

Market Evolution

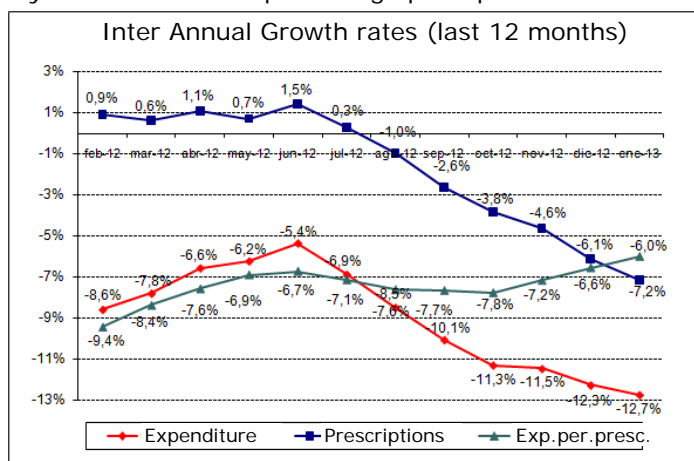
Public Pharmaceutical Expenditure (pharmacies)

	January 2013	January 2012	% var. 2013/12
Exp. (€ Mill.) *	787,2	905,1	-13,03%
Prescrip. (Millions)	74,0	84,0	-11,98%
Av. Exp. per. prescription (€) *	10,64	10,77	-1,19%

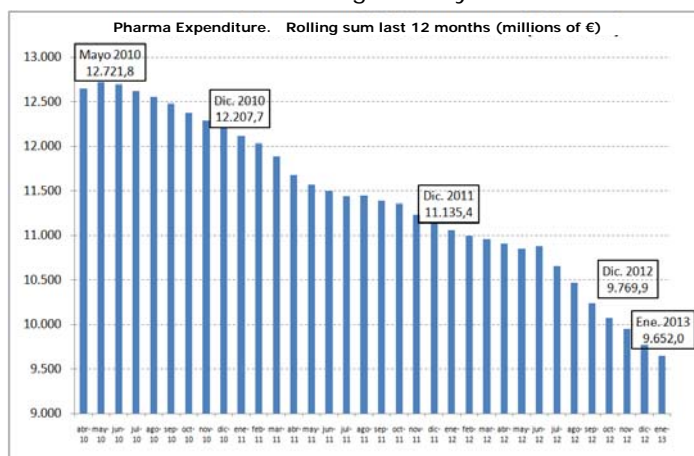
* Retail price (VAT included)

Data from the Ministry of Health, Social Services and Equality shows that in January 2013, public pharmaceutical expenditure experienced a drop of -13%, compared to the same month the previous year. This variation is a consequence of a fall in the number of prescriptions (-12.0%), and of a fall in the average cost of prescriptions (-1.2%).

Where annual expenditure evolution is concerned (as seen in the chart below) a drop of -12.7% was registered in January 2013 and the pharmaceutical expenditure's variation rate continues to drop significantly, although a brief respite in November was registered. It is probable that during the first half of 2013 this variable will continue to register drops in this series which will reduce the variation rate at an average rhythm of above one percentage point per month.



As seen in the following chart, pharmaceutical expenditure carries on registering consecutive monthly minimums since its record high in May 2010.

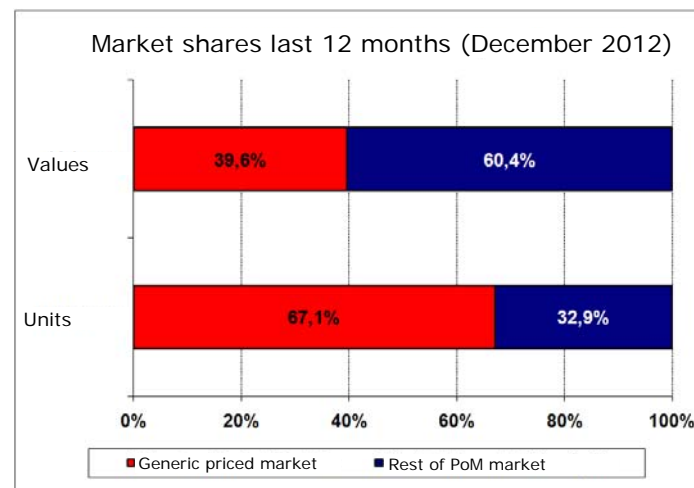


In January 2013, the annualised expenditure was lower than the registered historical high by 3,070 M€ (a -24%), and since July 2012, (when the new copayment scheme came into force), the accumulated monthly

savings on public medicines expenditure reached 1,228 M€.

The magnitude of this data gives us an idea of the tight adjustments the pharmaceutical sector has taken on for the sake of sustaining the public healthcare system.

Finally, data from the IMS covering the 12-month period ending December 2012 shows that the whole of the medicines market with generic prices reached 67.1% of the total prescription market, in units, in Spain, and 39.6% of said market value.



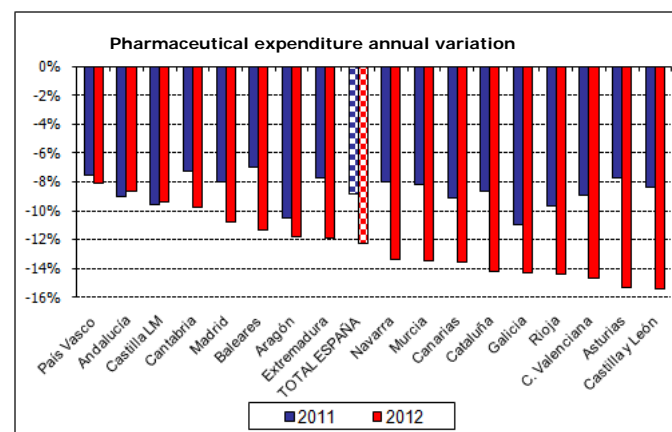
Source: Farmaindustria estimation from IMS.

Note: Total market net from RDL 8-2010 and 9-2010 RDLs

The pharmaceutical market in the Regions in 2012

A registered fall of -12.3% in 2012 makes it the third consecutive year in which public pharmaceutical expenditure has dropped in pharmacies in Spain. This contraction in the public pharmaceutical market is added to the falls registered in the previous years (-2.4% in 2010 and -8.8% in 2011).

Focusing on the last 2-year analysis, we can appreciate that despite pharma expenditure falls being generalized in all the regions, the magnitude varies considerably between the regions, as seen in the following chart.



In turn, the dispersion of the variation rate in the Regions in 2012 is greater than in 2011.

While the maximum variation was 4.1 percentage points in 2011 (between -6.9% in the Balearic Islands and -11% in Galicia) said range increased noticeably in 2012, exceeding 7.3 percentage points which represents

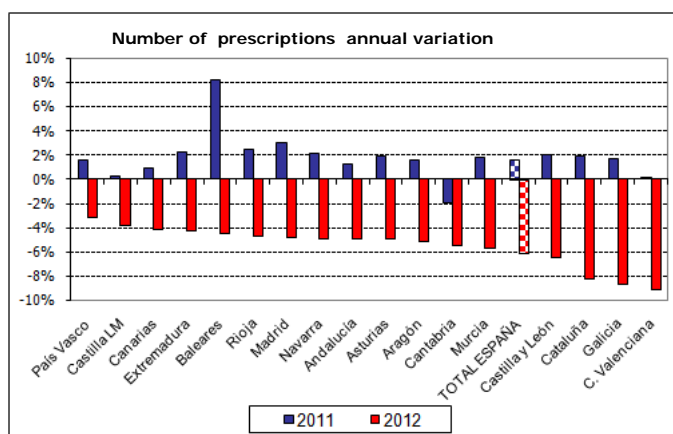
the difference between the -8.1% drop in the Basque Country and the -15.4% in the Castile y Leon Region.

With the exceptions of Andalusia and Castile-La Mancha, all the other autonomous regions registered bigger falls in their pharmaceutical expenditure in 2012 to 2011.

If we analyse the biennium 2011-2012, we can observe that the drop in public pharmaceutical expenditure ranges between -23.7% in Galicia and -15.1% in the Basque Country, resulting an average drop of -20.0% for the whole of the NHS.

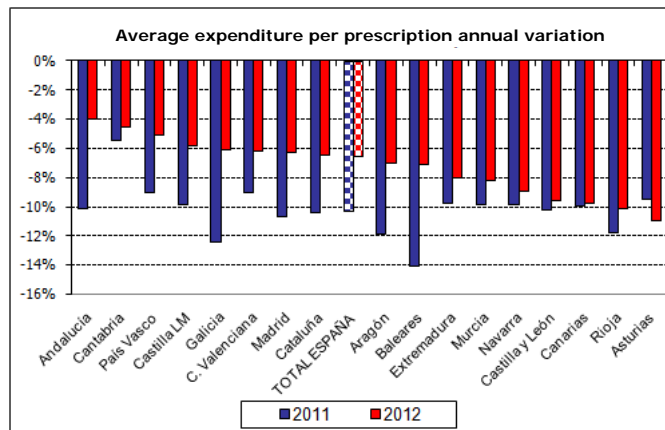
When studying the evolution of the two main components in pharmaceutical expenditure (the number of prescriptions and the average cost) we can also observe certain differences between the Regions.

Where the variation rate in the number of prescriptions is concerned, in 2011, only Cantabria managed to reduce the prescription demand. In 2012, all the 17 Regions had done so with falls from -3.2% in the Basque Country up to -9.1% in the Valencia Region. The main reason for this important drop in demand of prescriptions in Spain is due to the RDL 16/2012, and in particular, the measures made on copayment and the de-listing of certain medicines.



With regard to performance between the regions in 2011 and 2012, Catalonia, Galicia and the Balearic Islands are the ones that stand out; their variation rates in the number of dispensed prescriptions were lower by more than 10 percentage points compared to those registered in 2011.

With regard to the average expenditure per prescription, 2012 was the third consecutive year in which the variable registered a generalized fall in all 17 regions; although it has to be said that this fall (except for Asturias) has been less intense than in the previous year.



In the biennium 2011-2012, two autonomous regions (Balearic Islands and the Rioja) managed to reduce their average expenditure per prescription by more than -20%.

These figures show that the negative performance of public pharmaceutical expenditure and its components for the whole of Spain, have been reproduced in a generalised manner in all the regions in 2012.

In fact, in 2012 an unprecedented phenomenon occurred since records were kept on series, i.e. both the number of prescriptions and the average expenditure have suffered decreases in each of the 17 regions.

The national pharmaceutical market will experience further downturn in the coming years.

2012 has been the third consecutive year in which falls in public pharmaceutical expenditure in NHS prescriptions were registered. In particular, public expenditure was -22% lower in 2012 than that registered at the end of 2009.

Even though the pharma industry has suffered drastic falls in expenditure -along with knock on effects- there are some key consulting Co's who anticipate (in their most recent studies) a continual downturn for the next few years. For example, in the IMS report "The Spanish Pharmaceutical Market",¹ they anticipate a continual decline in the total pharmaceutical market (pharmacies+ hospitals), until at least 2016.

In addition, PwC estimates pharmaceutical sales in the Spanish market to be a -31% lower in 2020 compared to 2011. (Report *From Vision to Decision: Pharma 2020*,²) in which they make reference to a study by Business Monitor International.

Our attention is drawn to the possibility that this fall could be even more pronounced than those of the bailed out countries like Greece, Portugal or Ireland, whose public expenditure is under permanent inspection by the troika.

Similarly, the anticipated fall in the Spanish market in 2020 is the most pronounced of all the 32 pharmaceutical markets that were analysed in this report (which includes the main world economies) and

¹ Informe disponible en: http://www.actasanitaria.com/fileset/file_Mercado_Farmaceutico_18499.pdf
² Disponible en: http://download.pwc.com/ie/pubs/2012_pharma_2020.pdf

this doesn't help promote investments for the international pharmaceutical industry in Spain.

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