

Overview of Generic Pharmaceutical Market in Europe and Other Regions

EGA – June 14th, 2007 Istanbul

Per Troein

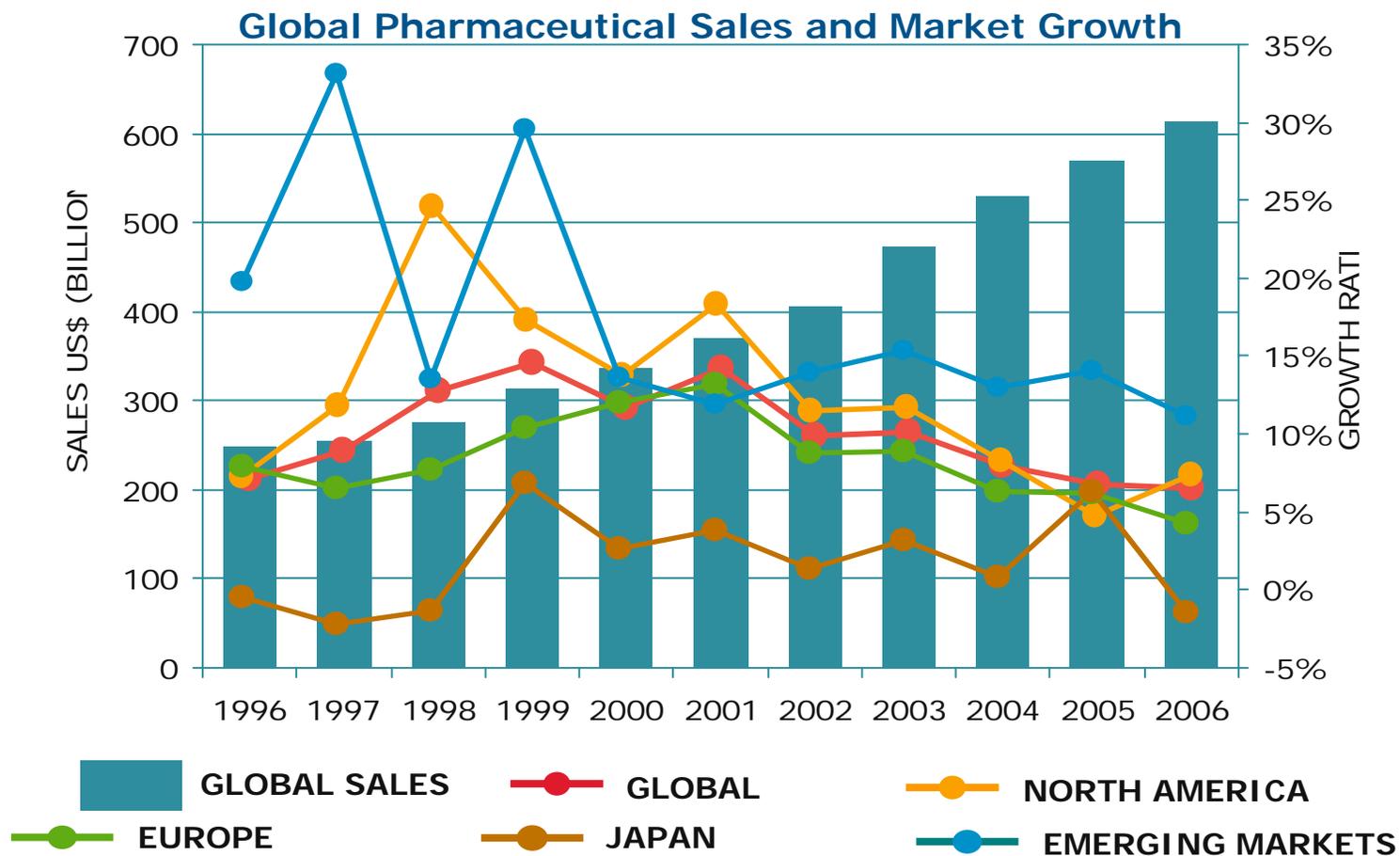
VP Strategic Alliances, IMS Health EMEA



Key trends

- Overall pharma market growth has slowed down
- Payers trying to capture savings after patent expirations
- Brand matters
- Specialist drugs are the new growth area

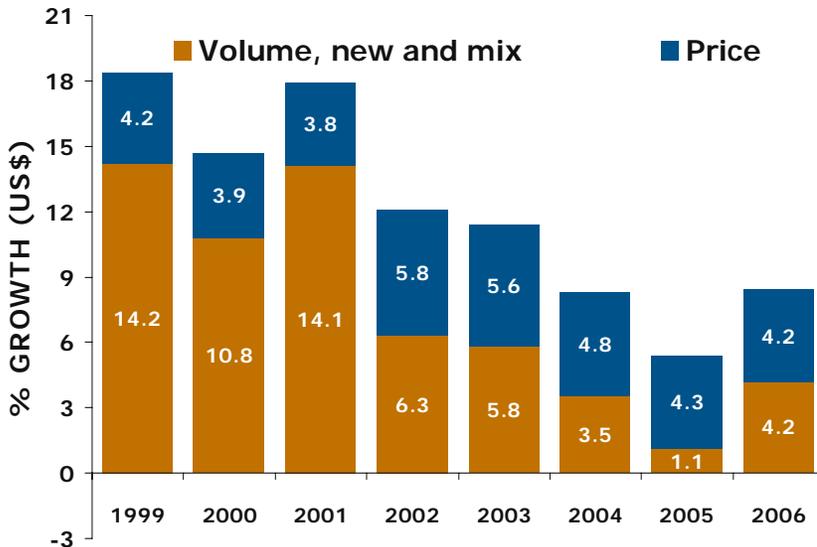
US helped the global market to stabilize in 2006



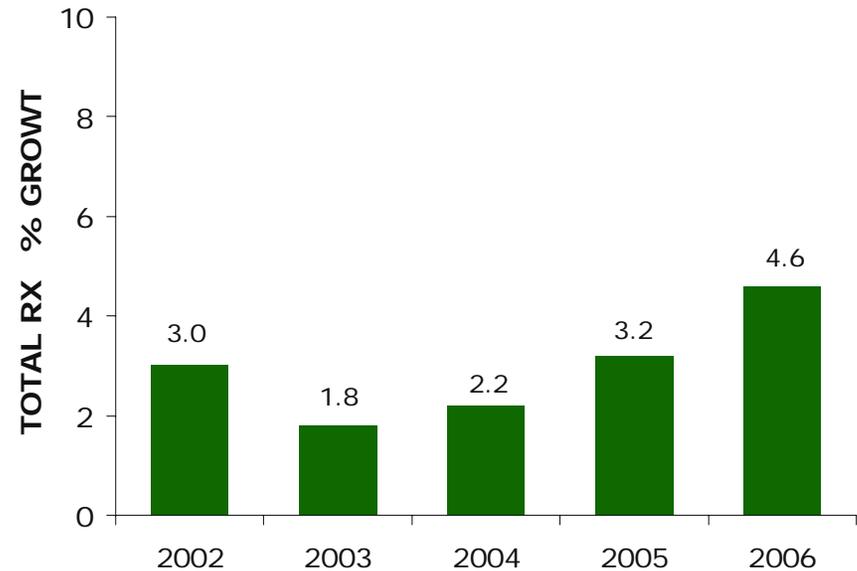
Source: IMS Health MIDAS MAT December 2006

USA: Value growth still highly dependent on price but Rx volume growth picking up again

US\$ value, elements of growth



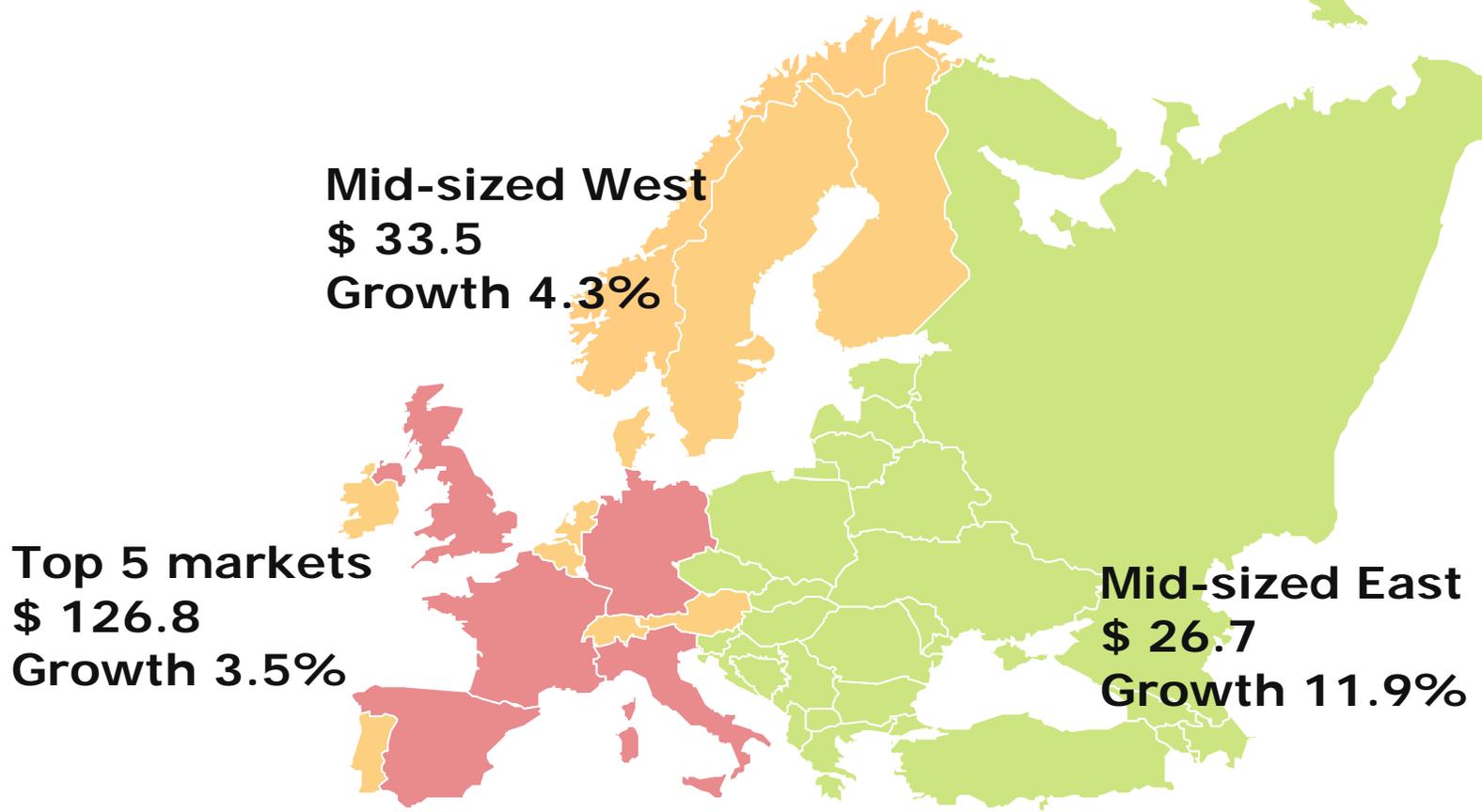
% Change in total Rx dispensed



Source: IMS Health NPA

Europe growth on 3 tiers

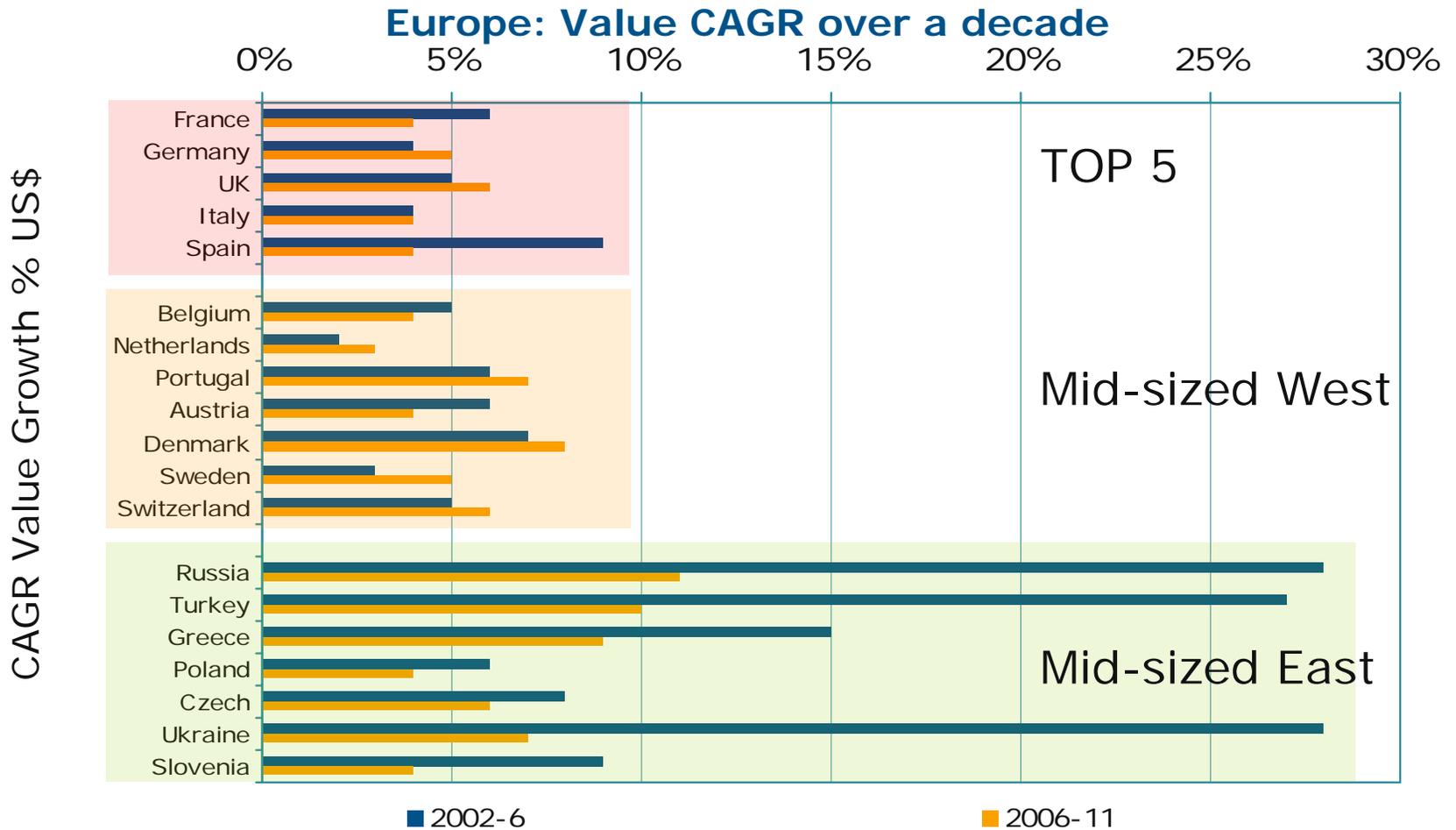
Total Sales: \$187 Bill, 2006; Growth = 4.8%



Source: IMS Health: MIDAS MAT Dec 2006.

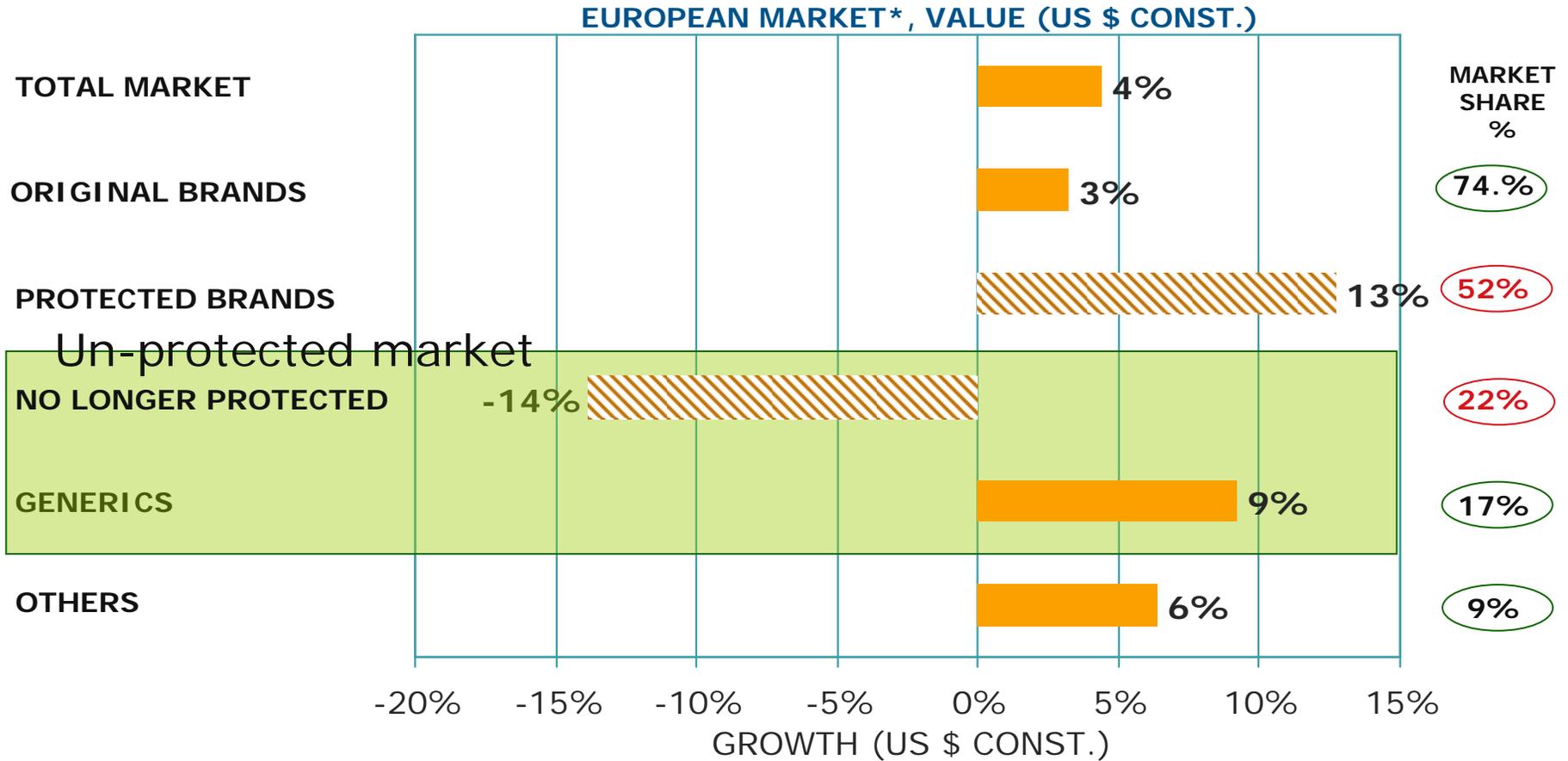
Europe: a multi-tiered, multi-speed market place

Emerging markets pace ahead whilst established markets stroll



Source: IMS Health MIDAS December 2006; Market Prognosis Global Market Forecasts April 2007 Update

Generics value growth is strong



Source: IMS Health: MIDAS New Market Segmentation Plus, MAT Dec 2006. Rx Bound Only.

Generic growth is greatly hampered of price development

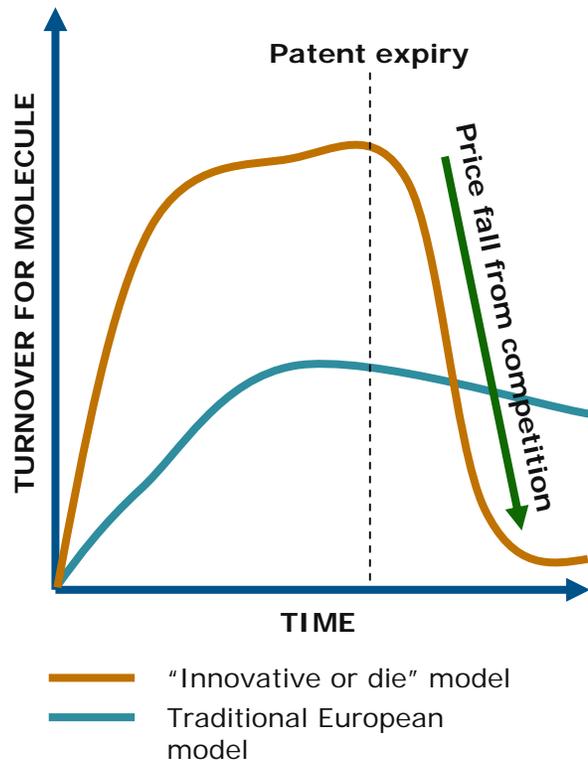
	New	Volume	Price	Total
Germany	2.5%	1.7%	-13.6%	-9.5%
France	5.7%	9.5%	-5.5%	9.7%
UK	2.8%	10.5%	-2.4%	10.9%
Italy	3.4%	3.8%	-2.7%	4.5%
Spain	2.2%	9.8%	-2.1%	10.0%
Belgium	1.6%	6.0%	-2.9%	4.7%
Netherlands	1.7%	11.5%	-2.9%	10.4%
Sweden	3.2%	10.1%	-3.1%	10.2%
Switzerland	1.1%	22.3%	-7.6%	15.8%
Austria	1.9%	13.2%	-1.1%	14.0%
Portugal	6.0%	8.3%	-1.8%	12.4%
Finland	3.1%	0.9%	-6.6%	-2.6%
Denmark	6.1%	3.1%	-0.2%	9.0%
Norway	1.5%	8.8%	-4.2%	6.1%
Ireland	1.3%	12.8%	1.0%	15.1%

MAT March 2007, IMS MIDAS

Key trends

- Overall pharma market growth has slowed down
- Payers trying to capture savings after patent expirations
- Brand matters
- Specialist drugs are the new growth area

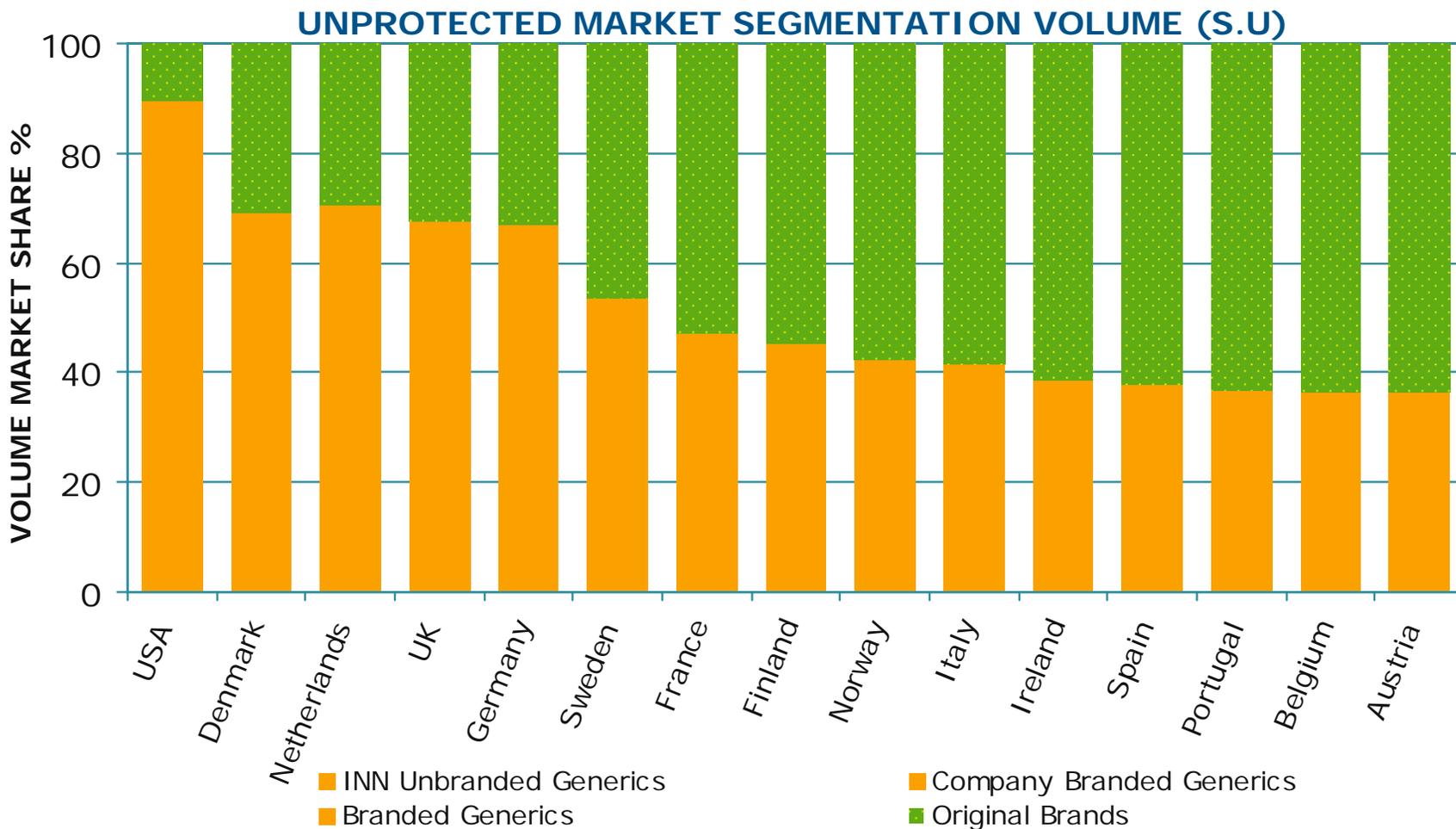
Generics should increase price competition and result in savings for payers



- Europe has been promoting generics over the last decade in order to save money on off-patent drugs and increase budget available for innovative drugs¹⁾
- The policy change should result in rapid market access for new drugs, acceptance of premium prices of innovation and "sharp fall off the cliff" at patent expiry
- This is known as the "headroom for innovative" model for innovative industry

1) Communications from the EU Commission

Europe generic penetration is much lower than US



Source: IMS Health MIDAS Market Segmentation Plus MAT March 2007. Ethical Market Only & Others excluded

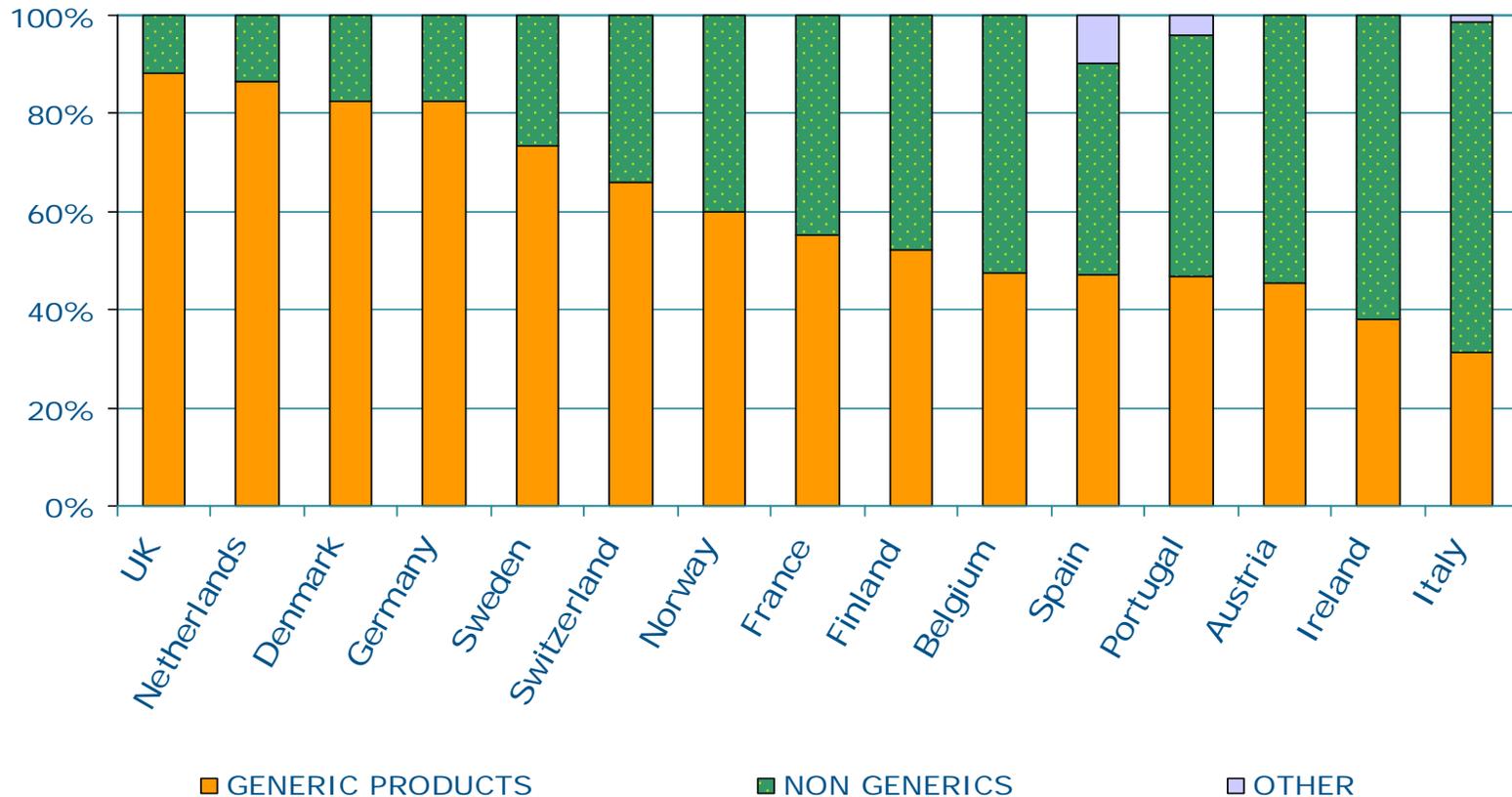
We compared prices of the top-35 generic products against the lowest possible price

- Generics products only
- Same form and strength
- Using actual rules for price build and market practice
- Prices were also adjusted for discounts and claw-backs
- European turnovers were used to construct an index

No. of products with lowest manufacturer selling prices in different countries

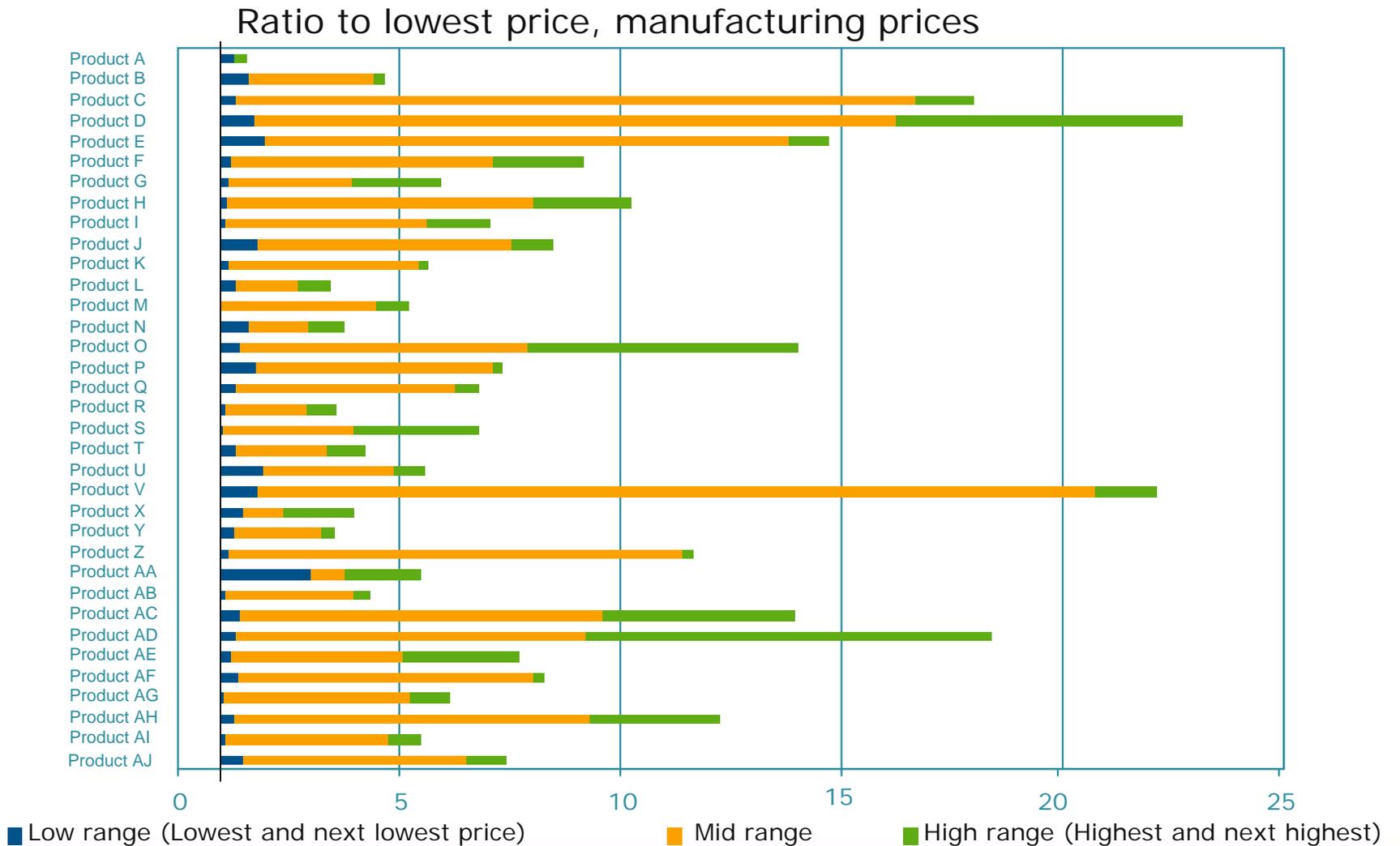
Country	No. of matches
Belgium	1
Denmark	5
Spain	1
Sweden	5
UK	19
Netherlands	4

... for the selected leading 35 generic molecules there is a greater generic market penetration



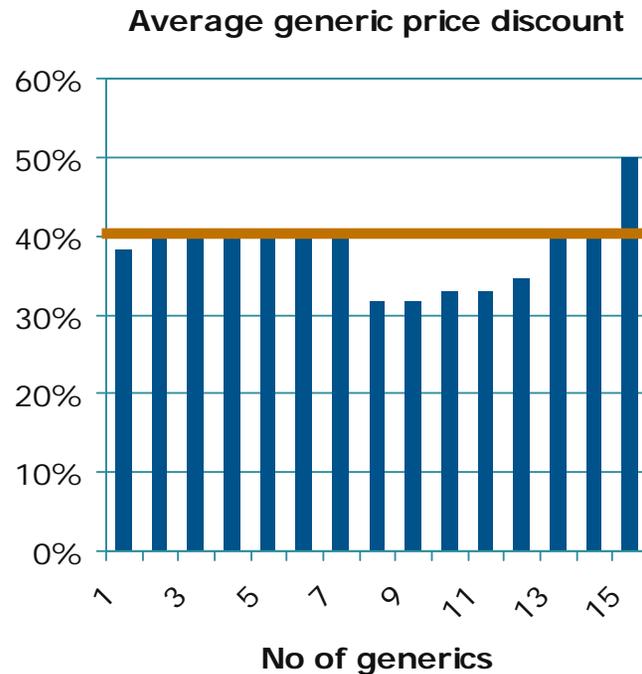
Source: IMS Health MIDAS MAT/Q106 Ethical Market only

There are big price differentials on some molecules



Price controlled markets typically have a mandated price cut of 30-40%

Mandated price cuts in France are typically 40%

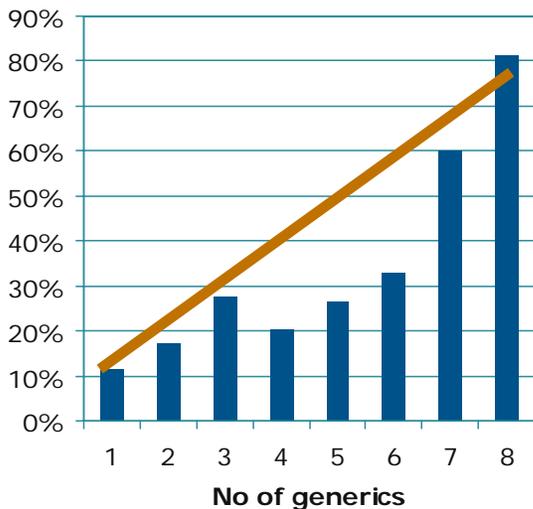


Source: IMS Consulting, Pricing and Market Access analysis

.....whereas competition determine the size of the initial price cut in free pricing markets

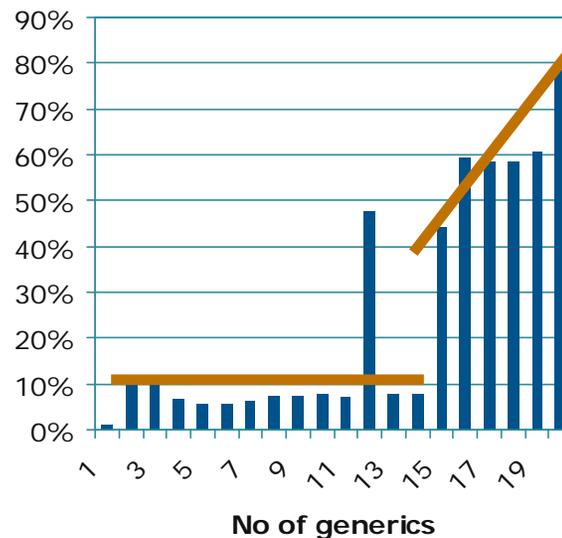
Price cuts in Sweden are depending on no. of entrants

Average generic price discount



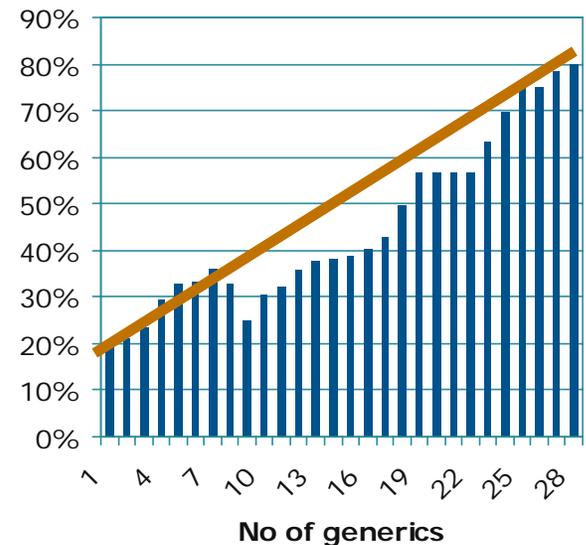
In UK, there need to be more that 10-15 entrants to see large price cuto

Average generic price discount



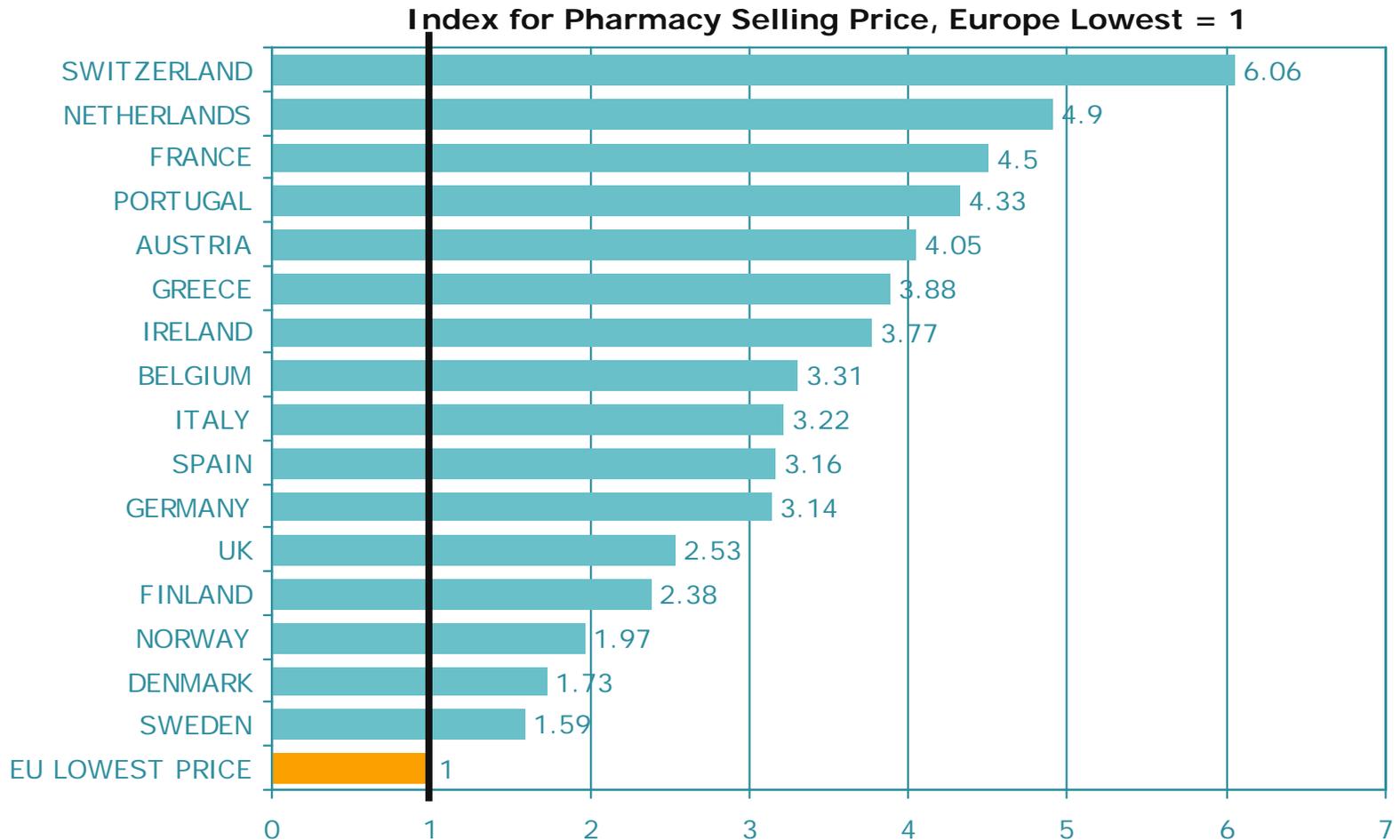
Price cuts in Germany depend on no. of entrants

Average generic price discount



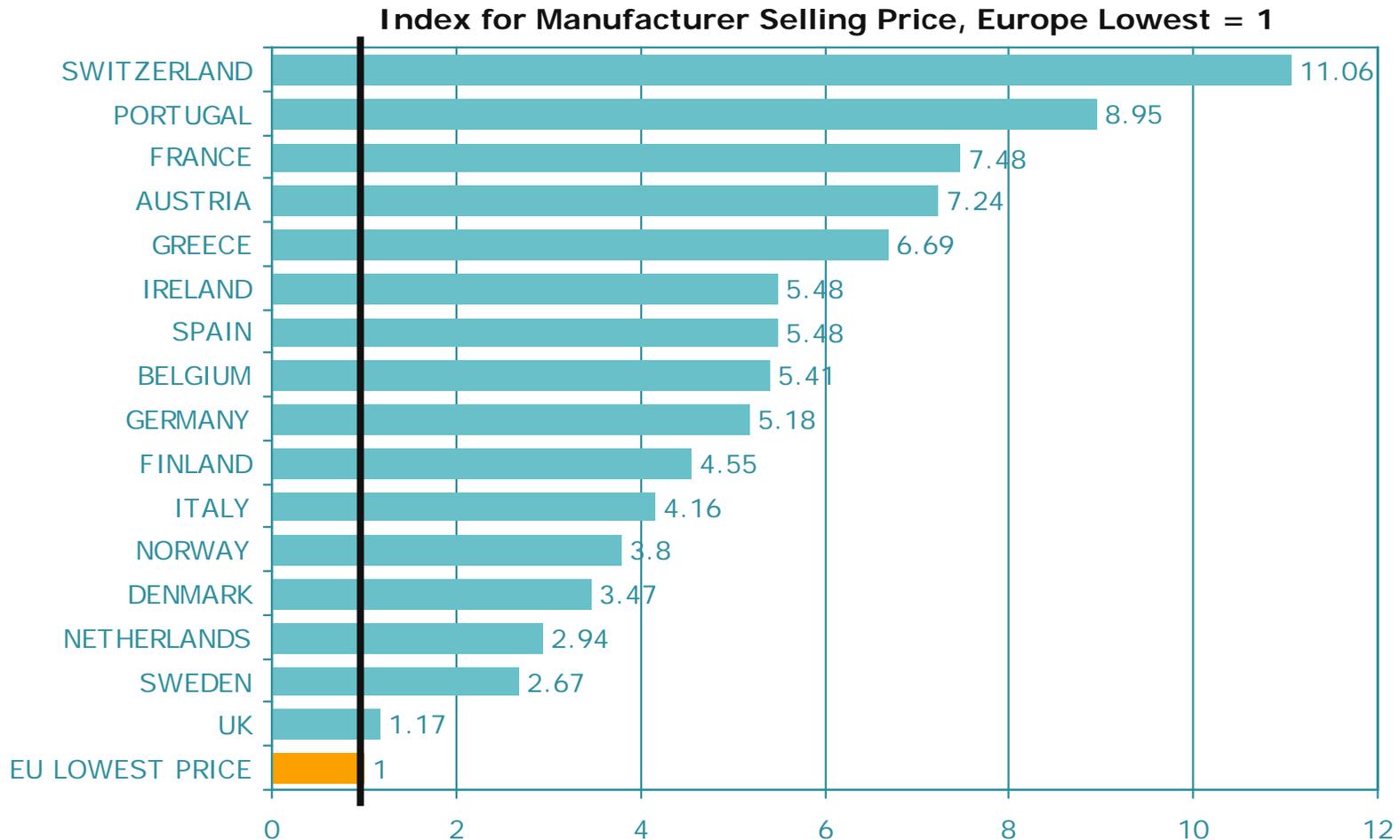
Source: IMS Consulting, Pricing and Market Access analysis

Public price - the Nordics and the UK are paying less for top-35 generics products



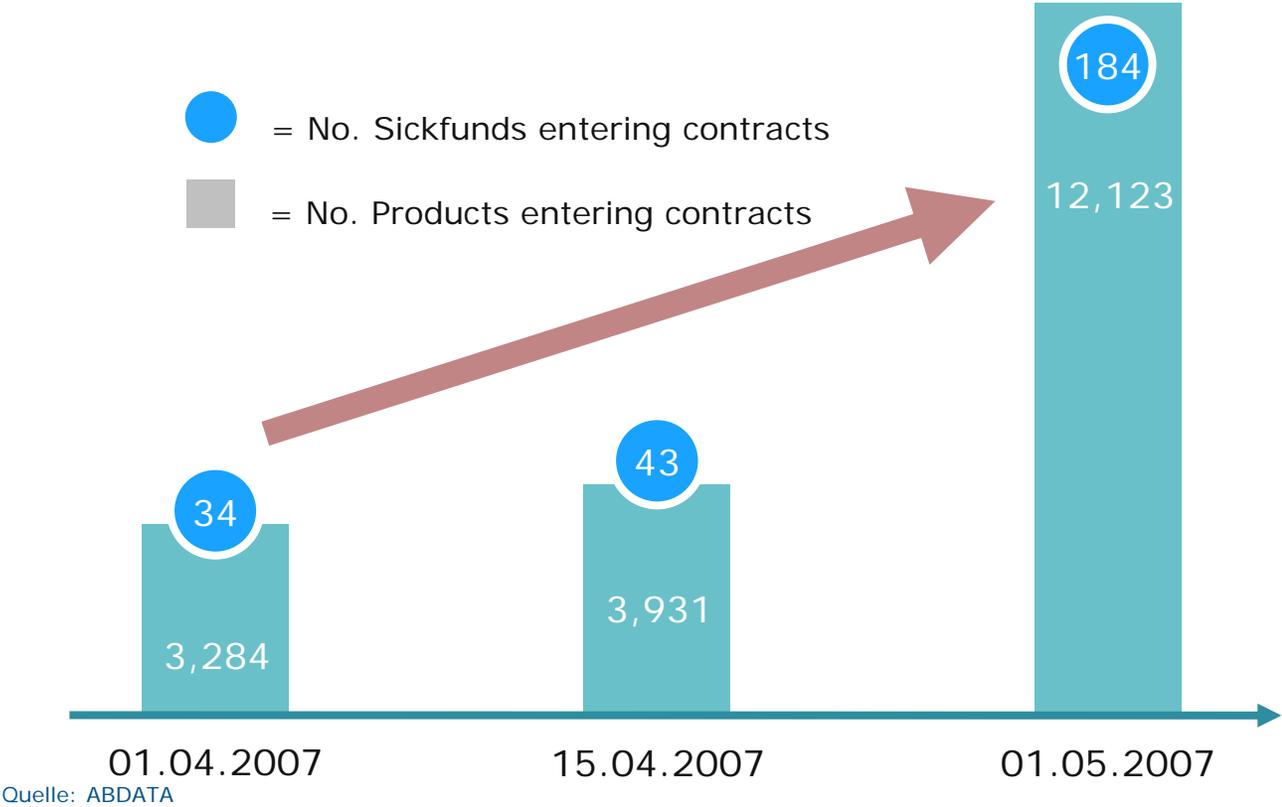
Source: IMS MIDAS and IMS Consulting analysis

Manufacturing price - UK have the absolute lowest manufacturer selling prices in Europe



Source: IMS MIDAS and IMS Consulting analysis

Contracting in Germany is rapidly changing the game



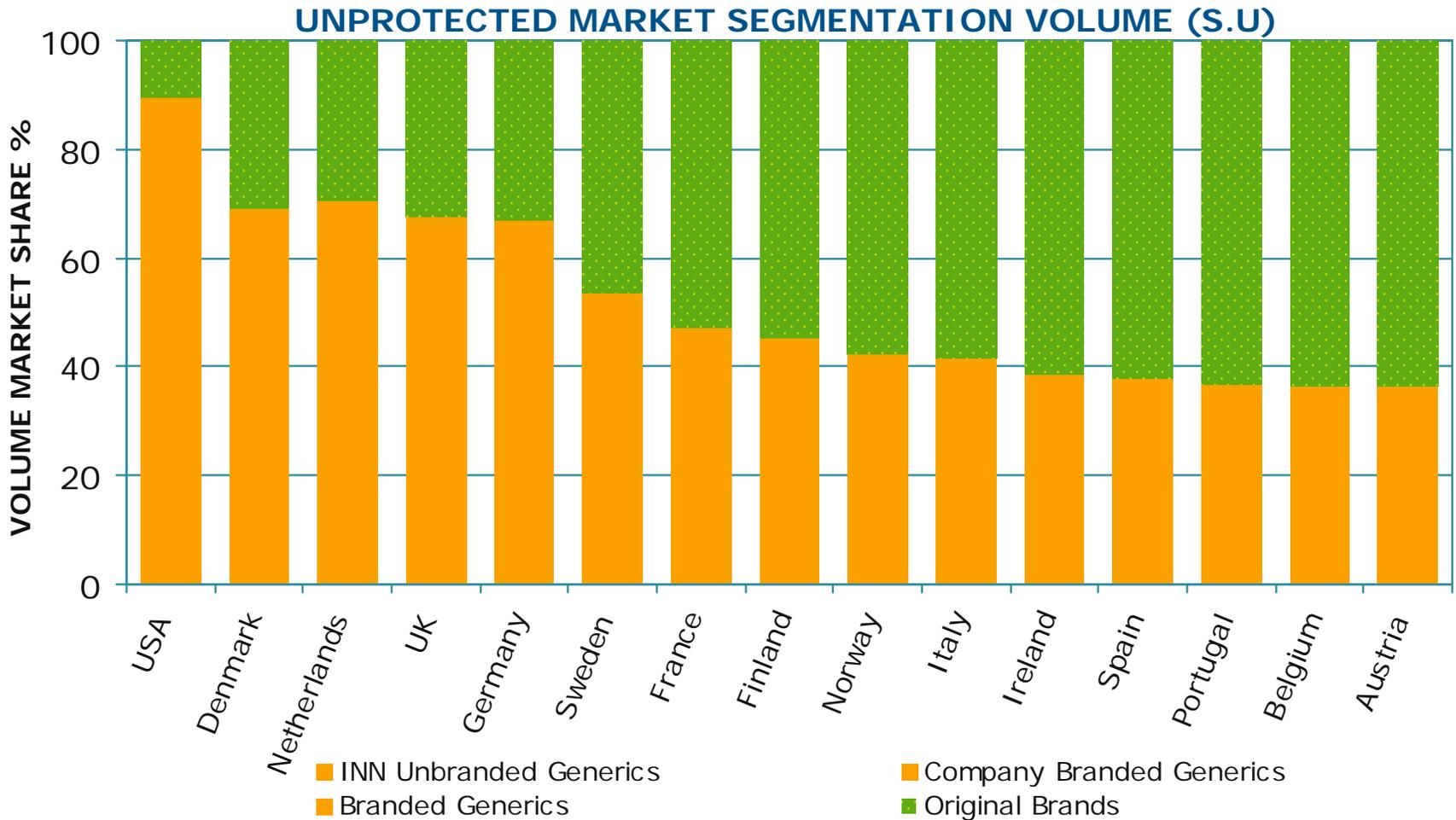
Payers trying to capture savings after patent expirations

- It is still only in a very limited number of European markets the payer get the full benefit of generic savings – both from a penetration and a price point of view
- However, more countries are implementing effective generic strategies
- Contracting can fundamentally alter the dynamics in a market

Key trends

- Overall pharma market growth has slowed down
- Payers trying to capture savings after patent expirations
- Brand matters
- Specialist drugs are the new growth area

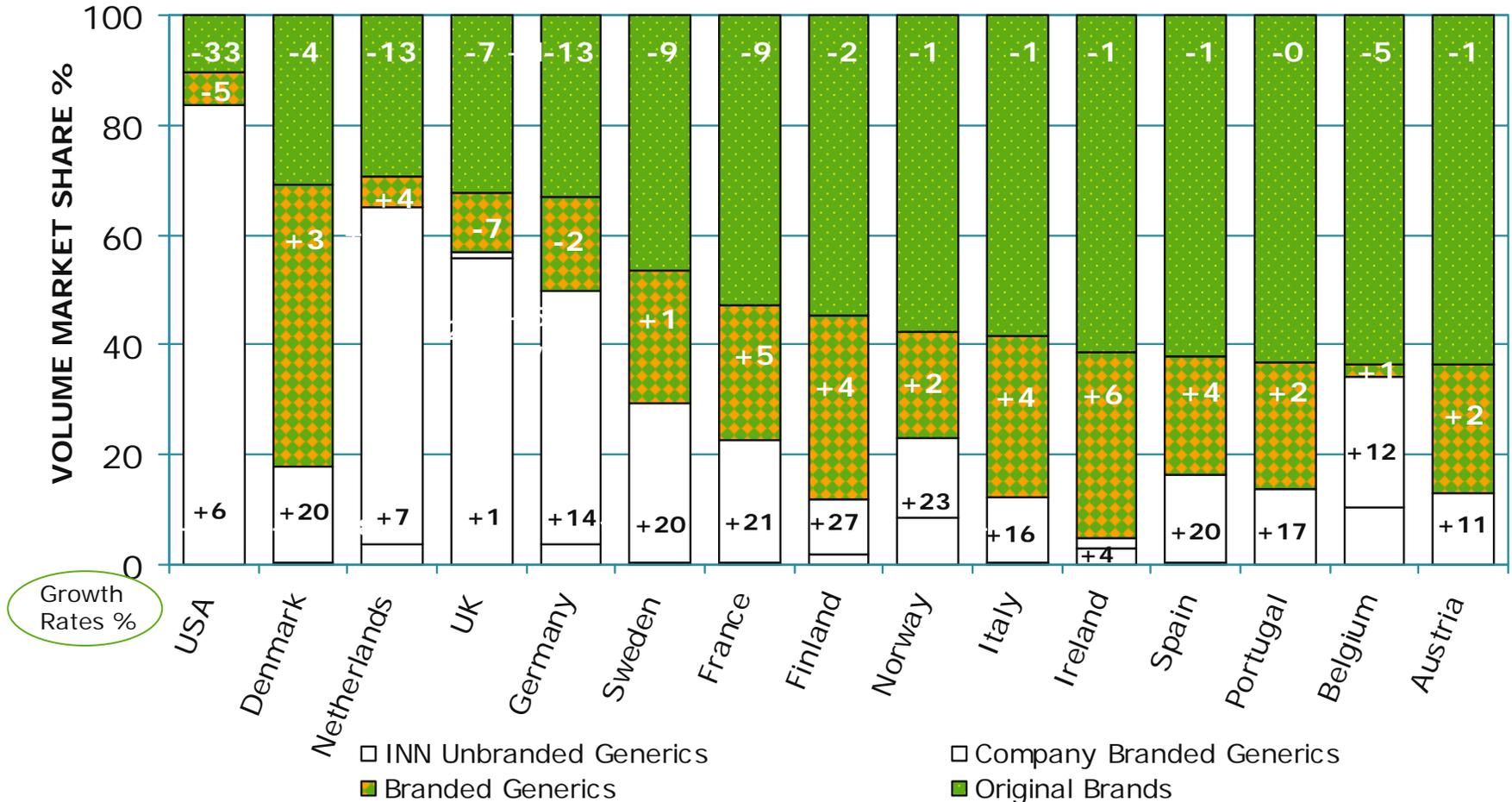
Europe generic penetration is much lower than US



Source: IMS Health MIDAS Market Segmentation Plus MAT March 2007. Ethical Market Only & Others excluded

In total, Europe retains a strong preference for brands

UNPROTECTED MARKET SEGMENTATION VOLUME (S.U)



Source: IMS Health MIDAS Market Segmentation Plus MAT March 2007. Ethical Market Only & Others excluded

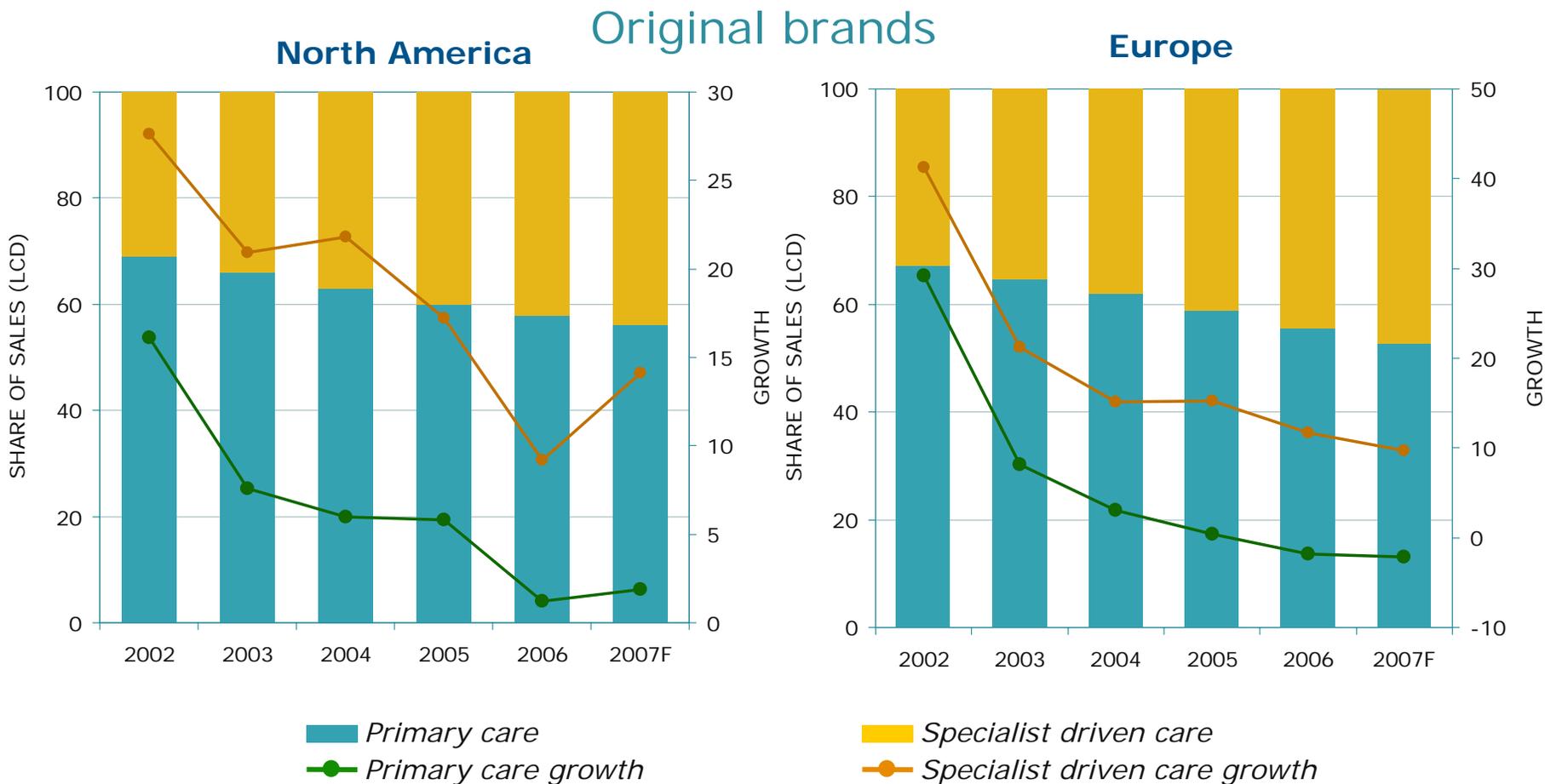
Brand matters

- Prescribers use what they are familiar with
- Smaller products lack unbranded competition
- Patient many times prefer brands – despite higher co-payment

Key trends

- Overall pharma market growth has slowed down
- Payers trying to capture savings after patent expirations
- Brand matters
- Specialist drugs is the new growth area

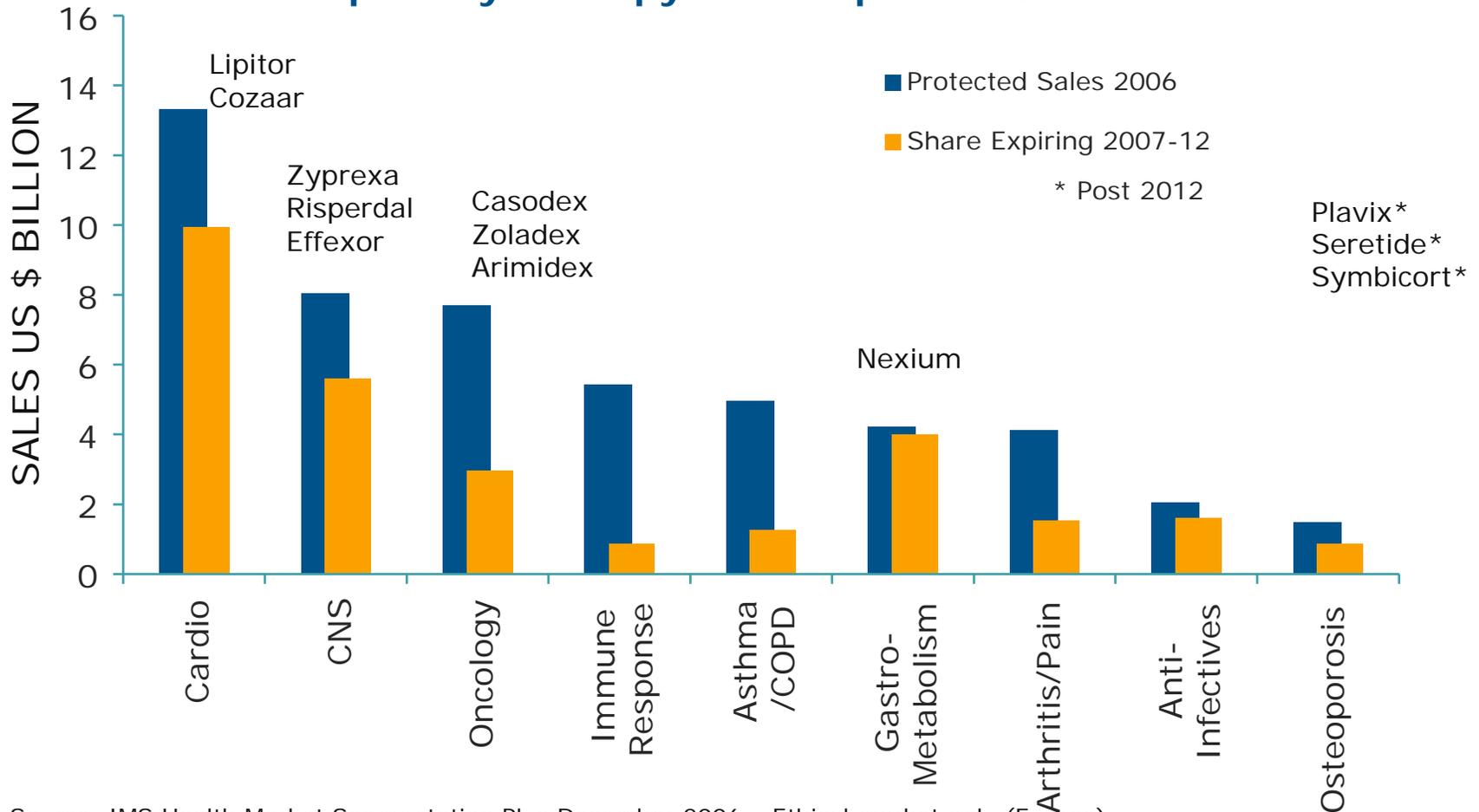
Specialist initiated drugs is the main growth driver



Source: IMS Health MIDAS MAT December 2006 – Ethical Non Generic Market Only

Significant patent expiries are expected in the next 5 years representing much of parallel import core business today

Europe: Key Therapy Area Expiries 2007-12



Source: IMS Health Market Segmentation Plus December 2006 – Ethical market only (Europe)

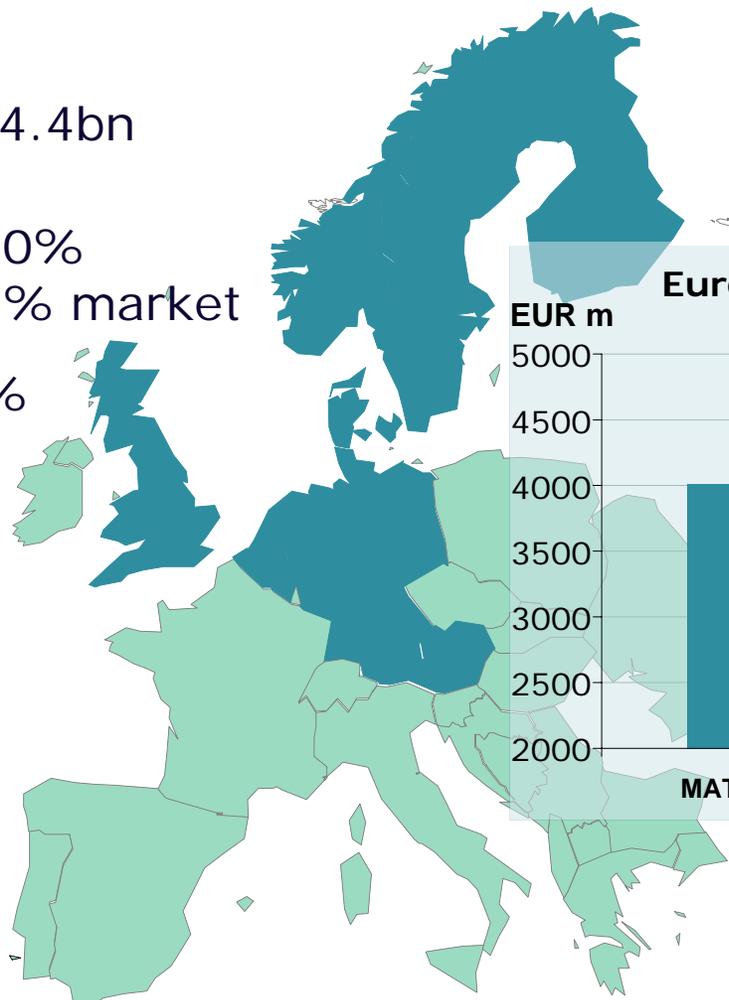
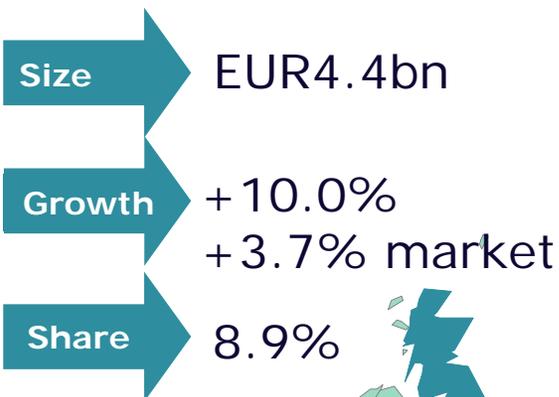
7 Key

7 major biotech molecules with \$10bn potential biosimilar exposure

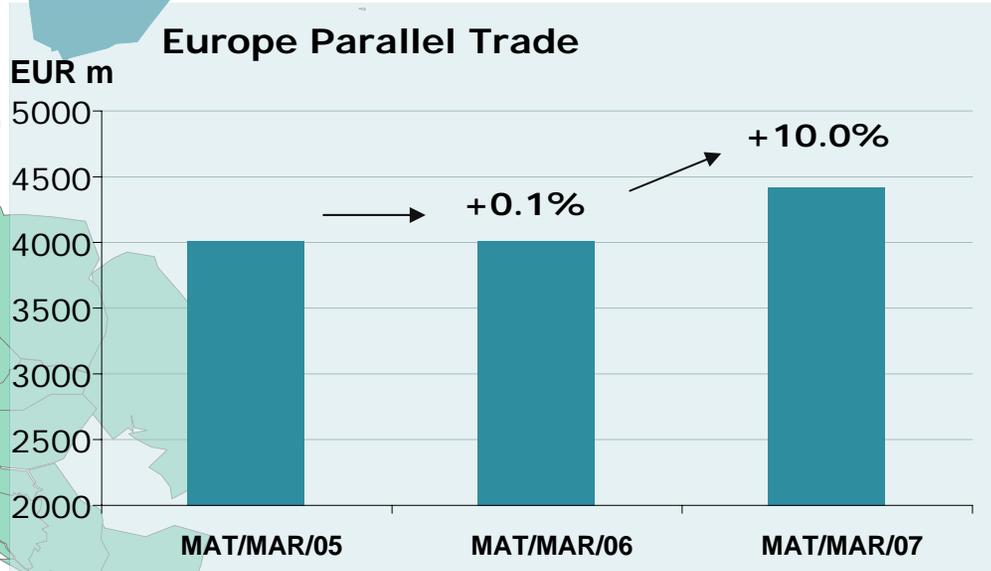
Leading Substances	Brands	Marketer	2006 US\$mn
Epoetin Alfa	Erypo/Procrit/Epogen	Johnson & Johnson/ Amgen	6,579
Interferon Beta 1A	Avonex/Rebif	Biogen Idec/Serono	2,682
Human Insulin	Ins. Protaphane HM/ Novolin N/ Actraphane HM/ Humulin NPH/ Humulin Mix/ Insuman Comb	Novo Nordisk/ Lilly/ Sanofi-Aventis	1,976
Somatropin	Genotropin/ Humatrope/ Norditropin/Asellacrin	Pfizer/Lilly/Novo Nordisk/Serono	1,523
Filgrastim	Neupogen	Amgen	1,250
Interferon Beta 1B	Betaferon	Bayer/Schering AG	836
Epoetin Beta	Neorecormon	Roche	646

Source: IMS Health, MIDAS MAT Dec 2006

Parallel Trade is taking off again!



Import markets

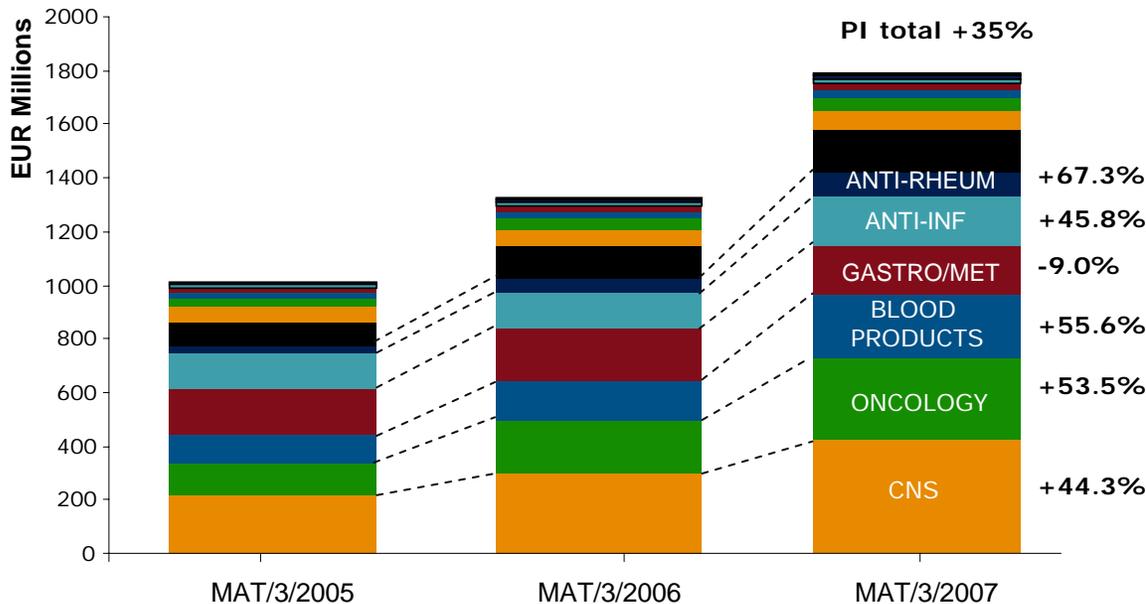


Data at MAT/MAR/07, Germany, UK, Netherlands, Sweden, Norway, Finland, Denmark, Belgium, Austria
Values are at standard purchase price in importing market. Transaction can be pharmacy sell-in or sell-out

Germany PI is growing in specialty markets



Germany Retail – Targeted areas for PI



Analysis shows share of PI by therapy category over last three years

- Overall market is flat (+0.6%)
- PI attractiveness has risen:
 - reduction in claw-backs
 - favourable price rule
- Growth in cancer driven by cytostatics such as Arimidex and Casodex, and also beta interferons such as Avonex
- CNS growth driven mainly by antipsychotics such as Zyprexa, Risperdal, Seroquel
- Other areas of growth include infertility, antirheumatics Enbrel/ Humira and muscle relaxants such as Botox.

Will generics benefit from the specialty wave?

For

- Several near-term expirations
- In some of the markets the main route is hospital
- Acceptance of parallel imported specialty products

Against

- Limited success of bio-similars so far
- Use of value-added channels as homecare
- Brand value in anti-psychotics
- Contracting in Germany

The outlook

- Continued significant volume growth to be expected
- “Gravity towards zero” – continued price erosion
- The payer will increasingly try to reap the benefits

- Low volume products have the opportunity for higher margins
- Value of brand remains

- Specialist initiated drugs increasingly important – are the PI trend the fore-runner?

Thank you

Per Troein

VP Strategic Alliances, IMS Health EMEA

ptroein@uk.imshealth.com



World Pharmaceutical Market Review

The world pharmaceutical market

All reproduction rights, quotations, broadcasting, publications reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without express written consent of **IMS HEALTH**.

