Farmaindustria

ANNUAL REPORT 2001

Contents

Message from the President

FARMAINDUSTRIA held its General Assembly in June 2001, at which the Annual Report for 2000 was presented. In my message to the Association prefacing last year's Report, I alluded to the profound changes FARMAINDUSTRIA was undergoing and the future challenges we faced.

Nine months on, we are delighted to note that the balance of our activities amply demonstrates the depth of change and the tremendous progress our Industry has achieved through unified action. It is not enough, however, for us to congratulate ourselves on the changes and results we have brought about. We also need to reflect on the challenges ahead.

The last nine months have indeed seen a far-reaching transformation in the four key areas of our activity, which consist of relations with Government, communication with society, service to members and international relations.

Beyond question, we have achieved a turnaround in our relations with the Spanish Ministry of Health and Consumer Affairs, moving away from a history of conflict and towards a more collaborative climate, even if it is not without some tension and discord. This improvement in relations crystallised in the Pact for Stability and Innovation (2002-2004) signed in October last year. The Pact establishes a regulatory scenario that is much more predictable, a basic requirement (though not the only one) for stable, ordered growth in the pharmaceuticals market and ongoing investment in R&D and industrial development.

We have also forged closer links to the Ministries of Economy and Finance and Science and Technology, as well as to the Prime Minister's Office directly. The Association's activity has been particularly intense in these departments, in view of the importance of our Industry and its contribution to the health of the citizen and the scientific and economic progress of our country.

Communication is the second pillar of our strategic plan. Channels have been opened with the media, allowing us to take a more proactive stance to informing both society in general and opinion formers of the value inherent in the Industry and medicinal products. We also launched a campaign to explain the Value of Medicines, stressing the Industry's research and development work, and we have set up a study programme to gather evidence and data for use in our communications activities.

Relations with member pharmaceutical companies have received a considerable boost this year. To illustrate this, it is enough to mention the participation of 151 professionals from 74 companies in the Association's Working Groups, Sections and Functional Groups during 2001. These professionals have contributed their knowledge and experience to the tasks of framing Pharmaceutical Industry proposals, and drawing up working documents and position papers on a wide variety of subjects. We have also made a qualitative leap in openness and access to

information with the creation of the FARMAINDUSTRIA website (www.farmaindustria.es). This is but a further sign of the far-reaching change in our organisation's culture, which has been intensified by the arrival of new people to fill key posts. These newcomers have swiftly succeeded in forming a cohesive team that is keen to take on fresh challenges.

The international department has been actively integrated into the overall framework of the Association's activity, providing a global vision of areas of concern and enabling us to present proposals based on a shared vision, especially in the European context. The key element of FARMAINDUSTRIA'S activity on the international scene has been our preparation for the Spanish Presidency of the European Union in the first half of 2002, during which matters of crucial importance to the future of the Community's Pharmaceutical Industry will be debated.

As I have already said, however, it is not enough to congratulate ourselves on what has already been achieved. We must also look ahead to the challenges we still face. If we have gained some regulatory certainty through the Stability Pact, other areas of concern are emerging that will require all our strength.

For example, the recent devolution of responsibility for health care to those Spanish Regions that previously had no powers in this area has created a complex and as yet undefined scenario. By redefining the departmental structure of the Association, we have already taken the first steps in a positive approach to this new state of affairs, despite the risk that devolution could fragment the market and jeopardise equal access to medicines for all citizens.

Another issue that will mark our activity in the immediate future is the increasing importance of R&D in the Government's policy agenda. Major research projects in flagship areas with a major social impact, such as genomics, oncology and cardio-vascular illness, represent a huge opportunity, and we must ensure that the Pharmaceutical Industry matches up to its historical role. To this end, we have created the FARMAINDUSTRIA Foundation, which will supervise and monitor the R&D projects and activities funded with Industry contributions under the Pact for Stability and Innovation.

Also, after three long months' work, the new Spanish Code of Practice for the Promotion of Medicines was completed in early 2002 and will be implemented during the current year. This Code represents a major step forward in the area of self-regulation and will ensure that marketing activities are in tune with strict standards of responsibility and professionalism. The final objective is to contribute to improvements in public health by providing health professionals with full and appropriate information.

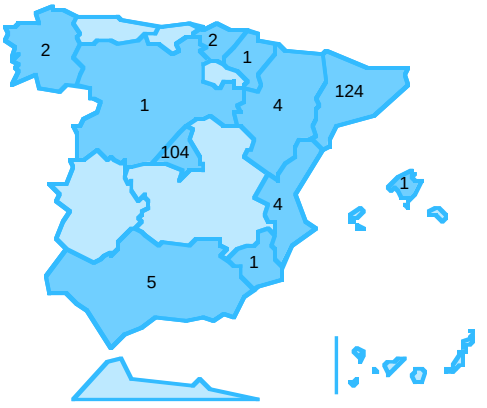
Let me end with a final thought. In today's shifting scenario, unity of action by the sector is more important than ever. We must keep together, reconciling the sometimes conflicting interests of the member pharmaceutical companies. This is a fundamental task for all concerned, and success will bring rewards.

JESÚS ACEBILLO MARÍN, President of FARMAINDUSTRIA

FARMAINDUSTRIA in 2001

1 Membership

At 31 December 2001 the membership of FARMAINDUSTRIA comprised 249 pharmaceutical companies, the same number as in 2000. The geographical distribution of member companies was as follows:



FARMAINDUSTRIA's members represent 70% of the pharmaceutical companies operating in Spain (i.e. total manufacturing and/or marketing companies making sales through retail pharmacies), which account for 98% of sales.

CLASIFICATION OF MEMBERS

SPANISH	129	INTERNATIONAL	120
Majors	10	Majors	24
Mid-size	8	Mid-size	29
SMEs	111	SMEs	67

TOTAL 249

2 Organisation

Luncheon given by board of FARMAINDUSTRIA for the Minister of Heatlh, Celia Villalobos, December 2001.

2.1. Governing Bodies

The General Assembly of members is the supreme governing body of the Association and expresses their collective will.

The governance of the Association is the responsibility of the Board of Governors, which comprises the President and 24 representatives of member companies and the Steering Committee formed by the President, four Vice-Presidents, eight members appointed by the Board of Governors from among its own members and two advisers appointed by the President, one each for foreign-owned and Spanish pharmaceutical companies.

The membership of FARMAINDUSTRIA's governing bodies is currently as follows:

STEERING COMMITTEE

PRESIDENT	
Jesús Acebillo Marín NOVARTIS FARMACEUTICA, S.A.	
VICE-PRESIDENTS	
Javier Ellena Aramburu* DISTA, S.A.	**Rafael Foguet Ambrós** FERRER INTERNACIONAL, S.A.
Jorge Gallardo Ballart ALMIRALL PRODESFARMA, S.A.	**Manuel García Garrido** BOEHRINGER INGELHEIM, S.A.
COMMITTEE MEMBERS	
José Miguel Colldefors Martínez GLAXO WELLCOME, S.A.	**Albert Esteve Cruella** DR. ESTEVE, S.A., LABORATORIOS
Rafael Giménez Cuesta FARMA LEPORI, S.A.	**Peter Hug** ROCHE FARMA, S.A.
Rafael Juste Sesé JUSTE, S.A. QCO. FCA.	**John A. Keeler** SANOFI-SYNTHELABO, S.A.
Javier Peris Musso S.A.L.V.A.T., S.A., LABORATORIO	**Juan Uriach Torelló** J. URIACH & CIA., S.A.
ADVISERS	
Javier Ellena Aramburu** LILLY, S.A.	**Javier Font Salgado** FARDI LBO.DE APLIC. FARMACODINÁMICAS, S.A.

* .Since 12/02/02, replacing Javier Urcelay Alonso, DU PONT PHARMA, S.A. ** .Until 12/02/02.

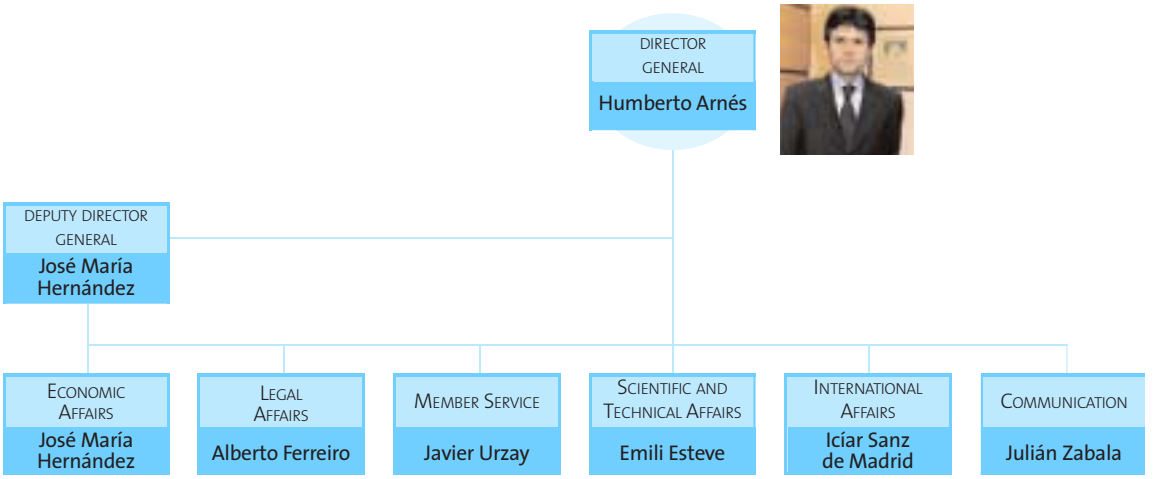
BOARD OF GOVERNORS

President	
Jesús Acebillo Marín NOVARTIS FARMACEUTICA, S.A.	
Vice-presidents	
ALMIRALL PRODESFARMA, S.A. **Jorge Gallardo Ballart**	BOEHRINGER INGELHEIM, S.A. **Manuel García Garrido**
DISTA, S.A.* **Javier Ellena Aramburu**	FERRER INTERNACIONAL, S.A. **Rafael Foguet Ambrós**
Board members	
AMGEN, S.A. **Ramón A. Limiñana Soler**	LBO.DE APLIC. FARMACODINÁMICAS, S.A. FARDI **Javier Font Salgado**
CEPA SCHWARZ PHARMA, S.L. **Antonio Martín García**	DR. ESTEVE, S.A., LABORATORIOS **Albert Esteve Cruella**
FAES, S.A. **Eduardo Fernández de Valderrama**	FARMA LEPORI, S.A. **Rafael Giménez Cuesta**
GLAXO WELLCOME, S.A. **José Miguel Colldefors Martínez**	J. URIACH & CIA., S.A. **Juan Uriach Torelló**
JUSTE, S.A. QCO. FCA. **Rafael Juste Sesé**	LESVI, S.A., LABORATORIOS **Enric Vallés Rodoreda**
MERCK, SHARP & DOHME DE ESPAÑA, S.A. **A. Pérez Mosquera****	MENARINI, S.A., LABORATORIOS **Joaquín Puig Corcoy**
NORMON, S.A., LABORATORIOS **Jesús Govantes Esteso**	NOVO NORDISK PHARMA, S.A., **Felipe Gómez Pérez*****
PFIZER., S.A. **Emilio Moraleda Martínez**	ROCHE FARMA, S.A. **Peter Hug**
S.A.L.V.A.T., S.A., LABORATORIO **Javier Peris Musso**	SANOFI-SYNTHELABO, S.A. **John A. Keeler**
VIÑAS, S.A., LABORATORIOS **Antonio Buxadé Viñas**	ZAMBON, S.A. **Davide Sirtoll Lovati**

* Since 12/02/02. Previously DU PONT PHARMA, S.A. represented by Javier Urcelay Alonso
** Until 12/02/02. Previously LILLY, S.A. represented by Javier Ellena Aramburu
*** Until 12/02/02. Previously ASTRA ESPAÑA, S.A. represented by Carlos Trias Vidal

2.2. Executive

Farmaindustria's management team has been thoroughly renewed during 2001 with the appointment of three new officers to head the Scientific and Technical Affairs, Communication and Member Service Departments. The Director General, Humberto Arnés took up his post in February 2001.
The resulting functional organisation is as follows:



3 Activities in context

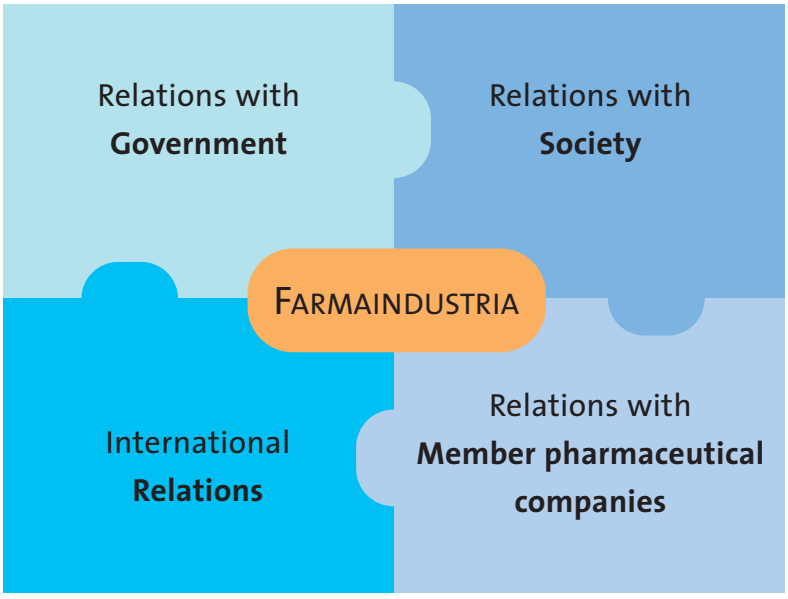
The medicines produced by the Pharmaceutical Industry are not only enormously valuable in themselves but also contribute more than any goods to the well-being and health of the citizen. The Industry researches, manufactures and brings to market pharmaceutical products that alleviate suffering and cure disease.

At the same time, medicines are probably the most regulated products in any market, precisely to safeguard the health of the citizen. Not only does the State foot a large part of the bill for the medicines consumed in the country, but it decides what medicines may be sold through what channels, how products are manufactured and dispensed, and when they are paid for.

In this context, FARMAINDUSTRIA's mission has on the following objectives:

- Co-operating with Government to establish a stable regulatory and economic framework that is conducive to balanced growth in the market, the expansion of R&D activities and the development of the Spanish pharmaceutical industry.
- Improving public perceptions of the pharmaceutical industry and medicines by raising awareness among citizens, opinion formers and politicians of the added value that therapeutic products provide for social progress and the quality of our lives.
- Offering value added services to member pharmaceutical companies by providing information, business advice and a joint approach to the issues.
- Representing the Spanish pharmaceutical industry both nationally and internationally.

FARMAINDUSTRIA's mission thus involves activities in four different contexts, which may be thought of like the interlocking pieces of a jigsaw puzzle. In the following sections, we shall consider each of these pieces in turn.



3.1. Relations with Government

The basic objective of maintaining a constructive, ongoing dialogue with Government with a view to ensuring sustainable growth in the market without overburdening the public purse led in 2001 to the Pact for Stability and Innovation for 2002-04, a milestone in the Association's relationship with the Spanish Health Authorities.

As well as agreeing the Stability Pact, FARMAINDUSTRIA closely took careful note of the Government's new regulatory proposals, working closely with the authorities to ensure that the legal framework for the sector achieves its intended purpose without unduly constraining market freedoms or the industry's development.

In parallel, the Association has taken part in numerous technical committees set up with the Government to analyse issues related with technical regulations and their application in practice.

3.1.1. The Pact for Stability and Innovation

On 19th December 2000 the Spanish Parliament asked the Government to frame an Integrated Plan for the Control of Pharmaceutical Spending and the Rational Use of Medicines, and urged it to begin conversations with the sectors affected in order to reach a consensus that would ensure smooth implementation.

The parliamentary resolution specifically defined the sectors concerned as 1) the Pharmaceutical Industry and wholesale and retail pharmacists; 2) physicians responsible for therapeutic prescription; and 3) the users of the Spanish National Health System.

Thus, suppliers, National Health Service physicians and end users or consumers were all included. It seemed logical to assume that specific Agreements between the Ministry of Health and Consumer Affairs and demand-side representatives would include measures aimed at rationalising the use of medicinal products (e.g. prescription of generics, promotion of healthy lifestyles, health training, etc.), while Pacts with supply-side agents would focus on obtaining financial contributions to offset potential cost overruns in annual pharmaceutical budgets set by the Government.

FARMAINDUSTRIA, however, was quick to realise that this traditional formula would not only fail to resolve the underlying issues but would miss a historic opportunity to boost the competitiveness of the Spanish pharmaceutical industry and place the country in pole position in areas of health research, such as genomics, that will give rise to revolutionary changes in treatments and preventive therapies for a whole range of diseases.

At the same time, experience of the three Pacts made by FARMAINDUSTRIA with the Ministry of Health in the past was more than sufficient to discard any open-ended approach to contributions or straight penalties for growth.

These Pharmaceutical Industry Pacts never achieved the intended trade-off between regulatory stability and contributions to health care funding. Suffice it to say that not one of the Pacts lasted the agreed term, and the last of them resulted in an across-the-board cut of 6% in the retail prices of all medicines, eventually deteriorating into litigation which was not settled until March 2001.

Celia Villalobos, Minister for Health and Consumer Affairs visits FARMAINDUSTRIA in December 2001.

Moreover, it became clear as the debate got under way that prevailing realities were very different from conditions existing only a short time before, and that it was not only possible but necessary to seek alternative formulas for agreement and collaboration.

Some of these new realities have opened the way for the implementation of novel budgetary restraint mechanisms that will contribute to the stability of the healthcare system, while others will underpin the future quality of pharmaceutical spending and ensure access to innovative medicines and treatments at today's levels.

On the one hand, Spain needs to close the R&D gap with other developed countries. For some years now, total R&D expenditure in Spain has languished at around 0.9% of GDP, which is significantly below the figure of 2% for most of the countries in our immediate economic environment.

On the other, globalisation has become a concrete reality in international economic relations, rather than a mere conceptual model.

Meanwhile, virtually all forecasts agree that pharmaceutical spending in Europe and the United States is likely to grow on average by 10% in the coming years.

However, Spain now has a new mechanism to control expenditure which is structural, transparent and predictable, at the same time as being compatible with intellectual property rights and in line with similar measures taken by other European countries. We refer, of course, to the reference pricing system.

Finally, one of the key changes in the future scenario is the completion of the process by which healthcare powers have been devolved to the Spanish Regions.

The pharmaceutical industry constructed its basic approach to the negotiation of the Pact for Stability and Innovation signed with the Ministry of Health on 31st October 2001 in view of these new realities. The Pact took effect on 1st January 2002 and forms a part of the Agreement for the framing of the Integrated Plan for the Control of pharmaceutical Spending and the Rational Use of Medicines in accordance with the instructions of the Spanish Parliament.

This Pact will establish the pharmaceutical industry as a vector of Spain's convergence with European levels of research.

The commitment to increase R&D investment faster than GDP growth to reach a minimum of €1,352 million between 2002 and 2004 is aimed at this goal, with one third of outlay earmarked to fund programmes above and beyond research activities conducted by the pharmaceutical companies themselves (e.g. in hospitals, research institutes and other institutions).

The industry will also contribute between €150 and 300 million to fund flagship projects (e.g. in the fields of oncology, cardiovascular illness and genomics), which is to be managed by the National Health System. The FARMAINDUSTRIA Foundation was created in December 2001 to manage these funds and monitor their use.

As a result of these commitments, the pharmaceutical industry will increase the percentage of sales given over to R&D by more than 2 points to reach an approximate 10% per year. This is equivalent to 30% of net added value generated by activities related with medicines for human use.

The objective of stability should be understood as referring both to the Healthcare System, particularly the viability of public spending on pharmaceuticals, and to the regulatory framework for the pharmaceutical sector.

In order to match these needs, the industry has opted to provide decisive support for generics and the application of the reference pricing system through the Pact, because this is a structural instrument for the containment of spending that is not incompatible with increased R&D outlay or the operation of numerous pharmaceuticals manufacturers in the generic medicines segment of the Spanish market.

The Pact provides for a contribution of €1,022 million to public savings over a term of three years. This is equivalent to bringing the trend rate of growth in pharmaceutical expenditure down from 9.5% per year to 7.5%.

Since this system provides a level of public intervention and control akin to other European countries, it will not diminish Spain's attractiveness as a base for investment and projects by leading international firms, allowing Spanish subsidiaries to compete successfully with their peers in other EU member States.

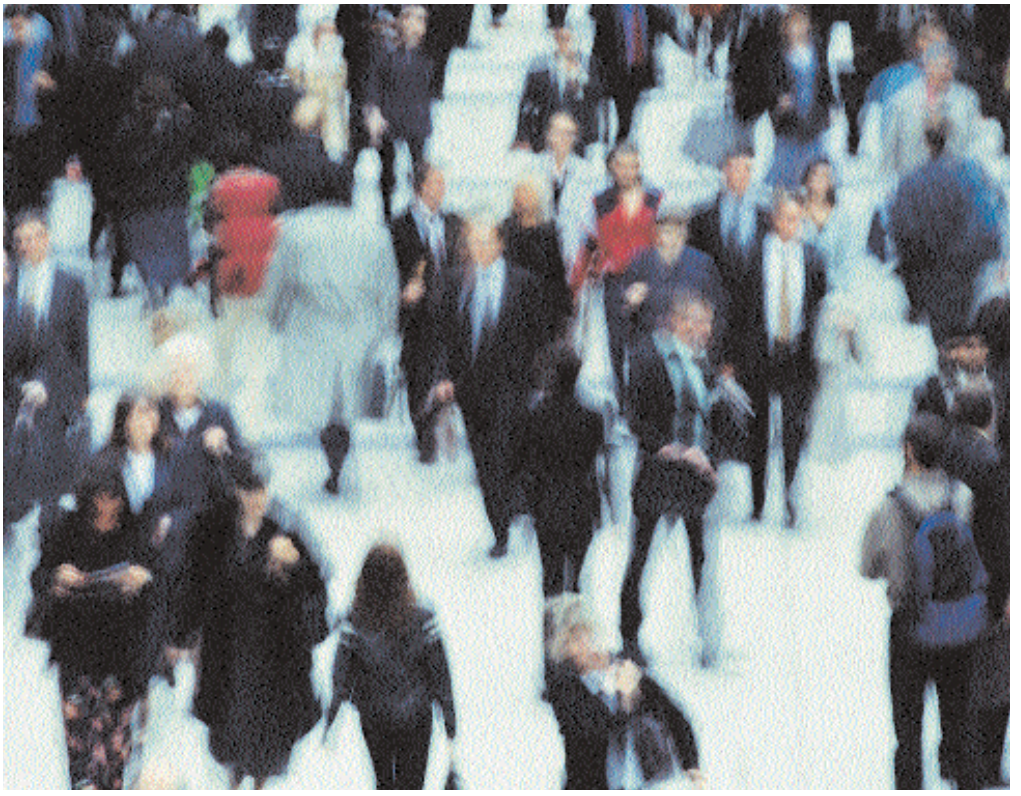
Unquestionably, the stable framework that the Pact seeks to establish together with the size and importance of the Spanish market (the fifth largest in the European Union) will provide competitive advantage in the race to win inward investment in the context of a globalised world economy.

3.1.2. Relations with Regional Government

The process of devolving healthcare to the Spanish Regions was completed at the end of 2001. As from now, the Regional Authorities will play a key role in health provision. This development presents the pharmaceutical industry with a range of opportunities for growth, though the outlook is by no means free of risk.

This is a reality that FARMAINDUSTRIA cannot ignore. The Association will thus need to adapt to the new environment by including the territorial factor explicitly in its activities. The first step, clearly illustrating our recognition of the situation and concern, will be the imminent creation of a new Department with the mission of channelling institutional relations with Regional Governments.

Initially, FARMAINDUSTRIA has set itself a twofold objective. In the first place, we need to make contact with the new regional health departments. Secondly, it will be necessary to examine differences between the various regional health systems in order to carry on a constructive and meaningful dialogue in each Region.



Though it is unquestionable that the devolution of healthcare provision will bring the management of the service closer to the citizen, eventually leading to an improvement in the level of care, the new scenario also brings certain risks in its train, some of which have already been addressed in the recently signed Stability Pact. Our objective is to position the Spanish pharmaceutical industry at a competitive level that is in tune with our aspirations, to the benefit of Spanish society as a whole. However, progress towards this goal could be seriously hindered if the Health Departments established in each of the 17 Self-Governing Regions fail to realise that their decisions could provoke the emergence of 17 different markets, thereby destroying the competitive advantages provided by the scale of the single national market. The pharmaceutical industry is a key driver of medical and healthcare development, but its very scope requires dialogue at the national level both in the matter of the market regulation and in the identification of areas for collaboration with the health system, particularly in the research field.

We trust that the market will not become fragmented and that it will be possible for all of the public and private partners involved to keep an appropriate balance between their interests without losing sight of the final goal, which is none other than the health of the citizen. Thus, the action of all partners in the provision of healthcare must be guided by common principles such as the need to maintain the highest European standards of healthcare provision for all citizens, regardless of where they come from or live, and to ensure equality of access to therapeutic innovations. We are sure that responsible and statesmanlike attitudes and a forward-looking outlook will prevail over the day-to-day pressure to cut costs at any price, and that the search for efficiency and value based on new formulas will remain a priority.

3.1.3. Regulatory Framework

As the representative of virtually the whole of the Spanish pharmaceutical industry, FARMAINDUSTRIA regularly receives updates on the regulatory proposals framed by the various departments of Government. This process is in accordance with the requirement that interested parties should be heard in the course of the regulatory and legislative procedure. After due consultation and preparation, the Association communicates the sector's position to the authorities, supporting or requesting changes to the draft regulations.

In its responses to certain projects, FARMAINDUSTRIA actively seeks the technical opinions of experts and professionals from member pharmaceutical companies to ground the industry's position. FARMAINDUSTRIA believes that this method of bringing together a representative opinion based on quality observations is the best way of defending the interests of the sector as a whole.

Perhaps the most significant of all the regulatory proposals made in 2001 concerns the future legislation of medicines. This is destined to become one of the most important reforms undertaken by the European Union in recent years, and it will substantially change the technical framework for the registration, labelling and advertising of medicinal products, among other matters. Although the future regulation of medicines is scheduled for completion by the end of 2004, the various parties involved (the European Commission and Parliament, the member States and the pharmaceutical industry) have already begun the work of exchanging information and establishing their positions towards the key issues contained in the proposals.

Technical legislation in the pipeline in Spain refers to both research and pharmaceutical issues. During 2001 FARMAINDUSTRIA responded to the draft regulations shown in the box.

REGULATORY CHANGES AND PROPOSED LEGISLATION

FARMAINDUSTRIA responded to the following regulations and proposed legislation in 2001:

- *Draft Circular concerning residual solvents in authorised medicines. Recommendations for implementation.*
- *Draft Royal Decree concerning the limitation of emissions of volatile organic compounds due to the use of solvents in certain industrial activities and installations.*
- *Draft Order approving additions and updates to the Spanish Royal Pharmacopoeia.*
- *Draft Circular concerning the format of lot numbers in industrially manufactured medicines for human use.*
- *Draft Royal Decree regulating medicaments containing medicinal plants.*
- *Draft decree concerning the regulation of post-authorisation studies on medicaments in the Catalonia Region.*
- *Technical draft establishing technical and health requirements for units conducting clinical trials on medicaments without therapeutic use for participating subjects (Catalonia Regional Government)*
- *Proposal for the regulation of post authorisation studies in Spain (Spanish Medicinal Products Agency).*
- *Bill establishing aid for haemophiliacs and other persons suffering congenital blood coagulation diseases who have contracted hepatitis C due to Public Health System treatments using concentrated coagulation agents.*
- *Draft Circular concerning the mandatory Information to be included the technical bases for medicinal products containing unfractionated and low molecular weight heparin with regard to the risk of formation of spinal and epidural haematomas.*
- *Draft Order amending the Annex to the Order dated 30th April 1997 regulating complex medical nutrition therapy.*
- *Draft Royal Decree regulating pharmacovigilance of medicines for human use.*
- *Draft Circular 15/2001 on the application of Royal Decree 561 dated 16th April 1993 concerning the conduct of clinical trials with medicaments.*
- *Proposed Circular 18/2001 concerning "Introduction of monograph studies and texts and deletion of European Pharmacopoeia monograph studies"*
- *Draft Circular 22/2001 concerning the manufacture of unregistered medicaments and the export of medicinal products.*
- *Draft Royal Decree amending Royal Decree 414 dated 1st March 1996 governing health products containing stable human blood derivatives or plasma.*
- *Order establishing new standard presentations for medicines, establishing the reference prices and reviewing reference prices approved in the Order dated 13th July 2000.*
- *Order including certain active substances in Annex I of Royal Decree 2829 dated 6th October 1977 governing psychotropic substances and drugs.*
- *Draft Andalusia Regional Government Decree governing medical ethics and research bodies and clinical trials in the Andalusia public health system.*

The proposal for the regulation of post authorisation studies (Spanish Medicinal Products Agency) and the draft Royal Decree regulating pharmacovigilance for medicines for human use are of particular importance.

➜ **Proposal for the regulation of post authorisation studies (Spanish Medicinal Products Agency).** The Report prepared by the Spanish Medicinal Products Agency's Advisory Committee on the evaluation and control procedures to be applied in post-authorisation studies represents a firm declaration of intent to regulate the studies promoted by the industry after marketing authorisation has been granted for a new medicine. In connection with this issue FARMAINDUSTRIA prepared a constructive proposal to simplify the administrative process, guaranteeing the quality of studies of this nature, which was well received by the Government. At present, the draft regulations are being discussed with the relevant Regional Government authorities.

➜ **Draft Royal Decree regulating pharmacovigilance of medicines for human use.** The Spanish Medicinal Products Agency passed on the draft Royal Decree regulating pharmacovigilance of medicines for human use for review by FARMAINDUSTRIA. This legislation concentrates pharmacovigilance regulations, whereas existing rules are scattered through various enactments. FARMAINDUSTRIA's position, expressed during the requisite hearing procedures, is that there is a clear need to strengthen pharmaceutical industry participation in the Spanish pharmacovigilance system, extending data gathering capacity and improving speed of response, transparency and coordination, as well as eliminating charges where government agencies are responsible for modifications and simplifying the procedures governing the suspension, revocation or alteration of the regime governing authorised medicines.

3.1.4. Technical Committees

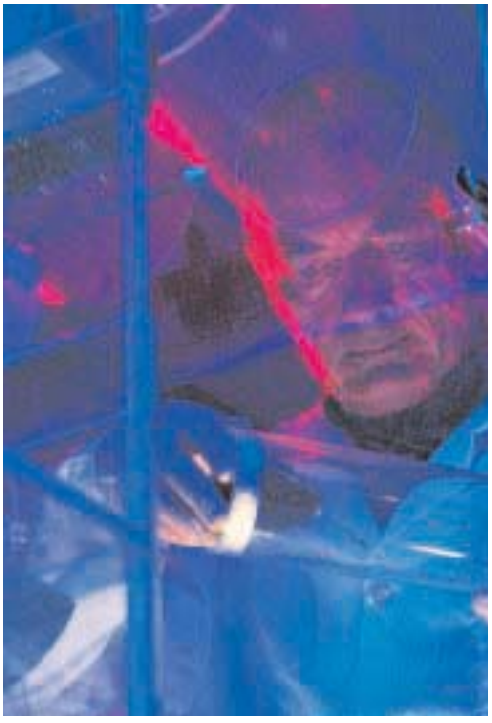
Given their singular nature compared to other consumer products, the manufacture and sale of medicines is bound up with numerous technical issues. Because of this, technical activities have always been of special concern to FARMAINDUSTRIA whether during the early stages before the medicine is brought to market (clinical research and manufacturing), after marketing authorisation is granted (evaluation and registration), or once patients have access to the product (pharmacovigilance and environmental matters). In this context, the Association has created special functional groups (see section 3.3.2) and actively participates in the Technical Committees set up by the authorities. The following pages describe the main activities in these committees:

➜ **CODEM.** The Committee for the Evaluation of Medicinal Products for Human Use (Comité de Evaluación de Medicamentos de Uso Humano–CODEM) is the associate body of the Spanish Medicinal Products Agency responsible for advising on the technical and scientific issues involved in the authorisation of new medicines. Following a period of absence, FARMAINDUSTRIA resumed its attendance at and participation in CODEM meetings in October 2001. Three of the Committee's members are proposed by the associations of the Spanish medical profession, pharmacists and consumers. This ensures that the issues are treated with the necessary openness and diverse opinions are represented. As a result, CODEM's findings are not only technically sound, but are based on rigorous analysis on the part of Government, reputable scientists and the experts appointed by all sectors with an interest in the medicine in question. During 2001, CODEM dealt with 1,208 medicinal product authorisation issues and changes in the conditions of marketing authorisations.

➜ **Advertising control and OTC self-regulatory committees.** Royal Decree 1416/1994 governing advertising of medicinal products for human use defines two kinds of advertising. These are messages containing information on prescription products aimed at health professionals, which must be reported to the health authorities, and messages targeting the general public. In the latter case, nationwide campaigns must be authorised by the Directorate General for Pharmacy and Health Products and local campaigns by the relevant Regional Government department. Advertisements targeting the general public are restricted to over-the-counter products for the treatment of minor symptoms and ailments. FARMAINDUSTRIA represents and defends the interests of member pharmaceutical companies on the Committee for Preliminary Advertising Control, which includes representatives of the Directorate General for Pharmacy and Health Products and the Spanish Medicinal Products Agency. The mixed commission examines advertising campaigns for OTC products and assigns a Preliminary Health Control (CPS) number when the go-ahead is given. FARMAINDUSTRIA also works closely with ANEFP through its Advertising Self-Regulatory Committee, which examines and supervises campaigns and makes recommendations to companies seeking Government advertising authorisation.

➜ **Biological weapons.** The 141 signatory countries to the Convention on the Prohibition of Bacteriological and Toxin Weapons commenced the negotiation of the Verification Protocol in Geneva in 1998.

Since then, FARMAINDUSTRIA has maintained close contact with the Spanish Foreign Ministry's Directorate General for the United Nations, Security and Disarmament in view of the major impact that the eventual ratification of the Protocol and its application in Spain would be likely to have on life sciences industries working with any of the listed biological agents.
FARMAINDUSTRIA also collaborates with the Working Group on the Prohibition of Biological Weapons (GRUPABI) set up by the Foreign, Health, Education, Agriculture and Defence Ministries in order to present the positions of the Spanish and European pharmaceutical industry and defend the interests of our members. This is particularly important, as the Fifth Review Conference on the Convention is now under way.
At the European level, in December 2001 EFPIA created an emergency task force to coordinate a Europe-wide response by the industry in the event of a bio-terrorist attack. This measure was taken at the request of the European Commissioner for Health and Consumer Protection, David Byrne, following the tragic events of 11th September in the United States. The task force works in collaboration with the Commission, EMEA and the member States to intensify defence against infectious and toxin agents and prepare a European strategy to guarantee the production, supply and availability of the medicines needed to prevent and/or treat disease in the event of biological warfare.



Good Laboratory Practice. Since the early 1980's the OECD has drawn up and updated its "principles of Good Laboratory Practice".
FARMAINDUSTRIA has worked closely with the Spanish health authorities through the GLP working group to design and implement compliance programmes.
The principles of Good Laboratory Practice (GLP) are enshrined in Royal Decree 1369/2000, which amends Royal Decree 822/1993. The same legislation governs the application of the principles in pre-clinical trials on chemical substances and agents.
In 2001 the Spanish Medicinal Products Agency set up a Technical Inspection Committee, resulting in the creation of a number of working groups covering different facets of pharmaceutical inspection. The Working Group for the Inspection of Good Laboratory Practice integrates the work of the group set up in 1995, which comprised the Directorate General of Pharmacy inspectors, now forming part of the Agency, and representatives of the Catalonia, Madrid and Navarre Regions, with the Valencia Region and FARMAINDUSTRIA experts joining the original members.

During 2001 this Working Group concentrated on the examination of the following OECD GLP guidelines: nº 1 "GLP Compliance Monitoring"; nº 2 "Quality Assurance and GLP"; nº 3 "The Role of the Study Director in GLP Studies"; and nº 4 "Guideline for the Preparation of GLP Inspection Reports". These documents have been modified as a result of the new Directive 1999/11/EC and its transposition into Spanish Law by Royal Decree 1369/2000. The Working Group was also involved in framing GLP guideline nº5 concerning the analysis of levels of drugs and metabolites in biological specimens and the preparation of new documents in areas such as the role of the sponsor in multiple centre studies and the validation of computer systems and records.

Advisory Committee on Quality Manufacturing After the devolution of powers in the area of quality manufacturing to the Catalan Regional Government in 1998, an Advisory Committee was set up by the Catalonia Health Service and FARMAINDUSTRIA. This Committee's mission is to study factors affecting quality in the manufacture of medicinal products. As a result of the work of the Advisory Committee on Quality Manufacturing Procedures in 1998 and 1999, consensus was reached in a number of areas of interest such as the preparation and contents of pharmaceutical company inspection reports and the application of quality manufacturing rules for medicines to pharmaceutical manufacturing and/or sales and marketing companies forming part of the same concern.

The work of the Committee was, however, interrupted by restructuring of the Regional Health and Social Security Department, only to be resumed in the last quarter of 2001. The Committee has started work on a model for a framework contract for third party manufacturing and/or analysis and supplier accreditation. These projects are expected to be completed during 2002.

➜ **Directorate General of Health Resources of the Regional Government of Catalonia Advisory Committee on Clinical Trials.** FARMAINDUSTRIA is an active member of the Advisory Committee on Clinical Trials set up by the Catalonia Regional Government's Directorate General of Health Resources. The Committee met on five occasions in 2001. FARMAINDUSTRIA has played an active role in its work, obtaining inputs from its members in the pharmaceutical sector and offering a range of suggestions to improve the Recogida project concerning the compilation of minimum requirements for the accreditation of phase I study units. The draft project has now been completed and includes the majority of the industry's proposals.

3.2. Communication

3.2.1. Communication plan

The role of communication has been thoroughly reassessed by FARMAINDUSTRIA in 2001. A key innovation has been to treat communication as a strategic plank of FARMAINDUSTRIA's overall role, making an express commitment to demand from our members and to the urgent need to deliver a message reflecting the values of the industry the Association represents. The immediate result of the strategic role assigned to communication has been the creation of a Communication Department in FARMAINDUSTRIA with the appropriate structure, human resources and budget. This Department, which comprises a Media Office and a Content and Projects Office, became fully operational in the summer months when priority objectives were established together with short, medium and long-term strategies and action plans.

The Department's next step was to plot the basic course of work needed to respond effectively to emerging events without losing sight of the key task of sound strategic planning. The strategic priorities established for 2001 are described below.

Normalisation of relations with the media. An institution such as FARMAINDUSTRIA should be a key information resource for all issues touching upon the pharmaceutical industry and a source of opinions for media reporting on developments in the sector. In this context, it was essential to open all available channels to journalists and news professionals and to establish institutional links to news services and media companies. The Communication Department therefore applied itself to the task of approaching the media both out of necessity and as a clear expression of FARMAINDUSTRIA's commitment to openness and strict standards of disclosure and openness.

This personal and institutional approach is but the first step, however, forming the groundwork for future actions and strategies. Any attempt to achieve our objective of communicating the key values of the pharmaceutical industry to society in general means winning the confidence of the media in an open dialogue.

Design and development of communication content. As well as positioning itself as a source of information for the media, FARMAINDUSTRIA needed to work on the creation of quality material and content summarising the strategic messages of the pharmaceutical industry on a regular basis. The tasks of identifying and amplifying key issues and developing platforms for the delivery of messages were undertaken in this light. Although the majority of the reports and studies prepared will be passed on to the media in the first quarter of 2002, the Communication Department succeeded in bringing forward some of the work for publication and use towards the end of 2001.

Publicity campaign. In the second half of 2001, FARMAINDUSTRIA launched an institutional publicity campaign to deliver the strategic message "The Value of Medicines". The objective of this campaign, which is basically aimed at the general media, is to highlight the social, medical and industrial value of medicines, as well as the inherent benefits they provide to society at large. The concept associates the image of medicines with the pharmaceutical industry, which is responsible for their design, research, development and sale. Without doubt, this is the main blind spot in the public's perceptions of our industry and it is overtly tackled in the campaign.

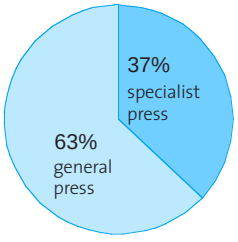
The campaign concept was designed around both emotional messages and rational arguments related with four high-profile pathologies: cancer, heart disease, AIDS and child vaccination. This initial campaign has been modest in both intensity and scope, acting as a pilot and leaving room for more ambitious action in the future.

The work described was undertaken to achieve multiple objectives. On the one hand, solid foundations have been laid on which to base the success of future actions. On the other, FARMAINDUSTRIA needed to position itself short-term as a point of reference and source of information and opinion in the context of the negotiation and agreement of the Pharmaceutical Spending Stability Pact made with the Ministry of Health and Consumer Affairs.

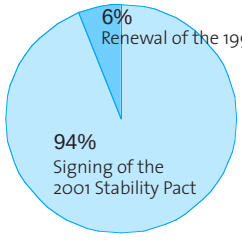
FARMAINDUSTRIA had a high-profile media role in the context of the Stability Pact and succeeded in concentrating press attention and public opinion on the research and development aspects of the agreement, as well as winning recognition of the pharmaceutical industry's efforts and commitment to the health system.

The following charts show the impact of the Pact in terms of press coverage, as well as revealing the significant progress made in institutional relations with the media supported by the creation of quality, prestige content.

Press coverage of the Stability Pact

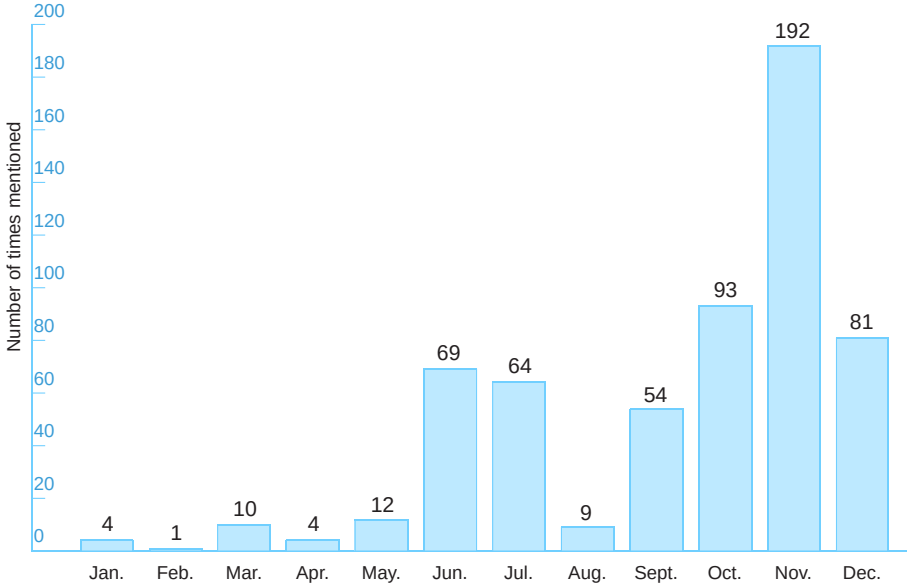


Coverage per type of publication



Comparative coverage of the renewal of the 1999 stability pact and the signing of the 2001 stability pact

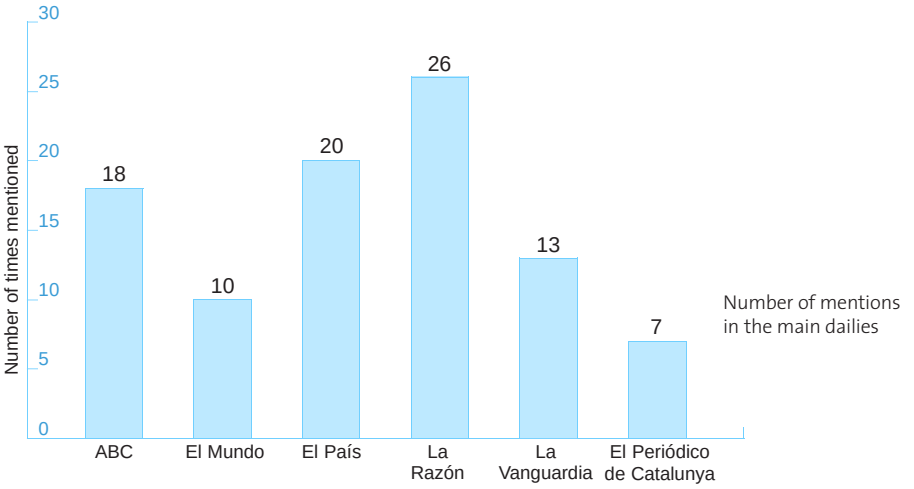
General press coverage of FARMAINDUSTRIA in 2001 (monthly)

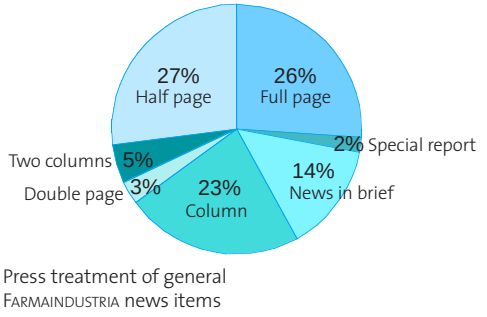


Key dates:

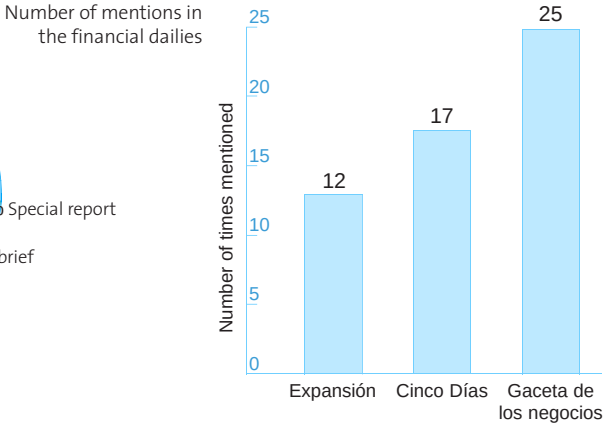
- Assembly press release, 29th October
- Presentation of the NERA report (30th October)
- Press release on the signing of the Stability Pact (31st October)
- Presentation of the report "The value of medicines: the contribution of anti-retrovirals in the treatment of HIV/AIDS (30th November)

General press coverage of FARMAINDUSTRIA in 2001





Press treatment of general FARMAINDUSTRIA news items



As explained above, FARMAINDUSTRIA's strategic communication objective must be to create a positive climate of opinion in relation to the activity of the pharmaceutical industry. Success therefore depends on the continuation of the work now begun. In parallel with the activities described above, the Communication Department addressed the design of an appropriate scenario in which to embed a lasting shift in public and social perceptions of the pharmaceutical industry.

At the same time, FARMAINDUSTRIA has now begun to participate in EFPIA forums related with communication activities, projecting a clear orientation toward society in general and receiving the feedback of European experiences in this area. The Association has steadfastly espoused the need for a common Communication policy at the European level, suggesting new approaches to achieve effective relations with society. During Spain's six-month Presidency of the European Union, FARMAINDUSTRIA will organise a series of forums connected with this goal.

FARMAINDUSTRIA has set itself a series of ambitious strategic objectives for 2001 with the clear aim of leading the change in public perceptions of the industry and providing members with excellent communication services.

3.2.2. Studies and publications

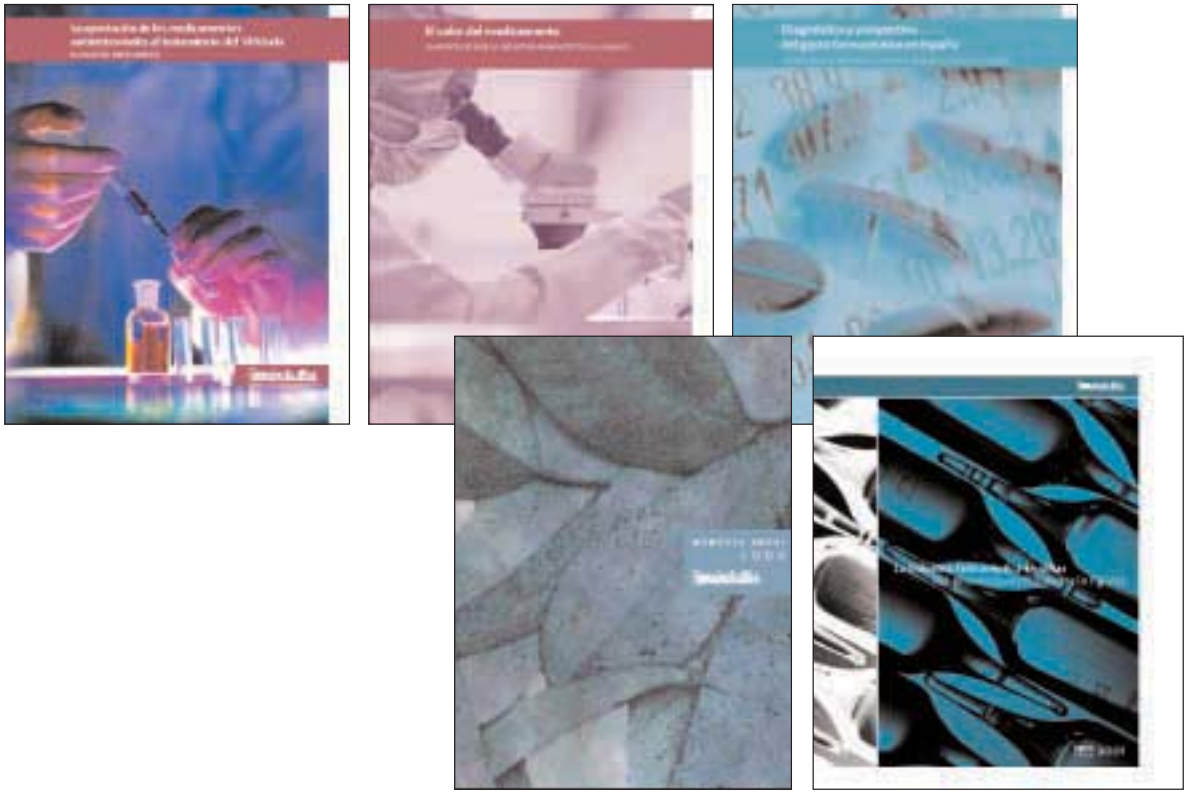
A major effort was made in 2001 to rework FARMAINDUSTRIA's institutional publications and modernise their layout and appearance. All publications are now available in PDF format and can be downloaded from the FARMAINDUSTRIA website (www.FARMAINDUSTRIA.es).

Annual Report. For the first time, an English-language version of the Association's Annual Report has been published with the same format and features as the original Spanish. This widens the scope of information concerning the industry in Spain at the same time as providing a useful communication tool for the Spanish affiliates of international companies.

The Pharmaceutical Industry in Figures. This is the Spanish Pharmaceutical Industry's star publication. It is a bilingual (Spanish and English) report containing 160 pages of statistical data on medicines and health. All financial and economic data presented in the 2001 edition are expressed in euros.

The Value of Medicines Series. FARMAINDUSTRIA has started to publish a series of explanatory monographs concerning the contribution of medicines for a range of pathologies to therapeutic, economic and human progress. The first monograph in the series concerns AIDS and was presented at a press conference held on World AIDS Day (1st December 2001). A further four monographs on cancer, depression, heart disease and peptic ulcers have been prepared and will be published in the early months of 2002.

The series also includes a general pamphlet entitled "The Value of Medicines."



3.2.3 Events and sponsorship

FARMAINDUSTRIA organised and sponsored a series of events connected with medicines and the pharmaceutical industry during 2001.

Course on Biotechnology Medicines at the Menéndez Pelayo International University. The Fourth Teófilo Hernández School of Pharmacology, directed by Professor A.G. García and sponsored by FARMAINDUSTRIA, took place at the Menéndez Pelayo International University from 13th to 17th August. On this occasion, the subject was Biotechnology Medicines, and the School was attended by leading figures from the pharmaceutical industry, research and universities.

Course on Degenerative Diseases of the Brain at the School of Hispanic Studies in La Granda (Asturias). This course was attended by the leading specialists in the field and was coordinated by José María Segovia de Arana and Francisco Mora Teruel. Debate centred on Alzheimer's disease, Parkinson's disease, scleroses and human spongiform encephalitis.

Seminar on "New Trends in Medicines Policy–In Search of a Balance between Solidarity and Efficiency" held at the Menéndez Pelayo International University in Santander on 17th and 18th September 2001. The seminar was directed by Professor Félix Lobo of the Carlos III University in Madrid and included contributions from leading academic, business and government specialists. The issues discussed were of enormous current interest, ranging from new European regulations to pricing trends, as well as parallel trade, research and industrial property, to name but a few.

Public presentation of the report "Diagnosis and Outlook for Pharmaceutical Spending in Spain" (30th October). This document was prepared by NERA experts at the request of FARMAINDUSTRIA and summarises the salient features of pharmaceutical spending in Spain and the main factors driving medium to long-term developments.

The meeting was addressed by the Under-Secretary for Health, Julio Sánchez Fierro, as well as the authors of the study. The presentation of the report was attended by members of FARMAINDUSTRIA's governing bodies, senior officers of numerous pharmaceutical companies, politicians, leading figures in the field of healthcare, the press and other healthcare stakeholders. The importance of the guest speakers and other participants ensured that the meeting quickly established itself as a landmark on the route to open relations, epitomised by the signing of the Stability Pact the following day.

Presentation of the NERA Report in Madrid, 30th October 2001.

From left to right: Humberto Arnés, Julio Sánchez Fierro, Jesús Acebillo, Félix Lobo and Daniel Whitaker.

3.3. Member services

FARMAINDUSTRIA raison d'être as an Association is to provide services to its members either in fields where the individual company has no access (e.g. institutional dialogue at the sector level) or where the costs involved prohibit independent action. Indeed, the whole of FARMAINDUSTRIA's activity may be viewed as a service to its members. Thus, the Association carries on a dialogue with Government and monitors the regulation of the industry as its basic functions, while communication actions undertaken to enhance the public image of the pharmaceutical industry may also be understood as a value added service for members.

Having made this general point, this section will concentrate on specific services aimed at FARMAINDUSTRIA members. These are related to the technological platform used to communicate with the affiliated pharmaceutical companies and provide them with online access to the Association's data bases and information sources, the working groups, sections and functional groups, which are responsible for channelling involvement in day-to-day affairs, the activities of the Barcelona Office, and the employment issues affecting companies.

3.3.1. Technology platform

During 2001, FARMAINDUSTRIA made a qualitative leap in the area of technology, beginning with the implementation of an e-mail system and ending with the launch of the FARMAINDUSTRIA website on 1st February 2002 (www.FARMAINDUSTRIA.es).

The site comprises a public access area where any visitor can obtain a wide range of information concerning our Association and its publications, as well as other services such as a daily press review, events programme and links, and a press area, where media professionals can find all of the information distributed by FARMAINDUSTRIA.

However, the material providing the greatest interest and added value is reserved for member pharmaceutical companies and access is restricted by passwords. This reserved area provides access to all of the services currently provided over the Lotus Notes connection, in addition to new facilities that are still in their inception but will gradually be incorporated into the site. The services already available comprise the Pressroom (daily review and historical archive), the weekly information Flash, Circulars, Events Programme (new service), Publications (downloads in PDF–format), Foreign Trade Rom (new service) and Legislation.

3.3.2. Working Groups, Sections and Functional Groups

The working groups, sections and functional areas represent a new way of working for FARMAINDUSTRIA, drawing on the active participation of its members. A brief description of each is as follows:

Working Groups: formed on the initiative of the Governing Bodies, they address explicit concerns for a specified period of time.

Sections: formed by pharmaceutical companies with common concerns, the sections meet on a regular basis to discuss the issues and table proposals.

Functional Groups: bringing together managers from various pharmaceutical companies by functional area, these clusters examine specialist issues and provide support to the FARMAINDUSTRIA departments responsible for framing proposals and sector positions in their areas of interest.

The Member Service Department has a Technical Office for Working Groups and Sections. This office coordinates the various groups both among themselves and with the Association's other departments, as well as providing logistical support for meetings.

The Functional Groups are coordinated by the relevant FARMAINDUSTRIA Departments.

The membership of the various groups and sections reflects the Association's plural nature, encouraging involvement by senior officers from the member companies in its work. In 2001, the meetings of the various groups were attended by 151 people from 74 companies. Twenty-seven firms took part in Working Groups, 52 in Sections and 38 in Functional Groups (the aggregate total is higher than 74 because some member companies were involved in more than one group).

The following pages briefly describe the main activities of these groups during 2001.

➜ **Working Group on Regulation of Promotion.** The Working Group on Regulation of Promotion concentrated on two key tasks: a) analysis of regulations governing promotions; and b) updating the FARMAINDUSTRIA Code of Practice and procedural Regulations to bring them into line with prevailing legislation in this area and the most recent European codes.

The results of the first of the analysis of regulations were presented and approved by the Association's Governing Bodies in June 2001.

The final updates of the Code of Practice and Regulations prepared by the Working Group were presented and approved by the Governing Bodies of FARMAINDUSTRIA in February 2002. This is a clear demonstration of the pharmaceutical industry's interest in working to ethical rules in consonance with prevailing legislation to guarantee that the practices applied in the promotion of medicines for human use respect the principles of responsibility, ethics and professionalism.

It is also an expression of the industry's determination to submit to self-regulation in order to safeguard the effective application of and compliance with the Code and the principles it enshrines.

➜ **Parallel Trade Working Group.** This Working Group examined Spanish and European parallel trade legislation, paying particular attention to the problems caused by the re-export of products marketed in Spain.

The Pact for Stability and Innovation made with the Ministry of Health and Consumer Affairs contains a commitment to undertake a joint study of alternatives to mitigate the impact of parallel trade, and the Working Group is now providing support to the FARMAINDUSTRIA departments involved in meetings of the Monitoring Commission for the Pact.

Sustainable Growth Working Group. This Group discussed ideas and analyses of the future outlook for the market, as well as alternatives to integrate likely developments into the Stability Pact with the Ministry of Health and Consumer Affairs. The Sustainable Growth Working Group received support from NERA (National Economic Research Associates) experts, who prepared an econometric model to predict market growth. This report has now been published by FARMAINDUSTRIA under the title *Diagnosis and Outlook for Pharmaceutical Spending in Spain*.

Communication Working Group. The activity of this working group was carried out in the first half of the year, before the FARMAINDUSTRIA Communication Department was finally set up. The Group's work consisted of framing the Strategic Communication Plan, whose early results are described elsewhere in this report. Once the Communication Department became operational, the Working Group was dissolved and a Functional Area for Communication was created to bring together the managers of pharmaceutical companies with responsibilities in this area. The Functional Area began its work at the beginning of 2002.

SME's Section. The SME's Section stems naturally from the regular meetings held by small and medium-size businesses (especially from Catalonia) with their representatives on the Board of FARMAINDUSTRIA. These meetings have continued as a means of passing on information, and were held for the first time in Madrid during 2001. The information provided by the representatives of the Board is now accompanied by presentations made by

FARMAINDUSTRIA's departmental managers. In the first such presentation, the Director of the Scientific and Technical Affairs Department explained activities in detail, placing special emphasis on issues affecting SMEs.

Hospital Supplies Section. This section had a busy year in 2001. Initially, work centred on the "Insalud Framework Agreement", which never finally came to fruition despite many hours' debate and numerous drafts because of the devolution of healthcare to the Spanish Regions at the end of the year.

The main issue addressed by the Section in the latter part of the year was the financial crisis that emerged at the Fundación Jiménez Díaz, the foundation managing the Clínica Nuestra Señora de la Concepción hospital in Madrid. The Foundation has a large debt totalling some €20 million with FARMAINDUSTRIA members. The Section has coordinated joint action to defend the interests of the members affected.

Generics Section. This Section met on a monthly basis throughout the year and systematically analysed the evolution of the market and the impact of the measures taken by the health authorities. In principle, it appears that the growth in the generics market has tailed off sharply for a number of reasons, the most significant of which are as follows: a) the implementation of the reference pricing system has triggered a downward spiral in the prices of all medicines, making generics less attractive; b) illicit substitution by pharmacies, representing a disincentive for physicians to promote these products; c) price reductions of five major substances; d) ever lower prices for newly authorised generic medicines; and e) the agreement made by the Andalusia health service with local pharmacists. As a result, initial optimism has been replaced by an increasingly complex scenario in which real growth has fallen behind the early forecasts made by the pharmaceutical companies involved in the Generics Section. The Section's objective for 2002 is to prepare specific proposals, which FARMAINDUSTRIA will put to the Ministry of Health and Consumer Affairs within the framework of the Stability Pact Monitoring Commission.

Legal Services Group. The legal departments of member pharmaceutical companies have been meeting every six months to exchange points of view and information in areas of common interest for some time now. In September 2001, the group came together at the head offices of FARMAINDUSTRIA in Madrid to discuss a wide range of issues related to legal services, such as the new regulatory proposals for pharmacovigilance and clinical trials, the review of European medecines legislation, the drafting of a new ethical code and the reg-

ulations for its implementation, the loose ends left over from the former Stability Pact and the outline for the new Pact, which was still in the pipeline at that time.

Registration Group. Since 1993 the use of standard forms, based on a common EU format, for the presentation of scientific documentation in registration applications has been mandatory in Spain. This model comprises four parts relating to quality, safety, efficacy and general information.

This format will be replaced in July 2003 by the Common Technical Document (CTD), which is based on a new dossier concept that meets the requirements of Japan, the United States and the European Union, the regions forming the International Conference on Harmonisation (ICH).

The transition period in which pharmaceutical companies will be able to apply for registration using either the conventional format or the CTD will run from July 2001 until July 2003.

FARMAINDUSTRIA is aware of the need to help its members with the new structure of the registration documents and has created a Functional Group for Registration matters. This working group will be responsible for the translation of the CTD an the preparation of a handbook setting out differences between the two formats. The Spanish Medicinal Products Agency has shown special interest in this task and will participate in the work of the Functional Group in 2002.

The first document prepared by the group is the translation of official data accompanying the registration application. This text is the Spanish version that pharmaceutical companies will use in application procedures made either in Spain or at the Community level. It is also a point of reference for the proper translation of certain technical terms.
The creation of a mixed working group with the participation of the Spanish Medicinal Products Agency will ensure that the texts produced are adopted officially, as well as lending to better coordination.
Finally, the Registration Functional Group has set up an ad hoc group to analyse the future medicines legislation currently being debated in the EU.

Manufacturing Functional Group. The first activity undertaken by the Manufacturing Functional Group was to prepare a report analysing the average time required to modify packaging materials in accordance with changes required by the Government. This report is the result of analysis of various scenarios that may arise in view of the number of medical products affected and the kind of changes required. It examines the incidence of certain factors determining the success of changes, as well as impacts on the industry as a whole.
The report concludes with an estimate of the financial impact of such measures. The average cost per unit modified varies between g0.06 and g0.12 (between 10 and 20 pesetas), which could represent an overall charge of as much as g100,000 to g500,000 per company affected in the case of mass changes involving various lots of the same presentation and various different medicines at the same time. The report will be presented to the authorities for their consideration in connection with possible future measures involving changes in packaging materials.
The Manufacturing Functional Group is currently studying the possibility of generalising the use of Braille for both the name and dosage of the medicine on the box. This has been requested by the Spanish Committee of the Representatives of the Disables CERMI) at the instigation of the Under Secretary of State for Health and Consumer Affairs. Although the group has not completed its work in this area, the probable exemption from levies that would accompany such a change and the possibility of gradual replacement of packaging materials have been favourably received.

Pharmacovigilance Functional Group. Pharmacovigilance is undoubtedly a key issue for the safety aspects of medicinal products, not only as regards ongoing regulation of medicines but also due to the health, economic and social importance of action taken in this area. During 2001, the process of framing the draft Royal Decree concerning pharmacovigilance got under way and the activity of the Functional Group concentrated on examining and commenting on the text. The group is currently focused on the preparation of a crisis management handbook.
The work brings together a common view of the action to be taken in the event of a crisis affecting a medicine as a result of either safety or quality problems. As in most of the internal manuals already used in pharmaceutical companies, this handbook is intended to provide basic guidelines and, if possible, to arrive at a consensus text with the health authorities for coordination in crisis situations. The objective is not, however, regulatory and pharmaceutical companies will be free to follow the recommendations or adapt them to specific needs depending on their characteristics.

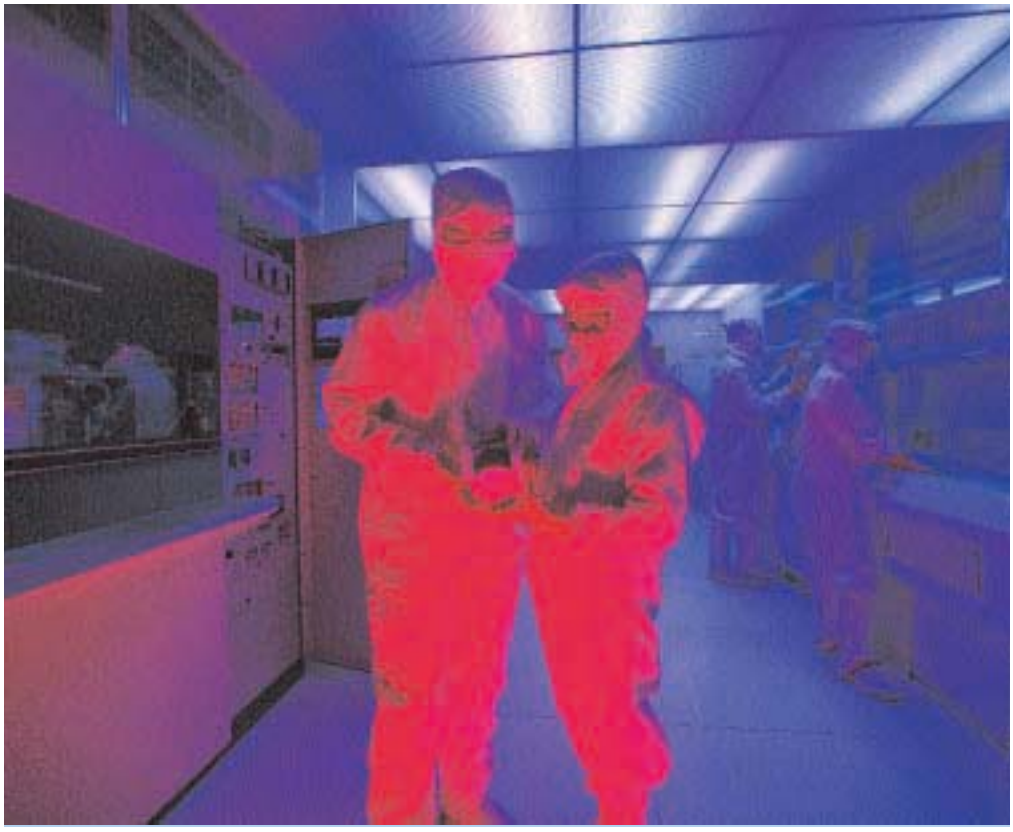
Finally, the Regional Government of Catalonia has prepared a document on Best Practice in Pharmacovigilance for the pharmaceutical industry. This text will be reviewed by the functional group, which will issue relevant comments and observations within the framework of the long-standing and fruitful relations maintained by FARMAINDUSTRIA with the Regional Government's Directorate General of Health Resources.

➜ **Clinical Trials Functional Group.** Clinical trials are the basis for the development of new medicines. Because such trials require experimentation on human subjects, this is an activity that is tightly regulated and in a state of continuous evolution. The Clinical Trials Functional Group examines regulatory projects governing or modifying the conditions of studies. It also identifies issues related with clinical trials that may be of interest in promoting such activities in Spain.
Throughout 2001 the clinical trials group carried out an in-depth study of draft regulations concerning post-authorisation trials, proposals for an Advisory Committee for the Safety of Medicines for Human Use and the draft of Circular 15/2001 concerning Clinical Trials. In each case, the group's observations have served as the basis for FARMAINDUSTRIA to prepare its responses and comments on these projects.
The clinical trials group is currently preparing recommendations to ensure that European Directive 2001/20/EC concerning Clinical Trials is effectively transposed into Spanish legislation.
The group also disseminates and gathers information connected with the various projects to frame and amend CPMP directives.

➜ **Environment Functional Group.** Increasing interest in environmental issues has made it necessary to monitor the multiple activities undertaken in this area at the Community, national and regional levels. It is in this light that the Functional Group has been set up.
This is a mixed group comprising representatives of FARMAINDUSTRIA and SIGRE, and its mission is to evaluate horizontal proposals affecting various sectors in order to establish their significance and the impact of measures in the pharmaceutical industry.
The work of the Environmental Functional Group will be undertaken in 2002.

3.3.3. Barcelona Office

The process of modernising and restructuring the Barcelona Office continued apace throughout 2001 with the objective of consolidating its position as an effective instrument providing services to members.
From a logistical point of view, the computer hardware used by all members of staff has been renewed and the office has been extensively wired in order to improve the technical infrastructure and allow telematic connection in all rooms. At the same time, a new digital telephone switchboard has been installed and two ISDN connections have been set up, permitting the installation of a videoconferencing system.
The Barcelona Office is not restricted simply to logistical support services, however, but forms an active part of the Technical Office for Working Groups and Sections, as well as advising pharmaceutical companies located in Catalonia. The Office has also begun the organisation of an exciting new programme of meetings with universities ad research centres.



University R&D workshops. The first of these workshops, which are intended to facilitate the exchange of scientific knowledge and joint projects between FARMAINDUSTRIA's member companies and universities and research centres, was organised jointly with the Universidad Autónoma de Barcelona (UAB). Over thirty representatives of pharmaceutical companies attended, in the company of a similar number of university researchers and teaching staff. Some twenty lines of research at the UAB were presented.

Queries processed by the Barcelona Office. During 2001 the Barcelona Office received and answered a total of 98 queries (excluding purely administrative questions) from member companies.

Of these queries, 16% were related to legal and employment matters, with concerns about the interpretation of the General Collective Bargaining Agreement for the Chemical Industry predominating, 33% were of a technical nature, particularly in connection with registration and packaging, and 18% were financial, basically concentrating on the introduction of the euro and, to a lesser extent, matters connected with the Stability Pact, reference prices and the calculation of medicine prices. The remaining queries touched on a wide variety of topics.

In line with the Association's philosophy, queries are processed as fast and efficiently as possible, and every effort has been made to shorten response times. The latest technologies are used to deliver responses in order to improve the quality of the service provided to members.

3.3.4. Spanish Code of Practice for the Promotion of Medicines

Moved by the importance of ensuring that the information provided on medicines be honest, accurate and objective in order to permit rational decisions in their use, FARMAINDUSTRIA adopted the European Code of Practice for the Promotion of Medicines drawn up by the European Federation of Pharmaceutical Industry Associations (EFPIA) as the Spanish Code in 1991.

In 1992 certain amendments were made to the Spanish Code to in order to bring it fully into line with the provisions of Directive 92/28/EEC of 31st March 1992 concerning advertising of medicines for human use. The amended version of the Code came into force on 1st January 1993.

In view of the evolution of the pharmaceutical industry since then, FARMAINDUSTRIA has decided to revise and update the Code of Practice. However, the work undertaken is more than a superficial review, and the Association has made every effort to ensure that the new Code is strictly relevant to each and every one of the issues referred to in prevailing legislation governing the promotion of medicines as set out in the various Circulars and other regulations published. The objective is to resolve the main problems arising in day-to-day practice and to regulate certain matters that were not mentioned in the previous Code.

The key aspects of the new Code of Practice are discussed below.

Technical improvements: These include more precise definitions of and stricter demands for the review of promotional material by science officers, incentives systems, hospitality and meetings, the use of the internet, training of medical representatives, visits to pharmacies, samples, post-authorisation trials, etc.

New Regulations for Application: The main innovation in the new rules is the designation of the Association for the Self-Regulation of Commercial Communication (Asociación para la Autorregulación de la Comunicación Comercial–AACC*) Panel as an independent body empowered to look into potential breaches of the Code and impose sanctions.

New Regime for Breaches and Sanctions: The new regime provides for significant fines of up to €360,000 for breaches of the Code. The fines collected will be applied to fund programmes for the rational use of medicines.

** The AACC is a non-profit organisation formed by advertisers, advertising agencies, communication associations and media. Its object is to establish and manage a self-regulatory system for commercial communication in Spain under which the industry voluntarily has made an ethical commitment to answer not only to Government but to society as a whole. The Association is governed by its Statutes and has been accredited as an out-of-court dispute resolution entity for consumers in the European Union. It is in compliance with the requirements established in Recommendation 98/257/EC on the "Principles for out-of-court bodies involved in the consensual resolution of consumer disputes". (www.aap.es)*

Commitment of FARMAINDUSTRIA member pharmaceutical companies to address complaints to the Ethics Committee before having recourse to the Health Authorities or the Courts.
Publicity of resolutions by both the AACC and FARMAINDUSTRIA.
The text of the new Code and the accompanying Regulations was approved by the Board of FARMAINDUSTRIA on 12th February 2002 and will be presented for ratification by the General Assembly together with this Annual Report.

3.3.5. Employment issues

Twenty-Third General Collective Bargaining Agreement for the Chemical Industry. The Twenty-Third General Collective Bargaining Agreement for the Chemical Industry was signed on 9th May 2001 and published in the Official Gazette of the Spanish State, issue 152, on 26th June of last year. FARMAINDUSTRIA was involved as a member of the Negotiating Commission in framing the agreement, which includes some new clauses and numerous amendments. The Collective Agreement is for a three-year term expiring on 31st December 2003, except as regards provisions related to trade union rights, which shall prevail only until 31st December 2002. The salary increases established are 3.2% for 2001, 3% for 2002 (equal to inflation per Government forecasts plus 1%) and forecast inflation for 2003 plus 0.9% in the final year of the agreement.
The maximum working hours for 2001 have been set at 1,764 hours per year. In 2002 this figure will be reduced to 1,760 hours/year and in 2003 it will be further cut by 8 hours to 1,752 hours/year. New features of the Agreement include the possibility of establishing individual or group performance related pay with reference to the attainment of specified objectives or results and flexible working hours in order to adjust production capacity to market demand. The financial figures given in the Collective Agreement are expressed in both pesetas and euros.

Other regulatory changes. A number of significant new rules have been adopted for general application in the employment and social areas affecting Social Security, employment and pension schemes and funds.

The following regulatory changes have been introduced as a consequence of the Agreement for the Improvement and Development of the Social Welfare System signed between the Government, CEOE (employers' association), CCOO (Comisiones Obreras–a trade union) and CEPYME (SME's association):

- A Social Security reserve fund was set up. Charges will be made to this fund out of surplus Social Security contributions.
- Measures have been implemented to establish a gradual and flexible retirement system, extending the conditions for early retirement. The Agreement also introduces new possibilities in the area of partial retirement, although their exact nature will depend on the framing of relevant regulations.
- Pensions for 2001 and 2002 have been revalued on the basis of an index of 2% for each year.
- A series of urgent measures were adopted to reform the labour market in order to increase employment and improve the quality of contracts as regards conditions, term and type of employment relationship. The most significant such measures are those intended to strengthen the principle of job security, which introduce certain constraints and additional guarantees in temporary or closed-end employment contracts.
- The minimum wage for 2001 was increased by 2% compared to 2000 to reach the sum of 2,404 pesetas/day (€14.45/day), which is equal to 72,120 pesetas/month (€433.45/month).
- The increase in the minimum wage for 2002 will be the same as for 2001, which is to say 2% (€14.74/day or €442.20/month).

Continuous Training: FORCEM. The Third National Continuous Training Agreement (Directorate General of Employment Resolution of 2nd February 2001) was published on 23rd February 2001. The Agreement is the result of the consensus reached by the employers' associations and the trade unions upon the conclusion of the Second Continuous Training Agreement.
The current Agreement consolidates the role of the employers' associations and unions in the functioning of the system, maintaining the link with collective bargaining processes at

the same time as ensuring the participation of the social partners at the regional level in the Sector Commissions.
The Agreement also assigns a pivotal role to the Sector Commissions as the body responsible for monitoring and oversight of training activities, based on collective bargaining processes.
The Sector and Regional Commissions are formed by representatives of the employers' associations and the most representative trade unions. A separate Commission exists for each branch of activity or territory with the mission of implementing the Continuous Training Agreement to the full extent possible.
As the most representative employers' association for the pharmaceutical industry, FARMAINDUSTRIA holds a seat on the Chemical Sector Commission with the duties, inter alia, of overseeing compliance with the Agreement, establishing guidelines for the preparation of training plans, proposing studies to identify training needs and design tools and methodologies applicable to continuous training in the chemical industry, reporting on Joint Sector Training Plans, responding to and complying with requests and requirements brought by the Tripartite Foundation, approving Regulations, and intervening to resolve disputes.
FARMAINDUSTRIA also defends the training plans presented by member companies, reporting to the Commission and proposing the appropriate resolutions in the framework of its powers.

In 2001 FARMAINDUSTRIA actively publicised training programme financial awards processes (comprising grants and subsidies for continuous training, individual training plans, and supplementary or accompanying measures), as well as providing guidance and details of the objectives of awards made to the various interested parties, priority criteria, and application requirements.

➜ **On-the-job training in the pharmaceutical industry.** Following the publication of Royal Decree 1607/1989 which transposes Directives 432/85/EC and 433/85/EC into Spanish Law, a six-month period of on-the-job training has been mandatory for the award of all graduate qualifications in Pharmacy. Undergraduates may undergo training in the pharmaceutical industry.

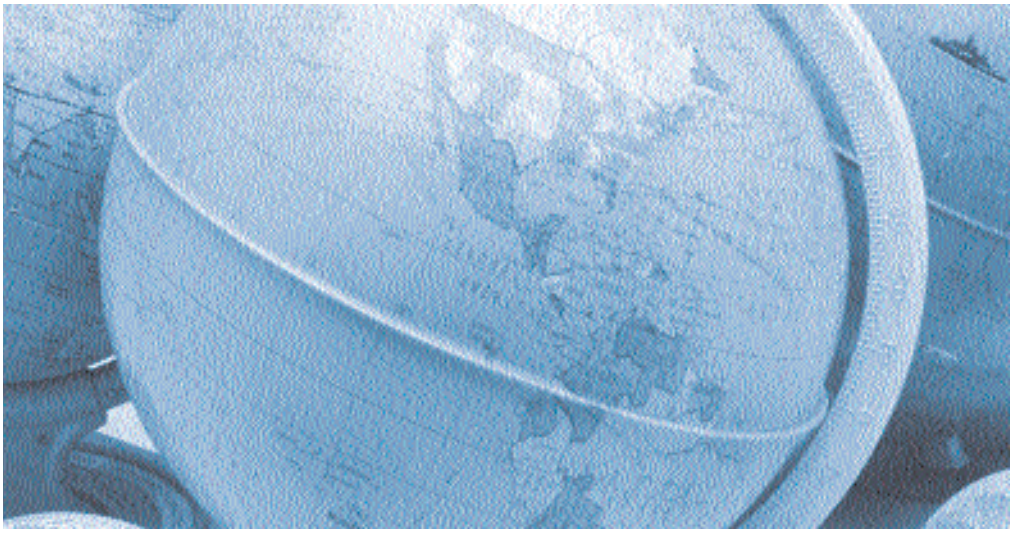
In this context, FARMAINDUSTRIA was approached by various universities with a view to reaching Agreements under which their students could undergo on-the-job training in Spanish pharmaceutical companies. The first such Framework Agreement was made between FARMAINDUSTRIA and the Universidad Complutense in Madrid in 1991.

The enthusiasm this scheme has generated for both parties has prompted FARMAINDUSTRIA and the Universidad Complutense to prolong this collaboration, and a similar Agreement has been made with the Universidad San Pablo-CEU to provide students with training in all areas related with medicine research and development, as well as manufacturing processes, quality control and the marketing of medicinal products.

During 2001 a total of 18 companies accepted 75 students for on-the-job training.

3.4. International relations: involvement in EFPIA

FARMAINDUSTRIA is one of the 18 national associations which together with 45 pharmaceutical companies form part of the European Federation of Pharmaceutical Industry Associations. Through its membership EFPIA represents the common position and interests of over 3,000 companies operating in the pharmaceutical sector, including biotechnology firms and vaccination manufacturers.



EFPIA's object is to support and coordinate the work of the national associations to contribute to the creation of a favourable framework for the operations of the pharmaceutical industry in Europe, enabling it to meet today's expectations from European citizens and plan for the future of healthcare. In accordance with its mission, EFPIA's priority policy is to improve the conditions for innovation in the European pharmaceutical industry.

EFPIA is structured around three key policy committees (the Economic and Social Policy Committee, the Intellectual Property Policy Committee and the Scientific, Technical and Regulatory Policy Committee). These bodies are assisted in their work by priority actions teams (PATS).

The European pharmaceutical industry has lost competitiveness in recent years, as shown by numerous studies and reports, and concern for this situation has marked the activities and work of EFPIA's Policy Committees throughout 2001.

As a member of the Policy Committees, FARMAINDUSTRIA has concentrated on preparing position papers, keeping dialogue open and seeking the support of the Community Institutions (Commission, European Parliament, and the Spanish permanent representative Brussels) and the Spanish healthcare authorities in order to defend the interests of our contry's pharmaceutical industry.

3.4.1. Economic and Social Policy

G-10 High Level Group. The work of the Economic and Social Policy Committee has been focused on the G-10 process during 2001. On the initiative of Commissioner Erkki Liikanen, the findings of the Pamolli report on *Global Competitiveness in Pharmaceuticals, A European Perspective* were presented on 11th December 2000. This report, which was prepared under the auspices of the European Commission, highlighted three trends in the European Union compared to the United States:

• Loss of competitiveness by the European industry compared to American competitors.
• The process of concentration of R&D into the United States.
• Increasing market distortion.

This assessment of the European pharmaceutical industry's position and the insistence of the sector itself in its representations to the Community Institutions led to the start of the G-10 process through the creation of a high level working group in March 2001. This group is formed by representatives of industry and patients' organisations, as well as the Governments of the United Kingdom, France, Germany, Portugal and Sweden.

The mission of the G-10 initiative is to frame practical proposals to boost the competitiveness of the European pharmaceutical industry and improve patient access to medicines.

The pharmaceutical industry believes that clear, targeted and immediate action is called for, in view of the numerous impediments to progress existing on the European scene as it stands:

• Ever tighter constraints on pharmaceutical expenditure.
• Worsening problems with parallel trade.
• Significant delays in patients' access to new medicines.
• Absence of a framework to foster and reward innovation.
• Regulatory overkill.
• A general ambivalence towards new technologies.

In this context, the Economic and Social Policy Committee is responsible for monitoring the G-10 process and has defined the pharmaceutical industry's position in the following terms:

1. Boost innovation while preserving high levels of industrial property protection and improving registration data protection.
2. Create a favourable climate for R&D activities in Europe by improving public-private cooperation and fostering the exchange of human and financial resources, as well as implementing effective policies in the field of tax incentives and accelerating procedures.
3. Reduce the economic impact of the fragmentation of the European market, especially in view of the EU's forthcoming enlargement.
4. Accelerate patients' access to innovation and, in particular, cut back the red tape involved at the marketing authorisation and post-marketing authorisation levels.
5. Support the development of European biotechnology in view of the importance of this field in the search for new therapeutic remedies for rare or low-prevalence diseases.

At the beginning of 2002, the European Commission published its preliminary report on the findings and recommendations of the G-10 high level group. EFPIA has examined this document, and welcomes the recommendations it contains to reduce delays in registration procedures and price and reimbursement authorisation; deregulate the prices of unlisted products; provide incentives for R&D (e.g. tax allowances, incentives for paediatric studies); approach enlargement (restrictions on the free circulation of products protected by patents); monitor competitiveness using appropriate indicators; and allow pharmaceutical companies to inform patients. On the other hand, the Federation views the treatment of innovative products compared to generics and the proposals advanced in connection with the economic evaluation of medicines, among other matters, with considerable con-

cern. The G-10 group will continue its work during the early months of 2002 in order to transform the 14 recommendations set out in the report into specific actions and measures, which will be presented in the final document addressed to the President of the Commission and the Commissioners in April 2002.

Market access delays. FARMAINDUSTRIA participates in the Market Access Delays working group formed by the Economic and Social Policy Committee. This group's objective is to accelerate patients' access to new medicines, reducing the time spent on post-marketing authorisation procedures (i.e. pricing and reimbursement). In view of the results achieved, the group's work to date has been highly satisfactory. In Belgium delays have been shortened by over three months, while the Greek Ministry of Health has undertaken to publish an updated price list every quarter. In Portugal, reimbursement decisions have been reduced from 87 to 57 days and a dialogue has been opened with the Price Committee in France to shorten delays. The working group presented an initial assessment of results at a meeting held at the offices of FARMAINDUSTRIA in Madrid at the beginning of 2002.

***Futures* project.** The Futures Project Priority Action Team works in parallel with the G-10 process with the objective of pressing industry priorities in the field of economic policy and fostering incentives at the national level.
A programme of work was approved in January, including a detailed action plan for each country based on five strategic objectives:

Medium term:

1. Increased funding for new medicines
2. More patient involvement in health decisions
3. Shorter delays, not only in registration procedures but also at the post-marketing authorisation level

Long term:

4. Structural reform of healthcare systems

5. Price liberalisation

This priority action team was expanded in 2001 to cover nine countries with Spain , Belgium and Portugal joining the six countries already involved (Germany, France, the United Kingdom, Switzerland, the Netherlands and Italy).

➜ **Informed Patients.** In response to the recommendations of the e-Europe Summit held in March 2000 and the call by the Heads of Government of the EU member States for the construction of a single information-based society for all of Europe, EFPIA decided to create a priority action team to ensure that patients are not left behind as the information revolution progresses. FARMAINDUSTRIA forms a part of this PAT.

The importance of this matter is evident from the fact that the search for information on medicines has reached unprecedented levels: 113 million Europeans are on line and 1 in 4 queries is related to health.

This demand, however, is largely met through websites that are often low-quality, out-of-date and posted by anonymous sources. The pharmaceutical industry has the capacity and resources to offer up-to-date, high quality information on the medicines it researches and investigates. However, this area is absolutely overregulated by both the member States and the European Union.

Directive 92/28/EC establishes certain minimum standards for advertising and some of the member States have tightened these guidelines with even stricter regulations. In the majority of cases, the pharmaceutical industry is the only source that is not permitted to inform the patient/consumer directly, except as regards OTC products. Since any third party may freely provide information on illnesses and treatments without any control,

FARMAINDUSTRIA has repeatedly stressed the need to distinguish between information as such and promotional or advertising messages. This is in line with EFPIA's position.
The Commission has now started its review of pharmaceutical legislation and this opens up the possibility of change along the lines defended by the industry, at the same time as providing an opportunity to address patients' legitimate demand for access to the best possible information concerning medicines. However, it will be necessary to wait some years yet to see the first results, since the changes to pharmaceutical legislation will not be adopted until 2004.
In this context, FARMAINDUSTRIA has drawn up guidelines in order to develop a constructive approach to the use of the internet by pharmaceutical companies. These guidelines were formally adopted by the EFPIA Board on 21st September 2001 and were passed on by FARMAINDUSTRIA to its members in November.

3.4.2. Intellectual Property Policy

➜ **Registration data protection.** The new proposal for the review of pharmaceutical legislation published by the Commission provides for a 10-year harmonisation period for registration data protection with the possibility of a 1-year extension if new treatments are developed. The industry favours this "10+1" proposal and would welcome its inclusion in the legislative package, although it will need to be defended in the European Parliament and the Council throughout the long process leading to final adoption.
FARMAINDUSTRIA has already contacted some members of the European Parliament to persuade them of the importance of the proposal to the competitiveness of the European pharmaceutical industry.

➜ **New WTO Round and access to medicines.** There was no let up in the continuing pressure to restrict intellectual property rights in 2001, especially in light of the conflict over access to medicines in South Africa.
The industry believes that intellectual property is far from being the cause of public health problems in the Third World, and that the solution of these difficulties requires integrated plans, financial resources, supranational cooperation and the cooperation of pharmaceutical companies, which indeed is already on offer through a wide range of donor programmes, discount schemes and voluntary licensing agreements.
The Ministerial Conference of the WTO held in Doha (Qatar), at which the TRIPS Agreements were debated, took place in a climate that was hardly sympathetic to the position of pharmaceutical companies. Even so, the Final Declaration produced at Doha contains two important points. On the one hand it establishes the principle that public health protection measures adopted by governments should not contradict the terms of the TRIPS Agreement, and on the other, it clarifies the matter of flexibility in TRIPS.
At the same time, the European Parliament approved the proposal for a Council Declaration concerning the EU's contribution to the creation of a global fund to fight AIDS, tuberculosis and malaria. The objective of this fund is to create the conditions for effective public-private partnerships in order to attack the most prevalent diseases in Third World countries.

EU Enlargement. One of the pharmaceutical industry's main concerns in this matter is the potential economic impact of enlargement, given the disparity between the levels of intellectual property protection in the EU itself and in the candidate countries. This situation could give rise to heavy flows of parallel trade into the European Union if price differentials with candidate countries persist, thereby accentuating present distortions in the absence of a single market for pharmaceuticals.

With certain exceptions (notably Poland, Rumania and Bulgaria), the two chapters of the Treaties of Accession that affect the pharmaceutical sector, Free Circulation (which includes the greater part of pharmaceutical legislation) and Rights of Companies (intellectual property provisions) have been closed, including the industry's objectives. The texts agreed provide for a transitory derogation of the principle of free circulation where EU patent protection standards differ from those applicable in candidate countries.

The Commission has undertaken to work together with the pharmaceutical industry to prepare a detailed mechanism to ensure that relevant provisions are actually set aside in practice. The pharmaceutical industry is currently working on a proposal for a "product-by-product" formula, which would imply mandatory notification of the patent holder in the case of applications for import licences. If the patent holder were able to demonstrate that the transitory provisions were applicable to the product in question, the application would be denied. Any dispute between the parties would be resolved by the courts.

EU ENLARGEMENT

Industry objectives

1. To guarantee the highest standards of intellectual property protection
2. To avoid exacerbating existing market distortions in the 15 member States
3. To safeguard European levels of quality, safety and efficacy
4. To improve the conditions of access to the markets of candidate countries (discrimination, openness, objective pricing and reimbursement criteria, "early copies"...)

Incentives for paediatric studies. In December 2000 the EU Council adopted a recommendation requesting the Commission to prepare a proposal for a raft of measures to foster paediatric research and studies in Europe. In conjunction with the national associations, EFPIA drafted a position paper describing the issues arising from the current lack of medicines developed specifically for paediatric use.

In view of the high costs involved in any paediatric study, the industry considers that a specific legislative framework is needed to identify appropriate incentives to foster research in this area.

In this connection, it has been proposed that patented products developed through paediatric studies be allowed an additional 12 months' protection, and that this extension should be valid for all treatments (i.e. both paediatric and non-paediatric). For existing products, the industry proposes a 10-year period of exclusivity confined to the market for the paediatric condition in question. These 10 years of exclusivity would provide an incentive particularly

for small and medium-size companies to research and bring to market medicines based on unprotected active substances as paediatric products.

Community Patent. The draft Regulations for the Community patent have been the object of some controversy between the European Parliament and the Commission, both as regards the use of languages and in the matter of jurisdiction.
On the first count, the Parliament has proposed the use of English as the sole language, while the Commission has defended the use of three (English, French and German). As regards jurisdiction, the Commission has pressed for centralised tribunals against the defence of the present devolved system by the Parliament.
No agreement was reached at the last meeting of the Internal Market Council held in December 2001, despite the compromise solution presented by the Belgian Presidency. This has led to a dead-end, and it is to be hoped that the Spanish Presidency will be able to find a way out. FARMAINDUSTRIA has clarified its position in support of the Parliament's proposal with the Spanish authorities, since the use of three languages would increase the cost of European patents.

Working Group on Generics. FARMAINDUSTRIA forms a part of the Working Group on Generics set up by EFPIA, which prepared a manifesto in 2001 reflecting interest in the development of a strong European pharmaceutical industry through balanced growth in the generics market that would not represent a disincentive to invest in researching and developing new products. This paper also calls for promotion of the use of high quality generics in the European pharmaceutical market as a whole.
The Group understands that European harmonisation of registration data protection for a period of ten years is an essential requirement in pursuit of these objectives and, in consequence, favours regulation to permit early trials in order to obtain registration of products as generic medicines.
A further issue considered in 2001 was generic substitution. The Group concluded that in the interest of the patient only the physician should be permitted to substitute one medicine for another.

3.4.3. Scientific, Technical and Regulatory Policy

Future Medicines Legislation. Over the coming three years, the review of pharmaceutical legislation proposed by the Commission will be the subject of intense debate in the European Council and the Parliament. This will lead to changes in some of the ground rules in areas such as data protection, manufacturing, registration, dispensing conditions and medicines advertising.

In view of the complexity of the tasks ahead and the wide range of issues involved, EFPIA has set up a special FML (Future Medicines Legislation) working group to study the drafts and establish the industry position and make proposals. FARMAINDUSTRIA is a member of this working group.

The group has started by establishing a series of priority areas, which include registration procedures, data protection, registration, flexibility in licensing agreements between pharmaceutical companies, the obligation to bring products to market, pharmacovigilance, the decision making process by which new medicines gain access to the market and patient information.

Overall, the Commission's current legislative proposal presents a number of positive aspects for the industry, such as the harmonisation of the registration data protection for a period of ten years with the possibility of extension if significant new treatments are found, the elimination of the requirement to renew marketing authorisation every five years and the creation of a "fast-track" registration process in the interest of the health system.

However, the industry does not favour the Commission's proposal to require the registration of any new chemical entity through the centralised procedure, and nor is it entirely happy with the scant sensitivity shown in the matter of flexibility in licensing agreements between pharmaceutical companies.

3.4.4. Annual General Meeting for 2001

EFPIA held its annual general meeting in Lucerne, Switzerland, from 19th to 22nd June 2001. The general meeting not only provides an opportunity to inform the pharmaceutical industry of activities undertaken in collaboration with the national associations, but to bring together representatives from the sector, science, the national and Community health authorities and the European Institutions in the same forum to exchange ideas and opinions concerning the main challenges facing the European pharmaceutical industry.

In addition to the usual meetings of the Governing Bodies and Committees, the programme for 2001 included a conference on "The Informed Patient, New Partners in the Decision Making Process".

This conference was addressed by numerous speakers representing interested parties (patients' associations, public authorities, doctors, industry representatives and the media), providing a unique opportunity to reflect on the industry's proposals in connection with the "informed patient is the best patient" concept.

3.4.5. Bilateral relations

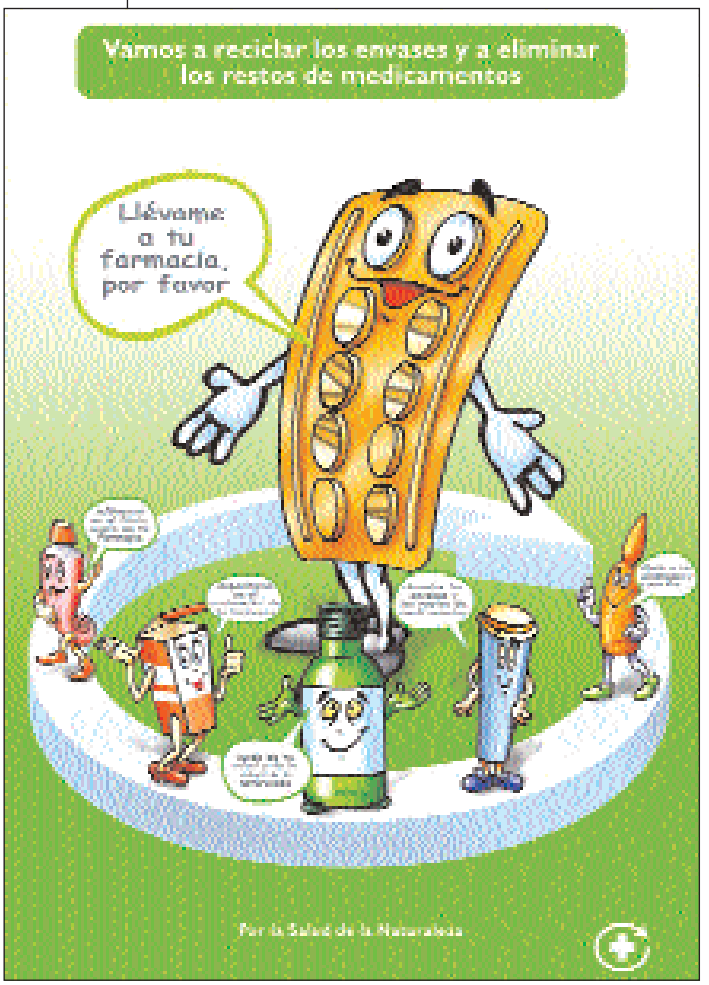
In addition following up priority issues for EFPIA through participation in the Governing Bodies and Policy Committees, FARMAINDUSTRIA has maintained bilateral relations with other national associations with a view to increasing cooperation. The first such meeting took place with the Director General of EFPIA in Belgium during the month of June and consisted of an exchange of views concerning FARMAINDUSTRIA's priorities in the context of the EU. Special emphasis was placed on the need to maintain the flexibility of licensing agreements between pharmaceutical companies.

These contacts were extended to the French pharmaceutical industry association, SNIP, in July. Meetings were also held with the AGIM, the Belgian association in December 2001 and with Interpharma, our Swiss counterpart, in January 2002 These meetings provided a useful opportunity to exchange information and points of view that will be of great help for our future activities.

4 The Integrated Waste Management System (SIGRE)

The pharmaceutical sector's integrated waste management and packaging collection system finally cut its teeth in 2001. This system, created on the initiative of FARMAINDUSTRIA, will ensure compliance with the obligations established in the Spanish Packaging and Waste Act, 1997 (Law 11/1997) by all pharmaceutical companies in Spain, providing for the collection and subsequent treatment of waste packaging and medicinal products from private homes around the country.

The Contract of Adhesion and Licence for the Use of the Logo were drawn up in 2001, enabling SIGRE to formalise its relations with the companies it has been working with since the start-up phase. This contract, which any of the pharmaceutical companies selling products in Spain may sign, establishes the rights and obligations of companies and allows them to include the SIGRE symbol on their packaging. Since SIGRE has registered ownership of its trademarks, the symbol is now available for immediate use.



On the logistics side, SIGRE has contracted out the manufacture of the containers that will be placed at all retail pharmacies throughout Spain, providing over 20,000 collection points once the system is fully implemented nationwide. In July, a service agreement was made with FEDIFAR ensuring the collection and storage of waste packaging materials, again nationwide. The process was finally closed with the selection of a Single Waste Management Entity for Spain, responsible for guaranteeing appropriate classification of packaging by material and subsequent treatment in accordance with prevailing legislation.

In terms of implementation, SIGRE is now fully operational in the Galicia, Asturias, Extremadura and Catalonia Regions, as well as in the Province of Castellón (Valencia) and in the town of Alcorcón (Madrid Region).

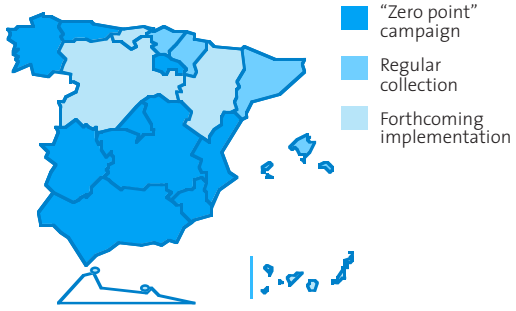
Implementation has gone ahead on the basis of the data obtained from the pilot scheme carried out in Orense, which was SIGRE's first oper-

ational experience. The pilot scheme lasted one hundred days and served to establish selection and management criteria (recycling, valuation and disposal) for the packaging waste collected. The opinion survey carried out at the end of the pilot scheme showed a high level of awarenss and interest, confirming the success of the communication campaign. The results of this pilot have thus formed the basis on which SIGRE's operational model for the rest of Spain has been designed.

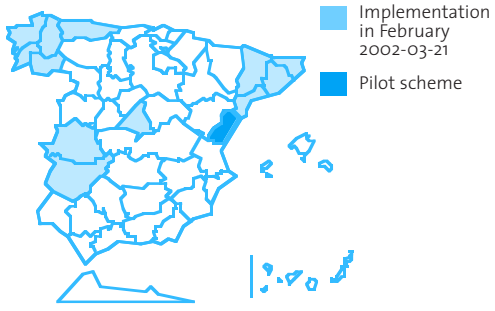
A SIGRE Zero Point Campaign was carried out in Galicia, the Valencia Region, Castile-La Mancha, Andalusia, Murcia, Asturias, Extermadura, La Rioja and Madrid. The twofold objective of the campaign was to dispose of waste packaging and medicinal products accumulated at pharmacies and distribution warehouses before the implementation of the system and to locate collection points at the same zero waste spots in order to obtain an objective scorecard for the results of the start-up and evolution of the system in each Region.

The 105,480 kg of packaging collected are testimony to the excellent response and cooperation received from pharmacists and distributors alike.

SIGRE "ZERO POINT" CAMPAIGN



SIGRE IMPLEMENTATION



During 2002 SIGRE plans to implement the system in the majority of the Spanish Regions and to carry out the "Zero Point" campaign in those regions that were not covered last year. SIGRE has prepared a communication plan to disseminate this environmental initiative on the part of the pharmaceutical industry in all of the Self-Governing Regions where the system has already gone live. This plan includes information actions for the various partners in the system and the use of press and radio advertising to encourage participation by the citizen in this major health and environmental project

Surveys of the operation of the system have been carried out in the Regions where SIGRE is operational. Findings show that the it is user-friendly and that communication campaigns have been effective.

Finally, SIGRE prepared a Report on the Business Prevention Plan, which was presented in June 2001. The results of the report demonstrate a sharp fall in the tonnage of pharmaceutical sector waste packaging and reveal the contribution made by pharmaceutical companies to achieving a 10% cut in the weight of packaging, as required by the Packaging and Waste Act for the period 1997-2001.

The pharmaceutical industry in Spain and worldwide

1 The international context

1.1. The Economy

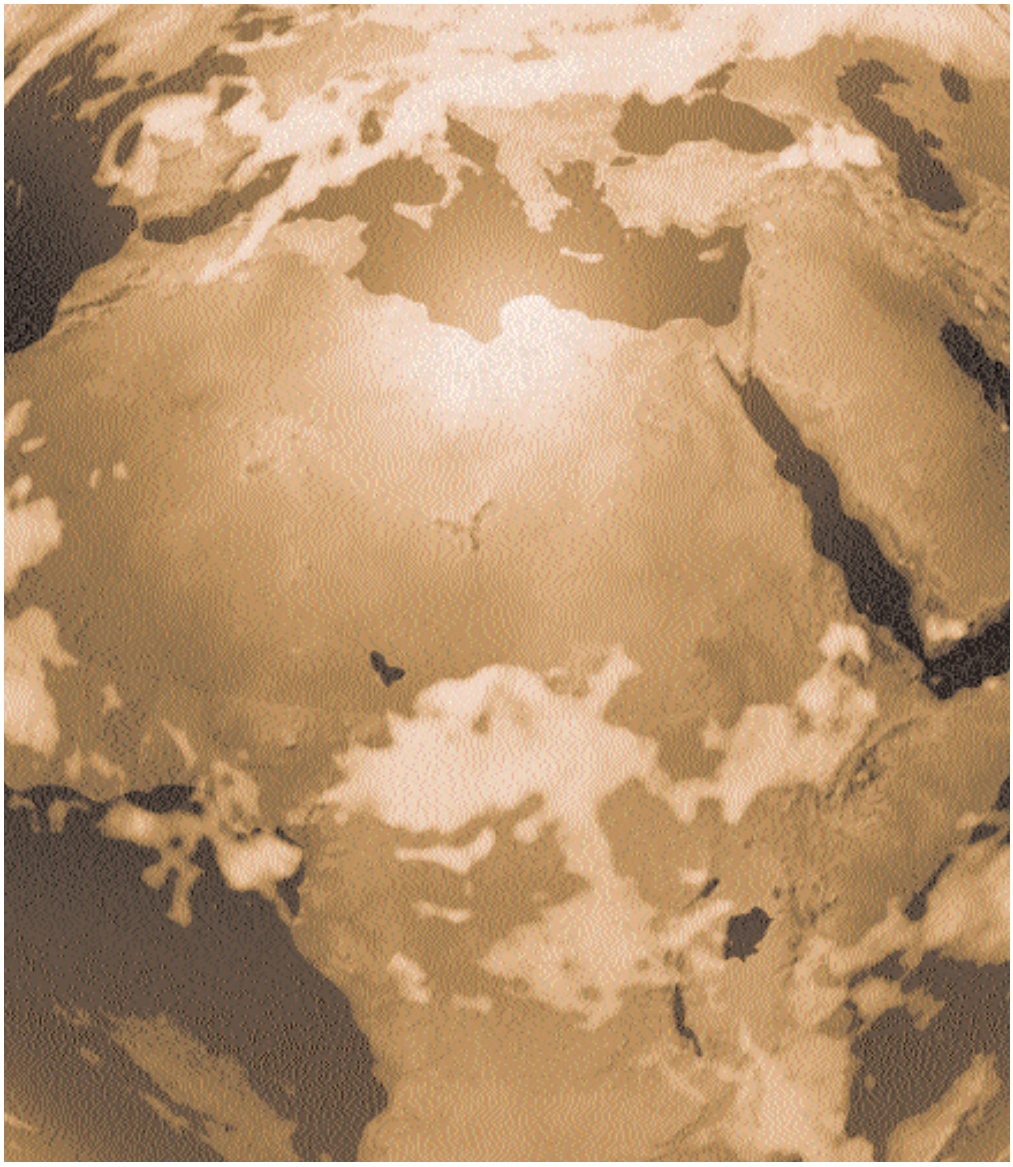
Growth in the world economy dwindled in 2001 as the slowdown beginning in mid-2000 took hold. The most striking feature of the new scenario, however, is that the downturn has affected all of the major economic blocs simultaneously. This is an entirely novel phenomenon, which is due on the one hand to integration achieved by trading partners as they open up their economies and on the other to increasing access to information and the emergence of common expectations.

Initially, analysts expected the slowdown, which began in mid-2000, to be short with recovery beginning in the second half of 2001. However, the tragic events of 11 September undermined already weak confidence among businesses and consumer alike, delaying the return to growth. As if to compensate for this situation, one event that does invite optimism has been the launch of the euro. We have witnessed a historic event. For the first time, eleven industrialised countries combining a market of over 302 million people have come together to share their currency.

➜ **United States.** The IMF forecast for December 2001 estimates that the United States will close the year with growth hovering at around 1%, slightly behind the 1.7% expected in the European Union. The slowdown has caused joblessness to rise to 4.9%, a rate unheard of since the early 1990s. American policy makers have moved on two fronts, interest rates and fiscal stimulus, to jump start the economy. Thus, the Federal Reserve has brought interest rates down to 1.75%, while the Administration has cut taxes. Both actions are intended to stimulate consumer demand, a key component of economic growth.

Besides these measures, falling energy prices, lower inventories and a more optimistic outlook on the part of business and consumers are expected to bring about a quick recovery in the American economy. These factors should begin to have an effect during the second half of 2002.

➜ **Japan.** The Japanese economy remains in the doldrums and the country's GDP is set to contract by around 0.4%. Levels of consumer spending and investment are still very low, and



with interest rates already at 0.4% the country has almost no room for manoeuvre left in terms of monetary policy. Depreciation of the yen and rising exports may, however, provide some relief for the Japanese economy.

European Union. The Continent's new currency, the euro, made its debut in a climate of uncertainty. Forecast growth for 2001 in the European Union as a whole is 1.7%, with expected growth rates of just 0.5% in Germany, 2.1% in France, 2.3% in the United Kingdom and 1.8% in Italy. The European Central Bank (ECB) has also lowered interest rates to 3.25% in order to stimulate the economy in the EU, though it has refrained from deeper cuts for fear of inflation. At the same time, tax cuts have been approved in some of the national economies (Germany and France in 2001 and Italy in 2002) to stimulate demand. With the launch of the euro, however, the time has come for structural reform of labour markets and liberalisation in other areas such as energy and telecommunications.

Spain. Spain has once again enjoyed one of the EU's fastest growth rates, together with Ireland, Greece and Luxembourg. According to recent Government forecasts, the Spanish economy as a whole will expand by around 3% in 2001, breaking down into 2.8% growth in consumer spending and 5% in investment. The impact of foreign trade on GDP growth is expected to be virtually nil.

One of the key factors holding up this strong growth rate during 2001 despite the difficult scenario in the world economy has been the vigorous labour market. Thus, the number of Social Security affiliates rose to 15,748,800 in December 2001, a year-on-year increase of 3.4%. Immigration has been a major factor behind this growth, accounting for fully one third.

One of the key factors in stimulating domestic demand has been the euro effect, which has flushed out large quantities of undeclared cash held by citizens. As a result, consumer spending held up well during the last quarter of the year. This euro effect may be expected to continue during the early months of 2002, when the peseta and the new currency will exist side by side.

Prices rose by 2.7% in 2001. Though higher than the Government's target, this figure is well below the 4% inflation rate recorded in 2000, in large part due to the more favourable evolution of oil prices and unprocessed foodstuffs. Despite this fall, however, inflation in Spain is still well above the average for the EU, which was 2.1% in 2001.

To sum up, Spain continues to make progress towards convergence with the EU's most developed countries, both in terms of per capita income and employment, at the same time as positioning itself on the world stage. This raises the possibility that the country may soon join one or other of the clubs that decide world economic policy, such as the G-10 group.

Let us close this section with recent IMF forecasts for GDP growth and inflation.

Inflation and growth forecasts for the main industrialised countries

Country	% GDP	% CPI
Germany	0.7	1.0
France	1.3	1.1
Italy	1.2	1.3
United Kingdom	1.8	2.4
Spain	**2.1**	**2.1**
United States	0.7	1.6
Japan	-1.0	-1.0

Source: FMI

1.2. The pharmaceutical industry

The common denominator on the international scene has been the ongoing divergence between the expansion of pharmaceutical expenditure by national health systems and the funding allocated. This situation has encouraged European governments to persevere with measures designed to reign in the cost of medicines to the public purse, a policy which has led to a significant loss in competitiveness for the European industry over the past decade compared to its two rivals on the world stage (Japan and, more especially, the United States).

This situation is in large part due to structural differences between markets, not only in economic terms (pharmaceutical companies in the USA have direct access to an immense single market and enjoy the freedom to set prices) but also as regards the healthcare system itself. In Europe the market is much more regulated, the volume and scope of health services depends on public budgets, there is no distinction between the user/payer/regulator of healthcare, and tax and financial incentives designed to foster scientific and technological innovation fall far short of those provided in North America.

This loss of competitiveness manifests itself in numerous different ways, but it may be summed up in the key performance indicators shown in the following chart:

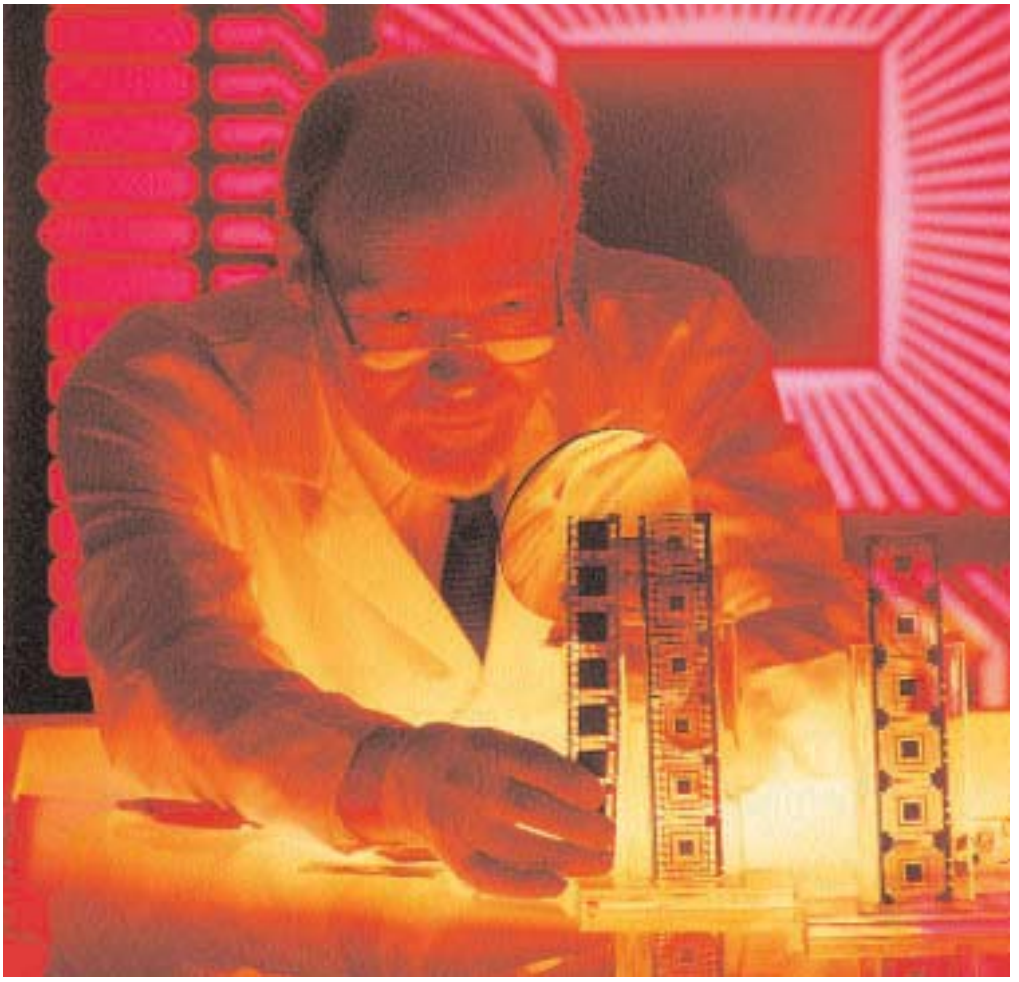
Evolution of key pharmaceutical performance indicators in the European Union and the United States

	1990		2000	
	EU	USA	EU	USA
Share of world pharmaceutical market (%)	31.9	31.2[1]	22.3[2]	43.0[1][2]
AVA of pharmaceutical sales 2000/1990 (%)	-	-	7.2	9.9
Manufacturers of the 10 top selling products	6	4	2	8
R&D expenditure (€m)	7,871	5,344	17,000	24,328
Location of R&D spending by European companies	73%	26%	59%	34%
Number of biotechnology firms	-	-	1,570	1,273
Biotechnology sales (€m)	-	-	8,679	23,750
Biotechnology R&D spending (€m)	-	-	4,077	11,400
Total jobs in biotechnology firms	-	-	61,104	162,000
Average NCE registration delay (days)	-	-	440	355

(1) Data refer to the North American market, comprising the USA and Canada.

(2) IMS Health forecasts for 2005: EU = 20% and USA = 49%

Source: EFPIA



There can be no question of the seriousness of this situation in an industry that makes a significant contribution to the European economy as one of the five most productive manufacturing sectors, employing almost 540,000 people, and spending some 17,000 million on R&D. Furthermore, pharmaceuticals generate the largest trade surplus of any high technology industry.

The pernicious effects of measures designed to restrain pharmaceutical expenditure have at last been publicly recognised by the political authorities in the member States of the EU, resulting in the adoption of compensatory actions in support of science, development and innovation the vectors driving the sector's growth. In some countries, including Spain, SDI support has even been included in written agreements between Government and the industry.

Industry and Government have also jointly set up the G-10 working group (High Level Group for Innovation and the Provision of Medicines) with the twofold objective of examining the reasons for Europe's loss of competitiveness in the pharmaceutical sector and framing a series of proposals for action to halt further decline. These proposals will be presented in the spring of 2002.

To return to the idea presented at the start of this section, the evolution of the five main European markets over the past four years will serve to support the inventory of actions taken by the respective national governments during 2001.

Annual percentage change in pharmaceutical sales through retail pharmaceuticals at laboratory prices

	98/97	99/98	2000/99	2001/00	AAC 1997-01	% Sales/Total 5 Markets 1997	2001
Germany	6	6	6	10	6,3	29,6	28,4
France	4	5	9	7	5,5	27,6	25,8
Italy	8	9	10	12	8,4	17,3	17,8
United Kingdom	8	10	6	8	7,9	15,5	17,4
Spain	**11**	**11**	**9**	**11**	**9,4**	**9,9**	**10,6**

Note: Figures for 2001 reflect the period from January to October, the latest information available to date.

AAC: Average annual change

Source: FARMAINDUSTRIA on the basis of IMS data

The first point of note is that Spain reported the second highest growth in retail pharmacy sales in 2001, with an average 9.4% year-on-year change for the whole of the period 1997 to 2001. The evolution of sales has been affected in part by the liberalisation of non-reimbursable medicines prices and the Government's continuing policy of applying prices that are close to those of other European countries for new products. On the other hand, the price cut imposed in 1999 had a significant negative impact on sales in 2000, which was only fully absorbed by the market in 2001, as a result of which it returned to the higher growth rates recorded in prior years.

Turning to other European countries, the acceleration of growth in the German market is striking. This is mainly a consequence of the fast uptake of innovative medicines, which has been pushed by both the industry and government. Nevertheless, a series of cuts have been agreed in order to avoid ballooning public pharmaceutical expenditure in the future, including a financial contribution by the industry and a review of reference pricing levels.

In France, the domestic market has slowed somewhat due to price cutting and delisting of medicines under the Guigou Plan implemented in mid-2001.

Italy posted the highest annual growth for the second consecutive year, basically as a result of the abolition of ceilings on public pharmaceutical expenditure and related financial penalties for the industry and pharmaceutical distributors. However, numerous mea-

sures have been implemented to prevent a continuation of recent growth rates. These include the introduction of a reference pricing system, the postponement of a fourth adjustment to bring the prices of medicines already on the market into line with the European average, and the application of future price cuts.

Finally, there has been a moderate recovery in the rate of growth in the United Kingdom, which has returned to a level that is more consistent with historical performance in this market. Even so, the UK authorities have maintained the tighter controls over the generics market introduced in 2000. Health Department price cuts proposed during 2001 also concentrated on generics. In any event, the advance of almost two percentage points in sales in the UK market stands out among the countries analysed.

The EU pharmaceutical industry in figures (1999)

Country	Nº de Companies	Production (€ Million)	Jobs	Domestic Sales (€ Million)	Exports at Laboratory Prices (€ Million)	
					Import	Export
Germany	327	18,331	112,996	17,380	8,142	14,070
Austria	107	1,311	9,000	1,660	2,228	1,662
Belgium	142	4,247	21,817	2,576	4,718	6,046
Denmark	45	3,040	17,574	810	877	2,764
Spain	**240**	**6,776**	**38,600**	**6,607**	**3,216**	**1,810**
Finland	61	610	6,016	1,068	667	222
France	249	23,391	92,200	15,916	5,184	8,190
Greece	64	438(1)	7,800(1)	1,543	1,040	159
Netherlands	59	4,548	12,800	2,350	3,997	4,026
Ireland	58	5,071	14,000	608	1,122	4,830
Italy	222	13,514	69,970	10,529	6,138	5,523
Portugal	126	396(2)	9,650	2,103	953	229
United Kingdom	75	18,478	59,500	11,850	6,484	9,608
Sweden	64	5,313(1)	16,300	2,103	1,347	3,762
Total	**1,839**	**105,464**	**488,223**	**77,103**	**46,113**	**62,901**

Note: Figures refer to production of medicinal products and raw materials for human and veterinary use, except Spain, where data refer exclusively to medicinal products for human use. (Pharmaceutical production in Spain is defined as visible production of medicinal products and raw materials for human use.)

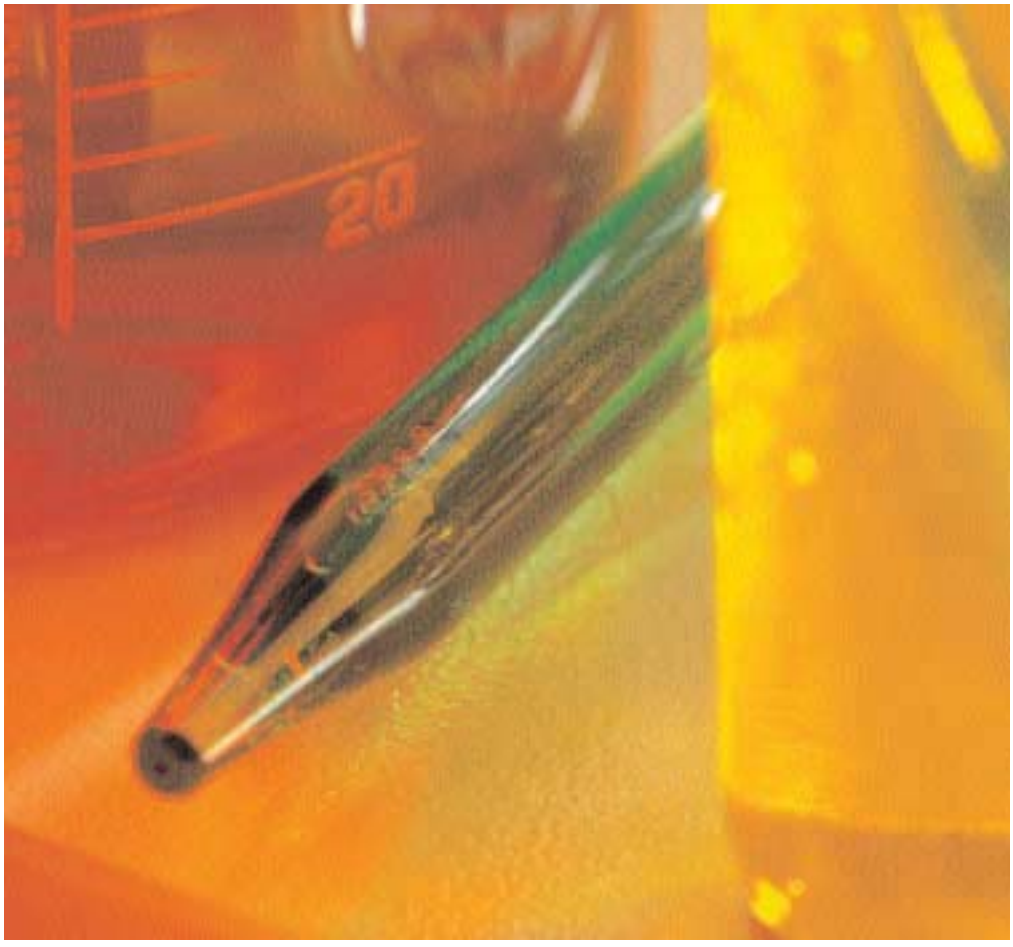
(*) Pharmaceutical companies forming part of EFPIA member Associations.

(1) 1998 data

(2) 1995 data

Source: Farmaindustria on the basis of EFPIA data and information furnished by national pharmaceutical associations

2 The pharmaceutical industry in Spain



2.1. R&D

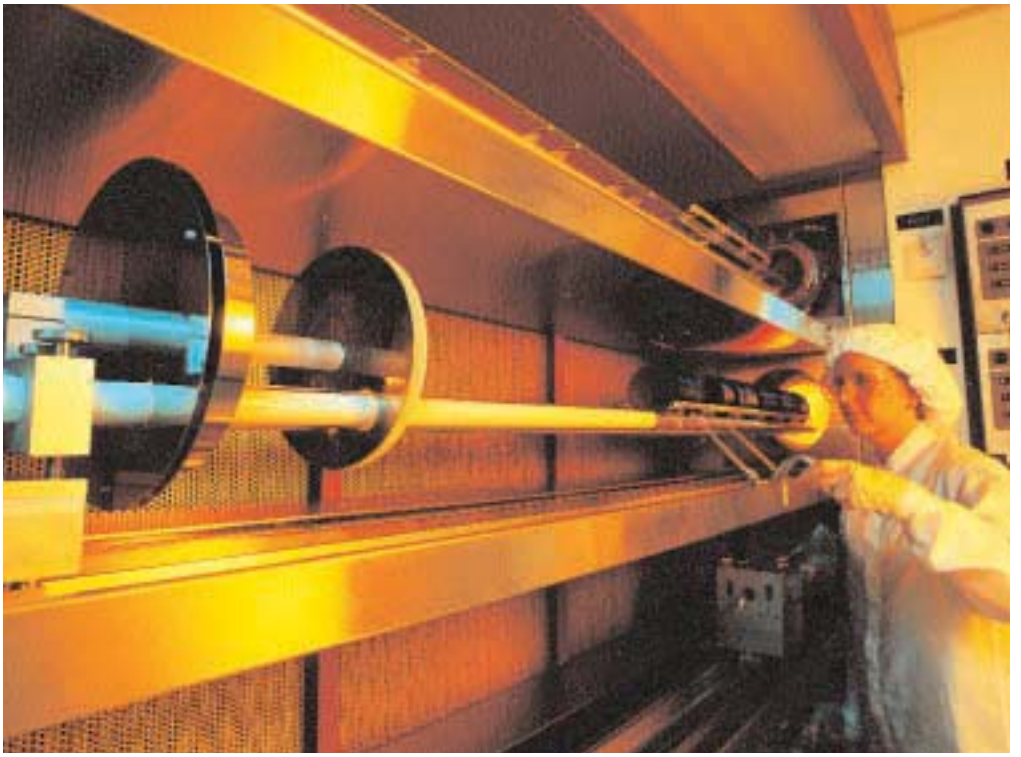
Society has come to demand specific solutions requiring very significant outlays on research and development. In the pharmaceutical sector, both patients and the health authorities are increasingly concerned to obtain remedies for the treatment of specific illnesses (cancer, AIDS, neuro-degenerative diseases and so on), and the industry has responded by allocating ever more research funding in these areas. As a result, the cost of bringing a new product to market has risen consistently over time, and the latest available data put the total development cost of a new medicine at approximately €890 million. The Spanish pharmaceutical industry has made a major contribution in this respect, particularly in view of its scant scientific tradition. Thus, the pharmaceutical sector is ranked ninth out of the one hundred manufacturing industries included in the Spanish Statistical Institute (INE) Industrial Survey, accounting for 2.2% of total industrial turnover in 2000 but at the same time for 10.9% of total business R&D expenditure (INE data for 1999) and 13.7% of R&D expenditure by manufacturing industries (i.e. excluding agriculture, construction and services).

R&D activity in Spanish companies (1999)

	Staff		R&D expenditure (€ Million)			
	engaged in R&D	% s/1997	in-house	Contracted	Total	% s/1997
Total Companies	38,323	27.6	432,121	131,087	563,207	37.1
Aerospace	2,339	2.9	33,160	3,389	36,549	18.0
Automotive	3,354	9.6	40,548	42,762	83,346	49.6
Pharmaceuticals	3,351	9.8	41,113	20,441	61,554	15.5
Radio, TV and Comm.	2,935	10.6	34,068	2,891	36,959	12.1

Source: FARMAINDUSTRIA based on Spanish Statistical Institute data (R&D Surveys for 1999 and 1997)

The Spanish pharmaceutical industry, which has a fairly low concentration of companies compared to other sectors, has been quick to understand the importance of investing in new technologies to survive in today's highly competitive environment.
The future commitment made by the pharmaceutical sector is reflected in the ratio of R&D expenditure/gross value added.
Gross value added (GVA) may be defined as final production, since it is calculated by subtracting the total intermediate costs incurred in production. One way of measuring innovation in a sector is to establish what part of GVA is spent on R&D. On the basis of the Spanish Statistical Institute's R&D and Industrial Surveys, percentage R&D/GVA in the



pharmaceutical industry was 10.9%, 13.3% and 14.8% for 1995, 1997 and 1999 respectively. The figure for the last year of this series would be over 20% considering exclusively R&D activities related with medicines for human use. The evolution of R&D on this basis clearly reveals the sector's commitment to technological development and is far above the trend rate for Spanish industry as a whole, where the percentages for the same years were 2.1%, 2.3% and 2.6%.

The longest running public pharmaceutical research support scheme is the Profarma Plan. The ratings obtained in connection with awards for 2000 were as follows:

Profarma Plan, 2000 ratings (1999 data)

Company Ratings	Number	R&D Expenses	Total Sales	Sales of Medicinal Products	R&D / Pharmacy Sales
Excellent	7	114.58	1,708.89	1,053.11	10.9
Very good	7	77.17	1,495.50	855.09	9.0
Good	8	41.70	685.89	343.31	12.1
Acceptable	15	62.59	2,149.21	1,324.94	4.7
Technological development and industrial plant	11	14.00	269.03	159.95	8.8
Research activity without industrial plant	5	34.52	603.27	426.28	8.1
Total	**53**	**344.55**	**6,911.79**	**4,162.68**	**8.3**

Figures in millions of euros.

Source: FARMAINDUSTRIA on the basis of Ministry of Science and Technology data

Our Annual Report for 2000 referred to the Collaboration Agreement made with the Ministry of Health to foster and conduct scientific and technical research in the whole area of health and life sciences as a demonstration of the pharmaceutical industry's commitment to research. This Plan resulted in a contribution of €33.06 million to promote and undertake plans, programmes and activities to foster scientific research through the Carlos III Health Institute. This year, our commitment is enshrined in the Agreement to Frame and Execute an Integrated Plan for the Control of Pharmaceutical Spending and the Rational Use of Medicines. This Plan was formally agreed by the Ministry of Health and FARMAINDUSTRIA on 31st October 2001 for the period 2002-2004, and in fact represents a Pact for Stability and Innovation that will work to the benefit of the citizen. It sets out the pharmaceutical industry's undertaking to increase investment in science, development and innovation faster than the percentage rate of GDP growth, specifying investment of €1,352 million over the term of the Agreement. In addition to this sum, the industry will set aside a Fund of up to €300 million to fund public health research projects in the public interest.

2.2. Domestic market

Sales of medicinal products through retail pharmacies totalled €6,346.57 million (at laboratory sale prices) in 2001, representing year-on-year growth of 10.7%, which is in line with the average for the last five years. The average price of medicines was €5.90.
Direct sales by pharmaceutical companies to hospitals totalled €1,754.30 million in 2001, an increase of 12% compared to 2000.
Let us concentrate on pharmacy sales. Prescription medicines represented 95% of the total with growth running at 11.3%. This increase was certainly affected by the performance of low reimbursement products, which represent 37.8% of the prescription market, with sales rising by 11.8%, as well as by the 53.5% growth in sales of generics grossing €204.97 million. At the year end, generic products represented 3.2% of the total value and 3.4% of units sold in the prescription medicines market. The average price of generics was €5.70.
Another important factor affecting growth in the pharmaceutical market was the evolution of delisted prescription medicines, the prices of which were liberalised on 1st January 2001. Year-on-year growth in sales of these products was 19.5%.
New products launched in 2001 represented 1.2% of the total market with an average laboratory sale price of €11.08. Numerous new generic medicines were brought to market, and this was a key factor holding down the average price of new products compared to prior years.
Finally, sales of OTC products declined by 6%.

Domestic market for medicinal products

	Retail pharmacies	% Change	Hospitals	% Change	Total	% Change
2000	5,728.29	8.8	1,566.34	16	7,294.63	10.4
2001	6,346.57	10.7	1,754.30	12	8,100.87	11.1

Values at laboratory sales prices in € million.
Source: FARMAINDUSTRIA based on IMS data

Sales of medicinal products through retail pharmacies

	Total	% Change	Prescr. products	% Change	Other products	% Change
Units (m)	1,062	1.5	918	2.9	145	-6.1
Value	6,346.57	10.7	6,027.60	11.3	318.97	0.7

Values at laboratory sales prices in € million.
Source: FARMAINDUSTRIA using IMS data

The fastest growing treatments by therapeutic class were GU system and sex hormones, up by 25%, musculoskeletal system (19.7%), central nervous system (15%) and cardiovascular system (11%). In each therapeutic class, growth centred on a particular group of treatments. Thus, hormone treatments were responsible for the strong growth of GU system products; anti-rheumatics and calcium regulators drove musculoskeletal system treatments; treatments for Alzheimer's disease, Parkinson's disease, epilepsy and schizophrenia were the key growth factor for central nervous system products; and therapies to reduce cholesterol and high blood pressure were the vector of cardiovascular system products.

Pharmacy sales of medicinal products by therapeutic class (2001)

Therapeutic Class	Units (Thousands)	Units (%)	% change	Value (€ Million)	Value (%)	% change	Average Lab. Sale Price
A. Alimentary tract and metabolism	154,696	14.6	-0.8	892.22	14.1	4.9	5.7
B. Blood and blood forming organs	35,512	3.3	32.9	210.51	3.3	25.9	5.9
C. Cardiovascular system	157,327	14.8	7.0	1,457.66	23.0	10.8	9.2
D. Dermatologicals	64,515	6.1	3.3	229.96	3.6	9.8	3.5
G. GU systems and sex hormones	43,996	4.1	8.2	358.73	5.7	24.7	8.1
H. Systemic hormonal preparations	14,360	1.4	3.4	165.55	2.6	5.7	11.5
J. Systemic anti-infectives	69,587	6.6	-5.4	432.34	6.8	-3.8	6.2
K. Hospital solutions	2,162	0.2	5.1	2.63	0.0	4.1	1.2
L. Citostatic and immunology products	4,733	0.4	0.9	260.36	4.1	7.7	55.0
M. Musculoskeletal system	69,169	6.5	5.8	364.84	5.7	19.7	5.2
N. Central nervous system	260,518	24.5	-0.4	1,164.45	18.3	15.5	4.4
P. Parasitology	965	0.1	-2.0	2.30	0.0	12.2	2.3
R. Respiratory system	142,276	13.4	-5.7	658.04	10.4	7.3	4.6
S. Sensory organs	41,345	3.9	4.8	140.94	2.2	19.3	3.4
T. Diagnostic products	277	0.0	-8.8	1.93	0.0	-7.1	6.9
V. Other products	557	0.1	4.8	4.12	0.1	108.8	7.3
Total	**1,061,996**	**100.0**	**1.5**	**6,346.57**	**100.0**	**10.7**	**5.9**

Source: IMS

2.3. International trade

International trade has been affected by two opposing forces in 2001. On the one hand, the downturn in the world economy has reduced trade flows. On the other, China joined the World Trade Organisation (WTO) on 11th December 2001, while Russia unilaterally cut tariffs on numerous items with a view smoothing the route to entry. Both measures to some extent offset the contraction due to the depressed business climate. The WTO forecasts growth of 2% compared to 2000. Demand for pharmaceutical products, however, depends to a lesser extent than other traded goods and services on the general economic situation, and the impact of fluctuations is therefore less pronounced. To date, accumulated data for Spain are available only for the period from January to October 2001. These data therefore provide the basis for the following discussion of foreign trade in pharmaceuticals compared to the prior year.

Once again, Spain is running a pharmaceuticals trade deficit, which totalled €1,794.69 million in the aforementioned ten-month period, as a result of which the gap between imports and exports has widened by 31.5%. If this trend continues, the total deficit for the full year could be as high as €2,126 million. The evolution of foreign trade has been as follows:

Total foreign trade in pharmaceutical products for the period from January to October 2001 (€ Million)

	Imports	Exports	Balance
Raw materials	374.07	391.90	17.83
Pharmaceutical products	3,650.15	1,837.63	-1,812.52
Total	**4,024.22**	**2,229.53**	**-1,794.69**

Source: Directorate General of Customs and Excise (monthly data)

In the period between January and October 2001 the coverage rate (i.e. exports / imports) for international trade in pharmaceuticals was 55.4%, slightly worse than the rate for 2000. However, there are large differences in the individual rates for the various different components of this trade, with coverage of just over 100% for raw materials compared to a little under 50% for pharmaceutical products.

The geographical distribution of Spanish trade in pharmaceuticals was similar to 2000. Thus, cross-border transactions with other EU member States in the period analysed accounted for 76.9% of imports and 74.3% of exports.

International trade in pharmaceutical products by region for the period from January to October 2001 (€ Million)

	European Union			Rest of World		
	Imports	Exports	Balance	Imports	Exports	Balance
Raw materials	179.28	182.07	2.80	194.79	209.83	15.04
Pharmaceutical products	2,916.05	1,475.42	-1,440.62	734.11	362.21	-371.90
Total	**3,095.33**	**1,657.50**	**-1,437.83**	**928.90**	**572.03**	**-356.86**

Source: Directorate General of Customs and Excise (monthly data)

Cross-border trade in pharmaceuticals with Spain's European partners has expanded significantly faster than total EU trade in all goods and services, with export growth in pharmaceuticals running at an annual average of 23% during the period from 1995 to 2001, compared to growth of only 11% in total exports to other member States. The difference in imports is less extreme, with average annual growth in medicines of 17% against 11% for all imported goods and services.

Analysis of itemised foreign trade data reveals that line 30.04 "Medicines packaged for retail sale" is becoming ever more important, representing 73% of pharmaceutical imports and 67% of exports in the first ten months of 2001, an increase of two percentage points over the prior year in both cases. The most significant component of raw materials is line 29.41 "Antibiotics", which accounts for 13% of Spanish pharmaceutical exports.

Structure of international trade in pharmaceutical products January to October 2001 (% of total)

	Imports	Exports
RAW MATERIALS	**10.1**	**19.8**
29.35 Sulphamides	0.8	0.9
29.36 Vitamins and pro-vitamins	2.1	0.9
29.37 Hormones	1.1	1.7
29.38 Heteroxides	0.4	0.8
29.39 Vegetable alcaloids	1.1	1.3
29.41 Antibiotics	4.6	14.2
MEDICINAL PRODUCTS	**89.9**	**80.2**
30.01 Glands and other organs	1.1	0.6
30.02 Drips and vaccines	9.7	82
30.03 Bulk medicines	2.5	2.1
30.04 Retail medicines	71.6	64.9
30.05 Gauzes and bandages	2.6	1.7
30.06 Other products	2.5	2.6
Total	**100.0**	**100.0**

Source: Source: Directorate General of Customs and Excise (monthly data)

To sum up, trade in pharmaceuticals continues to increase as a percentage of Spain's total trade with the rest of the world, although the traditional imbalances persist with a small surplus in pharmaceutical raw materials and an ever widening deficit in medicines. This deficit is largely a consequence of price differentials, since the average price of exported goods is €25.65, which is well below the average of €52.33 for imports.

2.4. Social Security pharmaceutical expenditure

On the basis of provisional data released by the Ministry of Health, which is the only information available to date, Social Security pharmaceutical expenditure in respect of prescriptions dispensed through retail pharmacies totalled €7,256.48 million in 2001, of which 36% was spent in Regions that had not yet received devolved healthcare powers.
The evolution of Social Security expenditure in 2001 was affected by the application of two cost-cutting measures approved in 2000.
These were the new commercial margins and sales discounts applied in retail pharmacies and the introduction of the reference pricing system, which had an impact over the whole year in 2001. Also, a 15% price cut decreed in the first half of the year for a group of selected active agents and the development of the generics market helped keep growth in pharmaceutical spending relatively stable.
The absence of any real slowdown, as might have been expected in view of the measures taken, was due to the increasing number of prescriptions written, up 4.1%. This factor is especially relevant taking into consideration that the number of prescriptions already rose by 4.8% in 2000. In total, pharmacies dispensed some 621 million prescriptions payable by the Social Security system.

Social Security market. Prescriptions dispensed through retail pharmacies*

	Total prescriptions (RRP+VAT: € Million)	Δ %	Total prescriptions (Millions)	Δ %	Cost per prescription (€)	Δ %
2000	6,723.57	7.5	596.8	4.8	11.26	2.5
2001	7,256.48	7.9	621.4	4.1	11.68	3.7

(*) Includes all prescription expenditure items: prescription drugs, formulas and therapeutic devices.
Source: Ministry of Health and Consumer Affairs (Summary of expenditure on medical prescriptions).

Finally, a breakdown of pharmaceutical expenditure by Self-Governing Region reveals significant differences between the various health services. The most significant are in those health services managed directly by the Insalud (the national health system), which account for around 36% of total outlay. Although spending in directly managed Regions remains somewhat lower than the national average in per capita terms, growth has been high in 2001, contrary to the trend in recent years, running at 8.5%. The smallest increase was in Catalonia, where spending rose by 2.3 points less than for the national health system as a whole.

Breakdown of Regional pharmaceutical expenditure (2001)

	Total Spending (%)	Per capita spending (€)	Δ % Change/2000
Andalusia	17.6	164.01	6.2
Canary Islands	4.0	151.58	7.6
Catalonia	16.6	184.24	4.9
Valencia Region	12.2	200.72	7.3
Galicia	7.5	184.06	8.8
Navarre	1.3	162.60	7.2
Basque Country	5.0	164.71	5.4
INSALUD directly managed Regions	35.9	153.36	8.5
Total	**100.0**	**167.58**	**7.2**

Source: Ministry of Health and Consumer Affairs (Summary of expenditure on medical prescriptions) and Spanish Statistical Institute (Population projections, review at August 2001).

2.5. Medicine prices

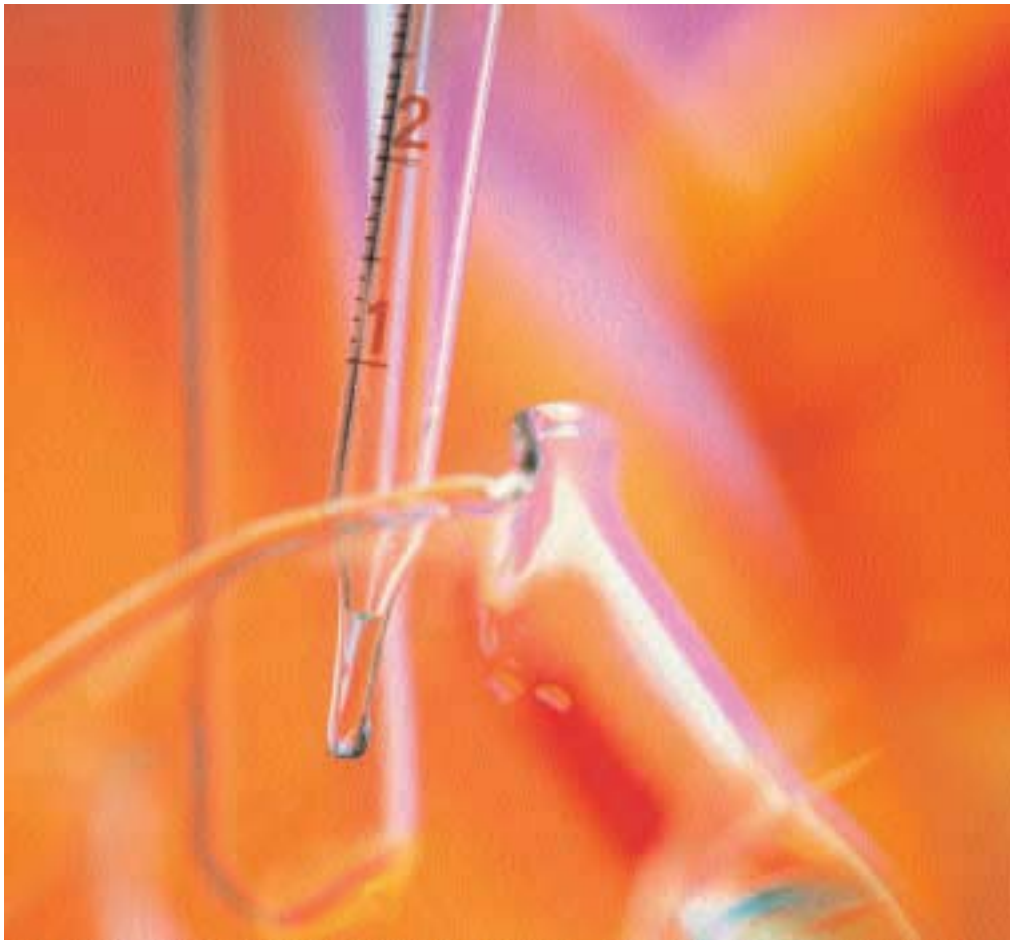
The average market price of medicines (laboratory sale price) in Spain was €5.9 in 2001.
This price continues to be one of the lowest in Europe, in terms of both cash and purchasing power parity.
Price controls in Spain are based on three main groups of products: innovative treatments, existing products and generics. In the case of innovative products launched more or less simultaneously throughout the EU, prices are authorised in line with those prevailing in countries at the lower end of the price scale (France and Italy). The prices of existing products on the market fall out of line fairly quickly due to the absence of authorised increases to take account of rising costs. Finally, fierce competition in the generics market has recently translated into sharp cuts in prices affecting all of the companies formulating the active agents of authorised generic medicines. The reference pricing system has put intense downward pressure on all products forming part of certain standard presentations due to the appearance of low-priced generics.
The emergence of generics, which appeared with some delay in Spain compared to the rest of Europe due to the late adoption of the product patent, and the completion of Economic and Monetary Union are two landmark events, which it is to be hoped will encourage the Government to reconsider the criteria under which it has set price controls until now.
In this context, concern over monopolistic practices should not serve as an excuse for wide price differentials in innovative medicines, which only encourage parallel trade. Even where such arbitrage is licit, it is a permanent symbol of the contradiction between the existence of a single European market and the power of national governments to control prices artificially, thereby inhibiting the free play of market forces in pricing decisions.
On the other hand, it is these same market forces that have led to the emergence of generics, which have brought price competition in their train as original product patents expire. This new situation provides both a response and a solution based on entrepreneurial freedom to the

restraint of pharmaceutical expenditure, one of the main objectives and justifications for price controls in Spain. Astonishingly, the prices requested for generic products by numerous companies are actually significantly lower than those that government would have set on the basis of traditional official criteria.

Finally, there is a convincing case for a reassessment of the situation of certain medicines registered in the past, which are sold at prices that are low and out of line with their proven efficacy and utility. These arguments are related to the efficiency of resource allocation, both from a corporate standpoint and for the national health system. The fact is that unrealistic prices prompt licence holders to undertake modifications in order to re-register the product at current prices. This diverts marketing resources towards new, more expensive medicines to the detriment of treatments already to be found on the pharmacy shelves.

In short, the absence of regular price reviews leads companies to shift resources away from innovative projects and technological improvements into strategies designed to raise the return on the existing product stable, while at the same time causing unjustifiable increases in pharmaceutical expenditure.

To verify the truth of these observations, it is sufficient simply to consider the following table, which reflects general reviews of authorised prices since 1984 and their impact compared to the consumer price index.



General price reviews for publicly financed medicines

Year	General medicines price review	Price review index Base Dec. 1984 = 100	General consumer price index Base dic. 1984=100
1984	4.30	100.0	100.0
1986	-3.00(1)	100.5	117.1
	3.65		
1988	3.00	103.6	129.6
1991	3.20	106.9	155.8
1993	-3.00(2)	103.7	172.2
1996	0.80(3)	104.5	197.4
1997	0.80(3)	-105.3	206.0
1999	-6.00(4)	-	206.0
	-3.00(5)	102.2	
2001		102.2	220.0
Δ 2001/84 (%)		**2.2**	**120.0**

(1) General 3% cut imposed on the introduction of VAT.

(2) This cut, which was a pharmaceutical industry contribution to restraining public expenditure, was applied by way of a voluntary reduction in actual laboratory sale prices without change in the maximum authorised prices.

(3) Estimated impact on the total market of the price review affecting medicines with a laboratory sale price exceeding Ptas. 300. The measure was implemented 50% in 1996 and 50% in 1997.

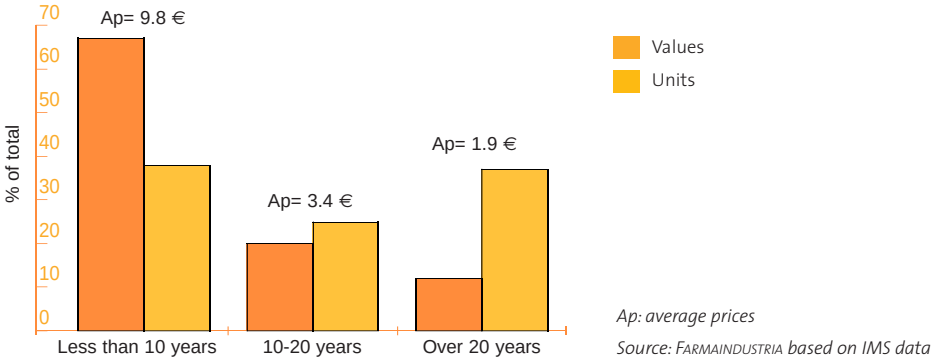
(4) Average price cut imposed by the Government and applied to maximum authorised prices, thereby annulling the voluntary reductions applied by the industry in 1993.

(5) Estimated net impact of the price cuts imposed in 1999

Source: Spanish Statistical Institute and FARMAINDUSTRIA

The structure of the market by date of registration leads to similar conclusions and commercial practices.

Structure of the market by registration date



Ap: average prices

Source: FARMAINDUSTRIA based on IMS data

The general consumer price index is not the most appropriate indicator of price evolution in a high innovation industry such as pharmaceutical. Nevertheless, it does confirm two things: the stagnation suffered by the prices of older products, many of which are included in the basket of goods considered in CPI calculation, and the absence any role of medicines in the general rise in the cost of living. Thus, general inflation in Spain was 2.7% while medicine prices increased by less than half this rate, specifically 1.2%. Group 5 (Medicines and Health), which includes pharmaceutical products rose overall by 2.7%, with health insurance and hospital care growing fastest (+5.3%).

Inflation and medicine prices (2001)

Group/heading	CPI (%)
General inflation	2.7
Medicine and health	2.7
• Medical services	3.3
• Health insurance	5.3
• Medicines	1.2

Source: INE

In view of the failings of the CPI as an appropriate measures of the behaviour of medicine prices, it is necessary to compare international market prices weighted by sales to obtain a clearer picture of the relative level and evolution of prices in Spain.

The latest available data continue to show that Spain has the lowest average prices in the European Union after France and at a very similar level to Italy. This conclusion holds even where differences in purchasing power parity between the various countries are considered, although this narrows differences slightly.

These price differentials have hardly changed over the last four years except compared to the United Kingdom and the Netherlands, where average prices have declined somewhat due to government action. As a result, the average price of Dutch medicines in 2000 has fallen back to its 1997 level, while in the United Kingdom prices have risen by an accumulated rate of just 2.1% per year. Even so, prices in these two countries are 52% and 18% higher than in Spain at purchasing power parity.

Average price of medicines in the main EU markets (average market price, laboratory sale price 2000)

	Price in €	Index (Spain=100)		
		€	$ PPP (2000)	$ PPA (1997)
Belgium	14.9	163	142	141
France	8.1	89	71	73
Germany	18.3	200	161	157
Italy	10.1	111	106	104
Netherlands	16.0	175	152	176
Spain	**9.1**	**100**	**100**	**100**
United Kingdom	14.6	160	118	136

PPP: Purchasing Power Parity.

Source: FARMAINDUSTRIA based on FARMINDUSTRIA (Indicatori Farmaceutici, various years) and OECD data (Main Economic Indicators).

2.6. Reference prices

The Health Ministry Order dated 27th December 2001 establishing new standard presentations for medicines also sets new reference prices and reviews those approved in the Order dated 13th July 2000.

A total of 28 new groups of standard preparations have been approved, affecting 18 active agents and 113 presentations. Also, the reference prices for 112 of the 114 groups established by the Order of 13th July 2000 have been reviewed. The two standard preparation groups (numbers 54 and 55) that were not reviewed in this new Ministerial Order comprise two formats of cimetidine. They are absent from the list because the only generic medicine using these presentations has been withdrawn from the market. The new prices will be applicable to Social Security sales as from 1st May 2002.

Overall, the impact of the new Ministerial Order has been put at some €156 million at retail prices (incl. VAT), in addition to around €38 million resulting from the 15% price cuts affecting five active agents (atenolol, ciprofoxacine, enalpril, famotidine and omeprazol) in mid-2001.

Impact of reference prices (annual estimate at RRP+VAT in € Million)

Review of prices for standard presentations (Order of 13/07/2000)	90
Selective 15% price cut (5 active agents)	38
New standard preparations	66
Total	**194**

Estimated at laboratory sale prices, the expected impact of these measures in 2002 is around €104 million, absorbing practically all of the €105 million limit on annual impacts provided for under the Pact agreed with the Ministry of Health and Consumer Affairs on 31st October 2001.

Active agents, standard preparations and reference prices following the application of the Ministerial Order dated 27th December 2001

Group codee	Standard preparation	Reference RRP+VAT (€)
ACETYLCYSTEINE		
1	100MG 30 sachets	2.39
2	200MG 30 sachets	2.93
3	600MG 20 tablets	5.19
ACYCLOVIR		
4	200MG 25 tablets	27.35
5	200MG 25 soluble tablets	33.22
6	800MG 35 tablets	115.06
7	800MG 35 soluble tablets	126.43
8	5% 2GR cream	2.51
9	5% 15GR cream	16.59
ALLOPURINOL		
10	100MG 25 tablets	1.84
11	100MG 100 tablets	3.43
12	300MG 30 tablets	3.88
ALPRAZOLAM		
13	0.25MG 30 tablets	2.40
14	0.501MG 30 tablets	3.11
15	1MG 30 tablets	5.40
16	2MG 30 tablets	10.61
17	2MG 50 tablets	17.55
AMBROXOL		
18	15MG syrup	3.00
AMOXICILLIN		
19	250MG 120ML	3.73
20	500 MG 12 capsules	2.46
21	500 MG 24 capsules	3.99
22	500MG 16 sachets	3.26
23	750MG 12 tablets	3.61
24	1G 12 tablets	4.51
25	1G 12 sachets	4.64
115	250MG 16 sachets	2.84
116	500MG 24 sachets	4.62
142	750MG 24 tablets	7.73
AMOX + CLAVULANICACIO		
118	500/125 12 tablets	6.17
119	125/31.25 60ML suspension	2.19
120	125/31.25 120ML suspension	3.78
ATENOLOL		
26	50MG 30 tablets	3.52
27	50MG 60 tablets	6.54
28	100MG 30 tablets	5.08
29	100MG 60 tablets	9.66
CAPTOPRIL		
30	12.5MG 20 tablets	4.94
31	25MG 60 tablets	11.53
32	50MG 30 tablets	11.10
33	100MG 15 tablets	13.24
CAPTOPRIL+ HIDROCHLOROTHIAZIDE		
128	50/25 30 tablets	15.31
CARBOPLATIN		
34	50 vial	33.22
35	150 vial	108.62
36	450 vial	249.75
CEFACLOR		
37	125MG suspension	5.70
38	250MG suspension	8.96
CEFONICIDE		
39	500MG IM vial	4.21
40	500MG IV vial	4.21
41	1000MG IM vial	8.54
42	1000MG IV vial	8.72
CEFOTAXIME		
43	250MG injection	2.79
44	500MG injection	3.67
45	1000MG injection 1M	6.29
46	1000MG injection I.V	7.07
CEFTRIAXONE		
47	250MG IM vial	4.15
48	250MG IV vial	4.15
49	500MG IM vial	7.91
50	500MG IV vial	7.11
51	1G IM vial	15.24
52	1G IV vial	13.34
CEFUROXIME		
53	750MG vial	3.86
117	250MG 2ML vial	1.94
CIPROFLOXACIN		
56	250MG 10 tablets	8.90
57	250MG 20 tablets	17.58
58	500MG 10 tablets	16.72
59	500MG 20 tablets	33.44
60	750MG 10 tablets	25.97
CLINDAMYCIN		
121	600MG 1 vial 4ML	3.89
CLOTRIMAZOLE		
61	1% 30G cream	2.48
62	1% 30ML powder	2.56
63	1% 30ML solution	2.60
64	2% 20G vaginal cream	2.60
65	500 1 vaginal tablet	3.09
66	100MG 6 vaginal tablets	2.86

CLOXACILINE		
122	500MG vial	1.59
DICLOFENAC		
67	50MG 40 tablets	3.55
68	100mg 12 suppositories	2.85
69	100MG 20 tablets	5.24
123	75MG 6 ampules	2.06
DILTIAZEM		
70	60MG 30 tablets	8.24
71	60MG 60 tablets	16.33
DOXAZOSIN		
124	2MG 28 tablets	13.17
125	4MG 28 tablets	16.88
DOXORUBICIN		
72	10MG vial	10.54
73	50MG vial	44.56
ENALAPRIL		
74	5MG 10 tablets	1.94
75	5MG 60 tablets	8.64
76	20MG 28 tablets	13.76
FAMOTIDINE		
77	20MG 20 tablets	11.76
78	40MG 10 tablets	11.50
FLUOXETINE		
79	20MG 14 tablets	11.11
80	20MG 70ML solution	11.03
81	20MG 140 solution	20.29
82	20MG 28 tablets	21.93
126	20MG 14 soluble tablets	11.79
127	20MG 28 soluble tablets	23.25
FLUTAMIDE		
83	250MG 50 tablets	56.51
84	250MG 84 tablets	91.47
FUROSEMIDE		
85	20MG ampules	2.72
GEMFIBROZIL		
86	600MG 60 tablets	17.60
87	900MG 30 tablets	14.17
IBUPROFEN		
129	600MG 40 tablets	5.07
INDAPAMIDE		
88	2.5MG 30 tablets	3.61
LISINOPRIL		
130	5MG 60 tablets	8.87
131	20MG 28 tablets	15.86
LOVASTATIN		
132	20MG 28 tablets	16.00
133	40MG 28 tablets	32.98
METHOTREXATE		
89	50MG vial	4.75
METRONIDAZOLE		
90	250MG 20 tablets	2.05
NAPROXEN		
91	500MG 40 tablets	6.90
NIFEDIPINE RETARD		
92	20MG 40 tablets	5.08
93	20MG 60 tablets	9.55
NIMODIPINE		
94	30MG 30 tablets	9.72
95	30MG 100 tablets	30.46
NITRENDIPINE		
96	20MG 30 tablets	17.12
NORFLOXACIN		
97	400MG 14 tablets	9.05
OMEPRAZOLE		
98	20MG 14 tablets	15.44
134	20MG 28 tablets	23.64
PENTOXIFYLLINE		
135	400MG 60 tablets	11.62
PIROXICAM		
99	20MG 20 soluble tablets	5.35
136	20MG 20 tablets	4.84
RANITIDINE		
100	150MG 28 tablets	10.94
101	300MG 14 tablets	11.45
102	300MG 28 tablets	19.82
103	50MG 5 ampules	2.09
SELEGILINE		
137	5MG 20 tablets	10.27
138	5MG 50 tablets	25.30
TAMOXIFEN		
104	10MG 30 tablets	6.20
105	10MG 100 tablets	20.56
106	20MG 30 tablets	11.75
107	20MG 60 tablets	22.92
TIMOLOL		
108	0.25% drops	2.47
109	0.5% drops	2.77
TRAMADOL		
110	50 MG 20 capsules	5.58
111	50 MG 60 capsules	13.74
139	100MG 5 ampules	5.79
140	100MG 30ML drops	16.74
141	100MG 10ML drops	6.55
VANCOMYCIN		
112	500MG vial	8.77
113	1000MG vial	17.38
VINCRISTINE		
114	vial 1ML	8.66

NEW LEGISLATION

New legislation approved during 2001 and up to the date of this Annual Report have been as follows:

ANTIDOPING

SPORTS COUNCIL RESOLUTION OF 24TH MAY 2001, approving the list of banned substances and pharmacological groups, as well as illicit doping methods.

SPORTS COUNCIL RESOLUTION OF 2ND October 2001 amending the Resolution of 24th May 2001 by which the list of banned substances and pharmacological groups and illicit doping methods was approved.

BIO-EQUIVALENT MEDICINAL PRODUCTS

SPANISH MEDICINAL PRODUCTS AGENCY CIRCULAR 1 OF 12TH JANUARY 2001. Instructions relating to the definition of products as bio-equivalents in accordance with the provisions of Royal Decree 1035/1999.

INSTRUCTION 1 OF CIRCULAR 1/2001 ISSUED JOINTLY BY THE DIRECTORATE GENERAL OF PHARMACYAND HEALTH PRODUCTS AND THE SPANISH MEDICINAL PRODUCTS AGENCY in connection with the procedure to establish the classification of medicines as bio-equivalent. List of medicines qualifying for inclusion in a new standard preparation.

CARLOS III HEALTH INSTITUTE

ROYAL DECREE 375 OF 6TH APRIL 2001 approving the Statutes of the Carlos III Health Institute.

CHEMICAL WEAPONS

ROYAL DECREE 1315 OF 30TH NOVEMBER 2001 concerning import licences for chemical substances referred to in Lists 1 and 2 of the annex to the Convention date 13th January 193 prohibiting the development, production, storage or use of chemical weapons and the destruction of stockpiles.

EUROPEAN PHARMACOPOEIA

SPANISH MEDICINAL PRODUCTS AGENCY CIRCULARS 2 OF 15TH JANUARY 2001 AND 16 OF 30TH OCTOBER 2001 concerning urgent procedures to bring monographs and texts from the European Pharmacopoeia into effect.

SPANISH MEDICINAL PRODUCTS AGENCY CIRCULAR 14 OF 29TH OCTOBER 2001 concerning deletion of monographs and texts from the European Pharmacopoeia.

FINES

RESOLUTION OF THE UNDERSECRETARY OF STATE FOR HEALTH AND CONSUMER AFFAIRS DATED 19TH NOVEMBER 2001 by which the amounts of certain fines are converted to euros.

FIVE-YEARLY AUTHORISATION RENEWAL

SPANISH MEDICINAL PRODUCTS AGENCY CIRCULAR 6 OF 29TH MAY 2001 concerning the renewal of marketing authorisation for medicines.

ILLEGAL DRUGS

ROYAL DECREE 559 OF 25TH MAY 2001 amending annex I to the Chemical Substances Used in the Illegal Manufacture of Drugs Control Act, 1996 (Law 3 of 10th January 1996) in order to include the substance know as "norefedrine" as a class 1 listed substance.

MINISTERIAL ORDER OF 12TH JULY 2001 amending the standard forms contained in annexes III, V, VII and VIII of the Chemical Substances Used in the Illegal Manufacture of Drugs Control Act, 1996, approved by Royal Decree 865 of 6th June 1997.

LOTS

SPANISH MEDICINAL PRODUCTS AGENCY CIRCULAR 9 OF 18TH JUNE 2001 concerning the format of lot numbers in industrially manufactured medicines for human use.

NARCOTICS AND PSYCHOTROPIC SUBSTANCES

SPANISH MEDICINAL PRODUCTS AGENCY CIRCULAR 17 OF 29TH OCTOBER concerning the minimum pharmacy stocks of medicines containing narcotics.

OTC PRODUCTS

DIRECTORATE GENERAL OF PHARMACYAND HEALTH PRODUCTS COMMUNICATION OF 25TH JANUARY 2001 concerning non-reimbursement.

PATENTS AND BRANDS

LAW 17 OF 7TH DECEMBER 2001, Brands Act, 2001.

PHARMACY PREPARATIONS AND FORMULAS

ROYAL DECREE 175 DATED 23RD FEBRUARY 2001 approving regulations for preparation and quality control of formulas and pharmacy mixtures.

PRICES

ROYAL DECREE 286 OF 16TH MARCH governing dual price markings in pesetas and euros for medicines.

DIRECTORATE GENERAL OF PHARMACY AND HEALTH PRODUCTS. Instructions for the application of Royal Decree 286 of 16th March governing the dual price marking in pesetas and euros on medicines and therapeutic devices.

REFERENCE PRICES

RESOLUTION OF THE UNDERSECRETARY OF STATE FOR HEALTH AND CONSUMER AFFARIS DATED 3RD OCTOBER 2001 converting the cash values of retail pharmacy and pharmaceutical warehouse margins into euros and establishing reference prices applicable to standard groups of medicine presentations.

ORDER OF 27TH DECEMBER 2001 establishing new standard presentations for medicines, setting the reference prices and reviewing reference prices approved in the Order dated 13th July 2000.

RESIDUAL SOLVENTS

SPANISH MEDICINAL PRODUCTS AGENCY CIRCULAR 5 OF 28TH MARCH 2001 concerning residual solvents in authorised medicines.

SELF-GOVERNING REGIONS

ANDALUSIA HEALTH DEPARTMENT DECREE 104 OF 30TH APRIL 2001 regulating minimum stocks of medicines and medicinal products at pharmacies and pharmaceutical distribution warehouses.

ROYAL DECREE 510 OF 11TH MAY 2001 governing the devolution of State powers and agencies concerned with the implementation of pharmaceutical products legislation to the Self-Governing Region of Murcia.

BASQUE HEALTH DEPARTMENT ORDER OF 20TH JULY 2001 concerning transmissible spongiform encephalitis in humans within the scope of the Basque Region epidemiology service.

MADRID REGION ENVIRONMENTAL DEPARTMENT DECREE 148 OF 6TH SEPTEMBER 2001 concerning authorisation for the elimination of waste products brought from other parts of Spain in the Self-Governing Region of Madrid.

MADRID REGION HEALTH DEPARTMENT DECREE OF 27TH SEPTEMBER 2001 adopting certain supplementary health measures related with the prevention and control of transmissible spongiform encephalitis.

LAW 7 OF 19TH DECEMBER 2001, Pharmaceutical Provision in Cantabria Act

MADRID REGIONAL LAW 12 OF 21ST DECEMBER 2001 governing health provision in the Self-Governing Region of Madrid.

ROYAL DECREE 1471 OF 27TH DECEMBER 2001 devolving the powers and agencies of the Instituto Nacional de Salud (Spanish national health service) to the Self-Governing Region of Asturias.

ROYAL DECREE 1472 OF 27TH DECEMBER 2001 devolving the powers and agencies of the Instituto Nacional de Salud (Spanish national health service) to the Self-Governing Region of Cantabria.

ROYAL DECREE 1473 OF 27TH DECEMBER 2001 devolving the powers and agencies of the Instituto Nacional de Salud (Spanish national health service) to the Self-Governing Region of La Rioja.

ROYAL DECREE 1474 OF 27TH DECEMBER 2001 devolving the powers and agencies of the Instituto Nacional de Salud (Spanish national health service) to the Self-Governing Region of Murcia.

ROYAL DECREE 1475 OF 27TH DECEMBER 2001 devolving the powers and agencies of the Instituto Nacional de Salud (Spanish national health service) to the Self-Governing Region of Aragon.

ROYAL DECREE 1476 OF 27TH DECEMBER 2001 devolving the powers and agencies of the Instituto Nacional de Salud (Spanish national health service) to the Self-Governing Region of Castile-La Mancha.

ROYAL DECREE 1477 OF 27TH DECEMBER 2001 devolving the powers and agencies of the Instituto Nacional de Salud (Spanish national health service) to the Self-Governing Region of Extremadura.

ROYAL DECREE 1478 OF 27TH DECEMBER 2001 devolving the powers and agencies of the Instituto Nacional de Salud (Spanish national health service) to the Self-Governing Region of the Balearic Islands.

ROYAL DECREE 1479 OF 27TH DECEMBER 2001 devolving the powers and agencies of the Instituto Nacional de Salud (Spanish national health service) to the Self-Governing Region of Madrid.

ROYAL DECREE 1480 OF 27TH DECEMBER 2001 devolving the powers and agencies of the Instituto Nacional de Salud (Spanish national health service) to the Self-Governing Region of Castile and León.

SPANISH PHARMACOPOEIA

SPANISH MEDICINAL PRODUCTS AGENCY CIRCULAR 3 OF 15TH JANUARY concerning the Project for the Royal Pharmacopoeia Guide.

ROYAL DECREE 249 OF 9TH MARCH amending Royal Decree 294 of 24th February 1995, which governs the Royal Spanish Pharmacopoeia, the National Technical Document and the consultative bodies of the Ministry of Health and Consumer Affairs in these matters.

SPANISH MEDICINAL PRODUCTS AGENCY CIRCULAR 8 OF 28TH MARCH 2001. Project for a Royal Pharmacopoeia Guide concerning "In vitro eyrthrocite marking using 99 mTc".

ORDER OF 17TH APRIL 2001 approving additions and updates to the Spanish Royal Pharmacopoeia.

STANDARD TECHNICAL DOCUMENTS

SPANISH MEDICINAL PRODUCTS AGENCY CIRCULAR 10 OF 11TH OCTOBER 2001 concerning the information requirements in technical documents for medicines containing unfractionated heparin and low molecular weight heparin with regard to the risk of formation of spinal and epidural haematomas.

TARIFFS AND LEVIES

DIRECTORATE GENERAL OF TAXATION RESOLUTION 11 DATED 31ST OCTOBER 2001 by which amounts in respect of tariffs and public prices payable to the Ministry of Health and Consumer Affairs and related agencies and entities are converted to euros.

SPANISH MEDICINAL PRODUCTS AGENCY INSTRUCTION 01/2001 concerning certain matters related with the administration of tariffs.

TRANSMISSIBLE SPONGIFORM ENCEPHALITIS

SPANISH MEDICINAL PRODUCTS AGENCY NOTE OF 12TH JANUARY 2001. Clarification of compliance with Spanish Medicinal Products Agency Circular 15/2000 concerning the minimisation of the risk of transmission of animal spongiform encephalitis agents through medicines.

ORDER OF 21ST FEBRUARY 2001 governing the Spanish National Epidemiology Alert Network in connection with human transmissible spongiform encephalitis.

ROYAL DECREE 221 OF 2ND MARCH 2001 amending Royal Decree 1911 of 24th November 2000, which regulates the destruction of specified risk materials related with transmissible spongiform encephalitis.

ORDER OF 26TH JULY 2001 amending certain annexes to Royal Decree 3454 of 22nd December 2000, by which the Integrated Coordination Programme for animal transmissible spongiform encephalitis was established and regulated.

VACCINATIONS

SPANISH MEDICINAL PRODUCTS AGENCY CIRCULAR 7 OF 12TH MARCH 2001 concerning the polysaccharide vaccination against 23 streptococcus pneumoniae sero-types.