The Services segment comprises logistics services for the Swiss healthcare market from Alloga (pre-wholesale), Galexis, Unione Farmaceutica Distribuzione (UFD) and Pharmapool (wholesale), as well as Medifilm, which is active in drug blister packaging. These are complemented by services from HCI Solutions, which provides master data for the Swiss healthcare market and offers management software solutions for pharmacies. HCI Solutions also develops tools to securely manage, communicate and distribute sensitive health data and improve patient safety.
Net sales and operating result
The Services segment generated net sales of CHF 1,286.7 million in the first half of 2020, a strong increase of 7.9% compared to the prior year period. Services thus clearly exceeded the market development of 2.9% (IQVIA, Pharmaceutical Market Switzerland, first half of 2020).

COVID-19 generated an extremely strong demand for medicines in March 2020, which subsequently weakened again. Overall, additional sales contributed an estimated 3% to the increase in sales.

In connection with the new Ordinance on Integrity and Transparency in the Field of Therapeutic Products (OITTP), agreements with suppliers as well as invoicing models were revised in line with the new transparency obligations, which increased sales of the Services segment by 1.9%. Even excluding this technical one-time effect, the Services Business sector posted strong growth of 6.0%. This one-time effect has no impact on the Group’s consolidated sales and EBIT.

The government-mandated price reduction measures continued to have an adverse effect on sales performance, at 1.8%. Excluding these influences, net sales would have risen by as much as 9.7%.

Due to COVID-19, the first half of 2020 saw the postponement of numerous surgeries and procedures in hospitals and by specialist physicians that were not immediately necessary. In contrast to recent years, hospitals (+3.5%, IQVIA, Pharmaceutical Market Switzerland, first half of 2020) and doctors (+2.1%, IQVIA, Pharmaceutical Market Switzerland, first half of 2020) did not develop more strongly than the overall market (+2.9%, IQVIA, Pharmaceutical Market Switzerland, first half of 2020).

The adjusted\(^1\) operating result (EBIT), i.e. excluding the effects of the lease accounting standard IFRS 16, remained on a par with the level of the previous year’s period at CHF 22.6 million. In spite of the positive effect on sales, COVID-19 generated considerable additional expenses, such as protective measures for employees and additional staff resources, which in turn had negative impact on EBIT. In addition, due to the constantly increasing risks in connection with cybercrime, further measures were implemented to protect the IT infrastructure and networks. Finally, EBIT was also burdened in the first half of 2020 by the construction work commenced at the Lausanne-Ecublens distribution centre in autumn 2019.

\(^1\) See Alternative performance measures section from page 27
Adjusted\textsuperscript{1)} return on sales (ROS) decreased slightly from 1.9% to 1.8%. While sales generated by doctors in particular posted gains and additional market share was captured especially among specialists, this was largely achieved with high-priced medications offering low margins.

Investments in the first half of 2020 totalled CHF 15.8 million (first half of 2019: CHF 16.3 million). They related in particular to the new ERP (enterprise resource planning) software, which is gradually being rolled out at Alloga and Galexis, and to the modernisation and renovation work at the Galexis distribution centre in Lausanne-Ecublens. There were some delays to these projects due to COVID-19, which will result in postponed investments and costs.

\textsuperscript{1)} See Alternative performance measures section from page 27
Supply ensured during the pandemic despite record-high volumes of goods

Pre-wholesaler Alloga reported exceptionally high volume swings in the period under review due to COVID-19. In addition, Alloga was able to secure several short-term special orders to maintain the basic supply of medication in Switzerland. For example, medications for intensive care were repackaged by order of the Federal Office of Public Health (FOPH) and the packaging was provided with instructions leaflets and box labels.

Thanks to the high degree of flexibility and considerable commitment of employees, Alloga was able to meet these special demands – always in compliance with regulatory requirements. Further progress was made with the switch to the new ERP (enterprise resource planning) system. At the end of the pilot phase, the new system went live with four additional pilot partners on 1 June 2020. The complete rollout to all Alloga industry partners is scheduled to take place by the end of 2022.

Galexis: Lausanne-Ecublens distribution centre more heavily used in the short term

In March, due to COVID-19, extra shifts, Sunday work and the strengthening of logistics by administrative staff were required at Galexis. On certain days, volumes were 60% higher than in the previous year – unprecedented figures.
To best manage these volume peaks and ensure the security of supply of medications to the population, operations at the distribution centre in Lausanne-Ecublens were ramped up again for a short period, even though work on the renovation and modernisation had already started.

In the Felan own brand range for independent pharmacists, comprising cost-effective pharma and OTC products, demand in the period under review was particularly strong for medicines containing the active ingredients paracetamol and ibuprofen as well as thermometers. A Felan range of nutritional supplements was launched in the first half of 2020.

**UFD in the “eye of the storm”**

Owing to the geographic proximity of Ticino to Italy, Unione Farmaceutica Distribuzione (UFD) was one of the first Galenica Group companies to introduce comprehensive COVID-19 protection measures for employees. The emergency plan, which also provided for the use of people required to perform civil protection duties and was coordinated with the cantonal authorities, minimised risks and interruptions for customers and ensured the supply of medications to the population of Ticino at all times.

The nationwide “e-box” logistics solution from UFD recorded significantly higher volumes year-on-year due to the substantial number of orders in the Galenica Group online shops.

**Medifilm runs like clockwork**

By the end of June 2020, Medifilm counted around 10,500 patients who benefited from its services. Medifilm is therefore making a significant contribution to the correct administration and taking of medications, and thus to easing the burden on carers. Thanks to its prudent warehousing, Medifilm was able to deliver orders in full and on time and at all times despite medication bottlenecks due to COVID-19.

As part of the new strategy of also addressing pharmacies’ individual patients as new customers, Medifilm introduced a new visual identity, including a new logo, in the first half of 2020. The dispenser for storing Medifilm sachets has also been redeveloped and is now even more practical and customer-friendly.

**Documedis® integrated into almost all e-health platforms**

The e-medication solution Documedis® developed by HCI Solutions has now been incorporated into almost all e-health platforms of the cantonal and interregional healthcare networks. These networks are currently setting up so-called reference communities. Once these are certified by the federal government, they can offer an electronic patient record under federal legislation.

Launched last year to rapidly develop an individualised online shop for independent pharmacists, the “Quatron” software solution recorded strong demand in the first half of 2020.
Outlook for the second half of 2020
Alloga will focus on continued ERP implementation as well as extending existing partnerships and acquiring new customers until the end of the year.

Based on the experiences gained at Alloga, the new ERP system is also being implemented at Galexis. At the same time, construction work at the Galexis distribution centre in Lausanne-Ecublens is being continued, and in view of the constantly increasing volume of online orders, the capacity of the distribution centre in Niederbipp is being expanded.

Finally, Medifilm is working on bringing the new generation of blister machines into operation.

COVID-19 challenges
- Despite the massive additional workload during the intensive COVID-19 phases and volumes, which clearly exceeded the capacity limits in the distribution centres on a daily basis, it was possible to ensure the basic supply of medications in Switzerland.

- Thanks to the great and flexible commitment of all employees, customers have hardly noticed the challenges that COVID-19 posed.

- Unavoidable delays in delivery and restrictions in product availability were accepted with great understanding.

- Despite the unplanned challenges that COVID-19 entailed, it was possible to successfully go live with the final pilot phase of the new ERP system at Alloga. Complete rollout should follow by the end of 2022.