Monthly Bulletin

THE PHARMACEUTICAL MARKET IN SPAIN

december 2013

farmaindustria

Market Evolution

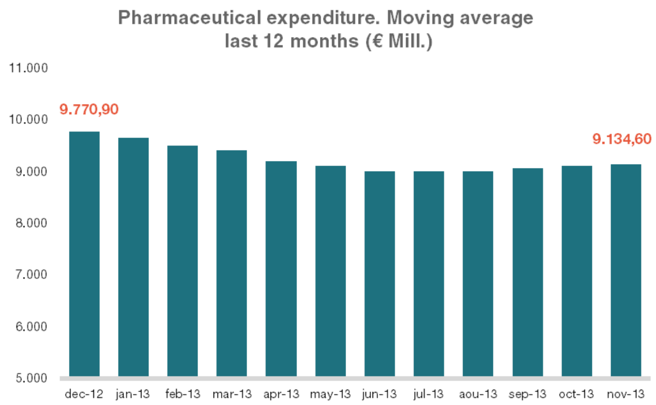
Public Pharmaceutical Expenditure (pharmacies)

	Dic. 2012- Nov. 2013	Dic. 2011- Nov. 2012	% var. 2013/12
Exp. (€ Mill.) *	9.134,6	9.945,7	-8,16%
Prescrip. (Millions)	855,2	929,0	-7,94%
Av. Exp. per. prescription (€) *	10,68	10,71	-0,23%

*Retail price (VAT included).

Data from the Ministry of Health, Social Services and Equality shows that in November 2013, public pharmaceutical expenditure at pharmacies experienced a drop of -8.2%, compared to the same month the previous year. This variation in expenditure is a consequence of a fall in the number of prescriptions (-7.9%) and a drop in the average price of each prescription by -0.2%.

The accumulated expenditure in the 12-month period to November 2013 is 636 M€ lower than the year-end figure of 2012. (Please see the below chart.)

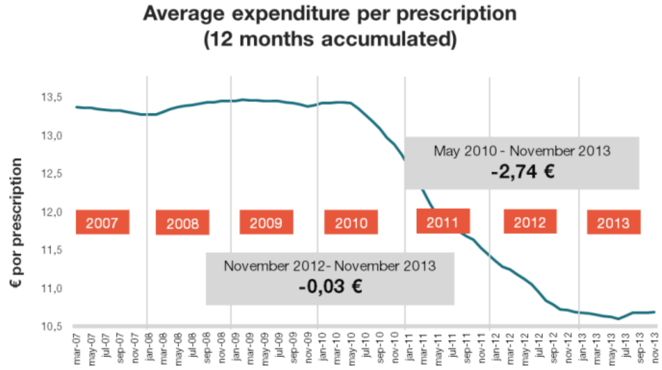


Although the prescription market has experienced a slight increase in the annual rate over the last few months, it is not as significant as it first appears if you take into account certain statistical factors such as peaks and rebound effects, seasonal influences (like the number of days in each month) or sporadic deviations in some autonomous regions and considerably reduced growth rates.

In this sense, we do not consider that the prescription demand is going to have a growth trend of more than a few months at the beginning of 2014, given that the copayment system and the drop in population in Spain will put the brakes on prescription demand in the medium term, which will compensate either partially or totally the greater demand of prescriptions by the aging population.

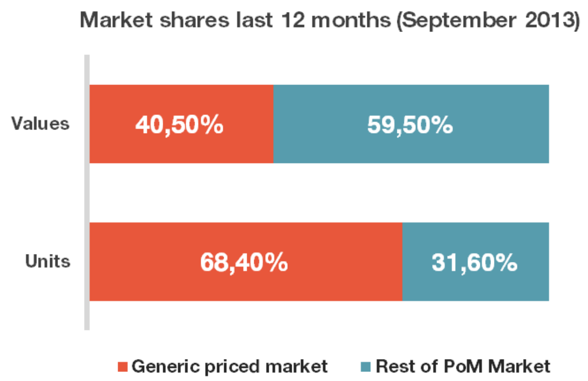
What draws our attention more is the recent evolution of average expenditure per prescription which seems to have come to a standstill phase.

As shown in the following chart, the average cost per NHS prescription has gone from €13.50 (2007 to mid 2010), to a standstill of €10.70 in 2013, after a substantial downturn (more than -20%) which happened between mid 2010 and the end of 2012



And it doesn't look like this situation is going to change in the coming months, or at least until the next new Reference Price regulation.

Finally, data from the IMS covering the 12-month period ending September 2013 shows that the whole of the medicines market with generic prices reached 68.4% of the total prescription market, in units, in Spain, and 40.5% of said market value.



Source: Farmaindustria estimation from IMS
Note: Total market net from RDL 8-2010 and 9-2010 RDLs rebates

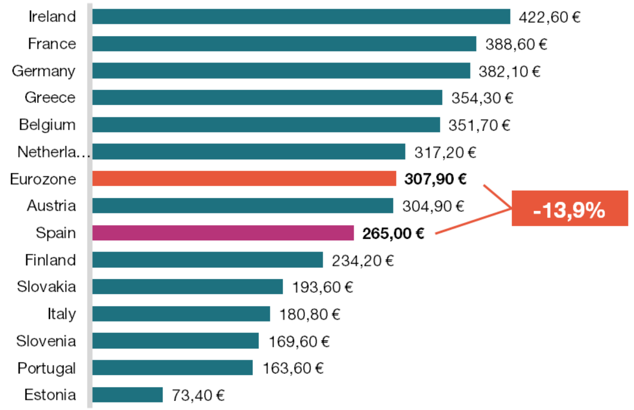
When Spanish public pharmaceutical expenditure is moving away from the average in the Euro zone.

The OECD is the main source of information on healthcare and pharmaceutical expenditure when analyzing international comparatives. They publish homogenous statistics between countries with identical criterion where inclusion and exclusion of expenditure concepts are concerned in those countries.

Unfortunately the OECD publishes its healthcare and pharmaceutical expenditure findings 18 months to two- years later; this is due to variation in dates of publications facilitated by each country. Therefore, with this in mind, the only available international data on public pharmaceutical expenditure corresponds to 2011 and we will have to wait until mid 2014 to access data for 2012.

If we look at the public pharmaceutical expenditure data in this following chart for those countries in the Euro zone collected and published by the OECD for 2011, we can see that

Pharmaceutical expenditure per inhabitant in the Eurozone



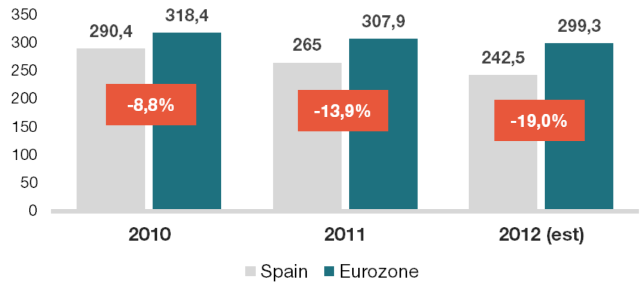
Fuente: Farmaindustria + OECD Stat Extracts

Public Pharma expenditure per capita in Spain was -13.9% lower than the average country in the Euro zone (€265 vs. €307.90 per capita, respectively).

In turn, in 2011, the situation in Spain had got worse compared to the previous year. In 2010, the negative differential in public pharma expenditure per capita in Spain compared to the Euro Zone was -8.8% (€290.40 vs. €318.40) per capita, respectively.

To have some indication of how Spain has evolved in 2012 compared to the average of those countries in the Euro zone, it is necessary to carry out a simulation based on published data. With this in mind, applying Spanish 2012 variation rates, and those rates of the main Euro zone markets to the OECD 2011 real values, according to the IMS, we could have seen the difference in public pharma expenditure per capita between Spain and the Euro zone increase by -19% in 2012, (242.5€ vs. 299.3€ per capita, respectively) as shown in the chart here below.

Public pharmaceutical expenditure per capita (€)



Source:2010 and 2011, Farmaindustria + OECD Health Data.
2012 Estimations, Farmaindustria from OECD real 2011 data, and annual Variation 2012 rates for Spain and the Eurozone, according to IMS MIDAS

It is very probable that the relative situation in Spain gets worse in 2013 due to a significant fall in public Pharma expenditure, expected to affect Spain at the end of the year and which would be higher than that in all the Euro zone countries put together.

The significant fall (30%) Spanish pharma expenditure has suffered since 2010 has brought about a noticeable worsening in the Spanish ranking with regard to expenditure per capita and other countries in the Euro zone, and, as it stands today, Spain could have a public pharma expenditure per capita of more than -20% compared to the average in the Eurozone.

50% of the Spanish pharmaceutical market is made up of medicines with retail prices of less than € 3.50.

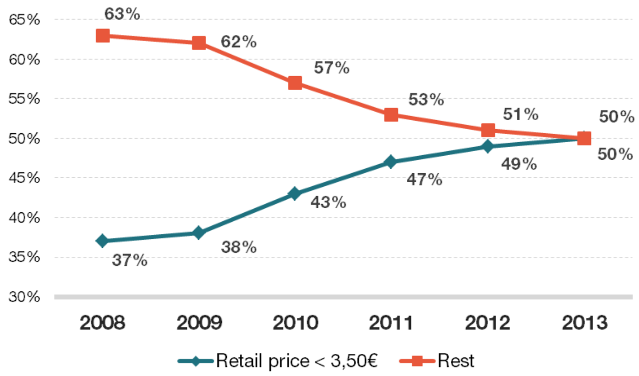
As mentioned in previous issues, and in part, reflected in the first article of this bulletin, the average price of prescription medicines in Spain has suffered a heavy fall over the last few years.

In terms of average public expenditure per prescription financed by the state, it has gone from a maximum of €13.45 in 2008 to €10.68, and it will probably remain the same at the end of 2013.

On the other hand, if we analyze the IMS survey on the average unit price stemming from the total financed market through pharmacy outlets, the average retail price in Spain dropped from €14.10 per prescription in 2008 to €12 in 2013.

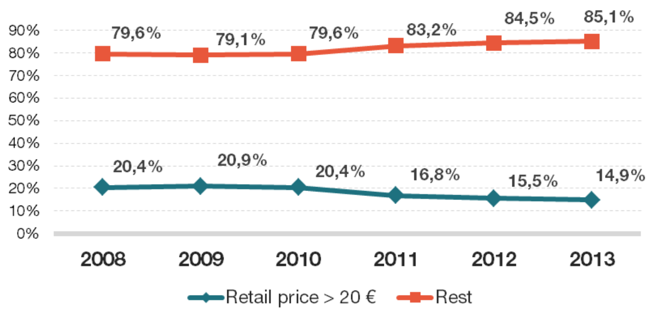
In turn, those cheaper medicines (less than €3.50 at retail price) make up 50% of the whole of the reimbursed pharmaceutical market in Spain and, furthermore, their market share has increased significantly over the last few years going from 37% in 2008 to 50% in 2013.

Market share of reimbursed medicines (in units)



On the other hand, financed medicines with a retail price of over €20 have gone from holding a market share of 20% to less than 15% in the last 5-years.

Market share of reimbursed medicines (in units)



Fuente: Farmaindustria + IMS

The market evolution of reimbursed medicines in Spain in terms of price is explained for the following main reasons:

i) it shows the great efficacy the RPS has as an instrument of economic regulation over the Spanish pharmaceutical market, and ii) to reflect the very slow pace innovatives are incorporated into the pharmaceutical market over the last 5-years at pharmacies.

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