of Globopharm, were no longer taken into account after its management buyout. In addition, the price and margin cuts on medications introduced by the Swiss Federation on 1 March 2010 had an impact on the revenues as well as the fact that sales were realised in 2009 in connection with the AH1N1 pandemic which were not replicated in the year under review. On a comparable basis and taking these factors into account, sales reached the previous year's level and outpaced the market. Thanks to the successful integration of Globopharm, considerable efficiency gains and strict cost controls, EBIT increased significantly to CHF 27.1 million (+155.7%).

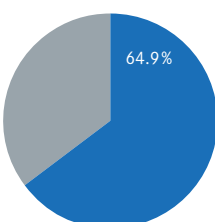
_Swiss healthcare market. Healthcare costs in Switzerland continue to rise despite cost-saving efforts. For example, as a result of demographic trends and medical advances, an overall increase in volume can be seen in the healthcare market. Further measures to stabilise costs are expected. The Logistics business sector has the experience and flexibility needed to adapt to rapidly changing situations and customers and partners can rely on the support and tailored solutions they need to manage future challenges.

Galexis

_The most notable event for Galexis during the year under review was the signing of a multi-year, exclusive agreement with Procter&Gamble (P&G) Prestige Products. Since 1 July 2010, Galexis has been the sole distributor of the company's perfumes and cosmetics in Switzerland. Galexis implemented all processes and contracts for pharmacy and drugstore customers demonstrating well its extensive knowledge of the market. In an environment of rising costs, the role of the full-service logistics provider is increasingly important. The agreement with P&G Prestige Products has not only brought Galexis closer to achieving its goal of becoming a full-service pharmaceutical wholesaler; it has also enabled it to enter into new customer segments such as department stores and perfumeries.

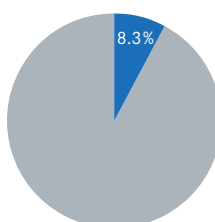
Key figures

Net sales



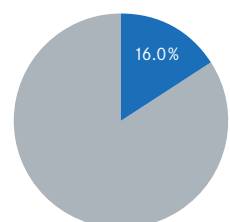
■ Logistics CHF 2,015.0 million
(Galenica Group CHF 3,104.3 million)

EBIT



■ Logistics CHF 27.1 million
(Galenica Group CHF 324.8 million)

Number of staff



■ Logistics 1,060
(Galenica Group 6,634)

A long-term vision, extensive experience and proximity to customers and partners enable Galexis, Alloga and Unione to accurately anticipate future developments and quickly turn marketable services into benefits for their customers.

_Full-service provider for group medical practices. In 2010, the trend toward creating networks and group medical practices in particular continued. With a new service offering developed specifically with group practices in mind, Galexis was also able to position itself as a full-service provider to this key target group.

_Popular new pricing model. The new pricing model introduced at the beginning of 2010 was well received by customers. It is more directly linked to key business metrics such as sales volume than its predecessor, and increases cost transparency.

_GALecoline® expanded. Galexis successfully launched its first line of consumer products called GALecoline®, at the beginning of 2010: a thermometer available in three different formats. The next product to be introduced in the second half of the year was a quick pregnancy test (GALecoline® Pregnancy Test easy). The line for medical practices was also further expanded, with products such as special medicine refrigerators, temperature control and alarm systems and rolling stools.

_IT power reserves expanded. Over the past year, Galexis has expanded and updated its IT infrastructure in an effort to increase power reserves and reliability.

_Delivery services optimised. The optimisation of delivery services, which was conducted in close collaboration with customers, has been largely completed. As a result, the vast majority of delivery services were improved from an environmental and economic standpoint.

_Occupancy rate increased. The occupancy rate of the former distribution centres in Schönbühl and Schlieren could be increased through the rental of additional space. The buildings will be sold if a suitable offer is received.

Unione Farmaceutica Distribuzione

_The pharmacy market in Ticino differs from the rest of Switzerland in a number of respects. For historical reasons, there is a considerable focus on prescription products. With an average of one point of sale per 1,815 inhabitants, the pharmacy density in Ticino is far higher than the Swiss average. The price and margin reductions that have been introduced are felt much more acutely there than in other region of the country. The Ticino market once again was very dynamic in 2010 with significant development in both pharmacy chains and groups. There were also a number of pharmacy closures and mergers as well as the opening of many new pharmacies.

Key figures Wholesale/Prewholesale 2010

	Wholesale: Galexis, Unione Farmaceutica Distribuzione	Prewholesale: Alloga
Storage		
_Number of prepared boxes	> 6,640,000	
_Number of delivered order lines	> 30,635,000	1,571,000
_Number of prepared packages	> 105,378,000	70,451,000
Distribution		
_Annual tonnage	> 14,000	6,000
_Number of postal packages	> 62,000	491,000
_Number of pallets		50,000
Structure		
_Number of items in stock	> 42,000	14,000
_Number of suppliers	1,100	90
_Number of customers	7,000	35,000
Technology		
_Degree of automation in Niederbipp	65%	
_Degree of automation in Barbengo	50%	
_Degree of automation in Burgdorf		30%

_Services expanded, costs reduced. As a result of these developments, Unione Farmaceutica Distribuzione further expanded its range of services as a full-service pharmaceutical wholesaler. This included night-time delivery, transparency of Unione's KUKO® (customer conditions) on all software at points of sale and new partnerships with selected suppliers. With the help of targeted initiatives, such as the introduction of night-time delivery services, costs were further reduced versus last year.

Alloga

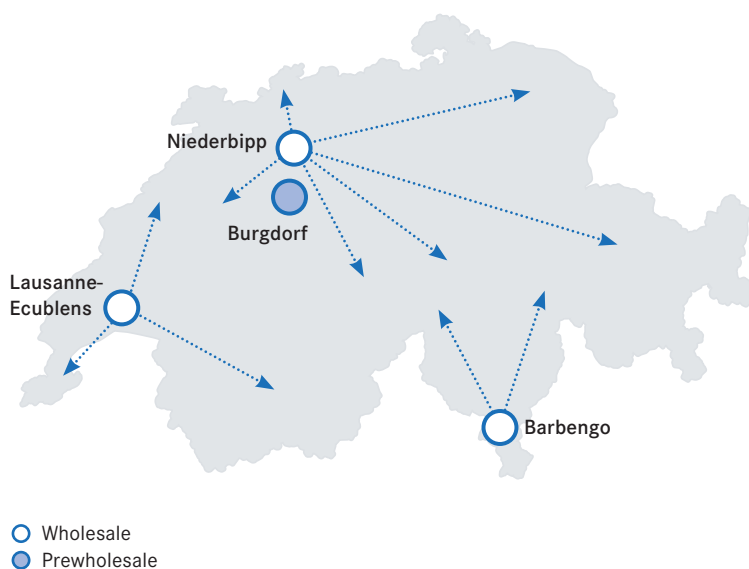
_The long-standing cooperation with key customers has given Alloga extensive experience in the Swiss healthcare market. This allowed Alloga to identify and react early to the consolidations of partners and customers. The trend towards outsourcing logistics services instead of providing them in-house continued in the pharmaceutical industry in 2010. Alloga's comprehensive service portfolio, which can be adapted to meet a range of requirements, was well accepted by the market. Among the key challenges for customers are growing cost pressures and steadily increasing regulatory requirements, for which Alloga is developing market-oriented solutions.

_Integration complete. The integration of Globopharm, which was acquired in 2009, was completed in 2010. The vast majority of dossiers – of both customers and partners – were transferred – a sign of trust in Alloga's abilities and of commitment to the partnership. The integration of Globopharm led to good use of infrastructure and a doubling in the number of orders.

_Alloga supports the approval process. The new IT approval platform for customers, which was developed in conjunction with industry partners, was operational in early November 2010, enabling Alloga to simplify and accelerate a key part of the market approval process for customers. The platform meets the requirements in compliance with the RHI inspection (Regional Medicines Inspectorate of North-Western Switzerland) in June 2010.

G-Pharma

_In 2010, G-Pharma developed 15 new trade brands for Amavita. These were OTC products in key sub-markets, such as colds and pain. This brings G-Pharma one step closer to becoming a service provider for trade brands and commercial products in the healthcare market. G-Pharma is a point of contact for domestic and foreign providers and offers services for all interested market participants in Switzerland.



_The business sector Logistics, with the Alloga logistics centre in Burgdorf, the Galexis distribution centres in Lausanne and Niederbipp and the Unione distribution centre in Barbengo, guarantees the supply of medication throughout Switzerland.



Outlook

_The consolidation process in the healthcare market will continue to intensify, as the cost-saving measures that have already been introduced are unlikely to limit cost growth. This means that pressure on the entire market will remain high. As a reliable partner, the Logistics business sector will continue to adapt its services to meet the market's requirements for efficient and cost-effective solutions.

_Future viability intact. In view of future challenges, the Logistics business sector will continue to expand its service offering in the coming year and to develop and market new, cost-effective services.

_Developing solutions. The requirements for the cold chain, approval processes and protection against counterfeit drugs resulting from regulatory requirements present constantly new challenges for the industry. Alloga will face these challenges and continue to develop solutions in the coming year as well. In addition, the IT system and all processes will be harmonised with the vastly increased number of partners in 2011.