



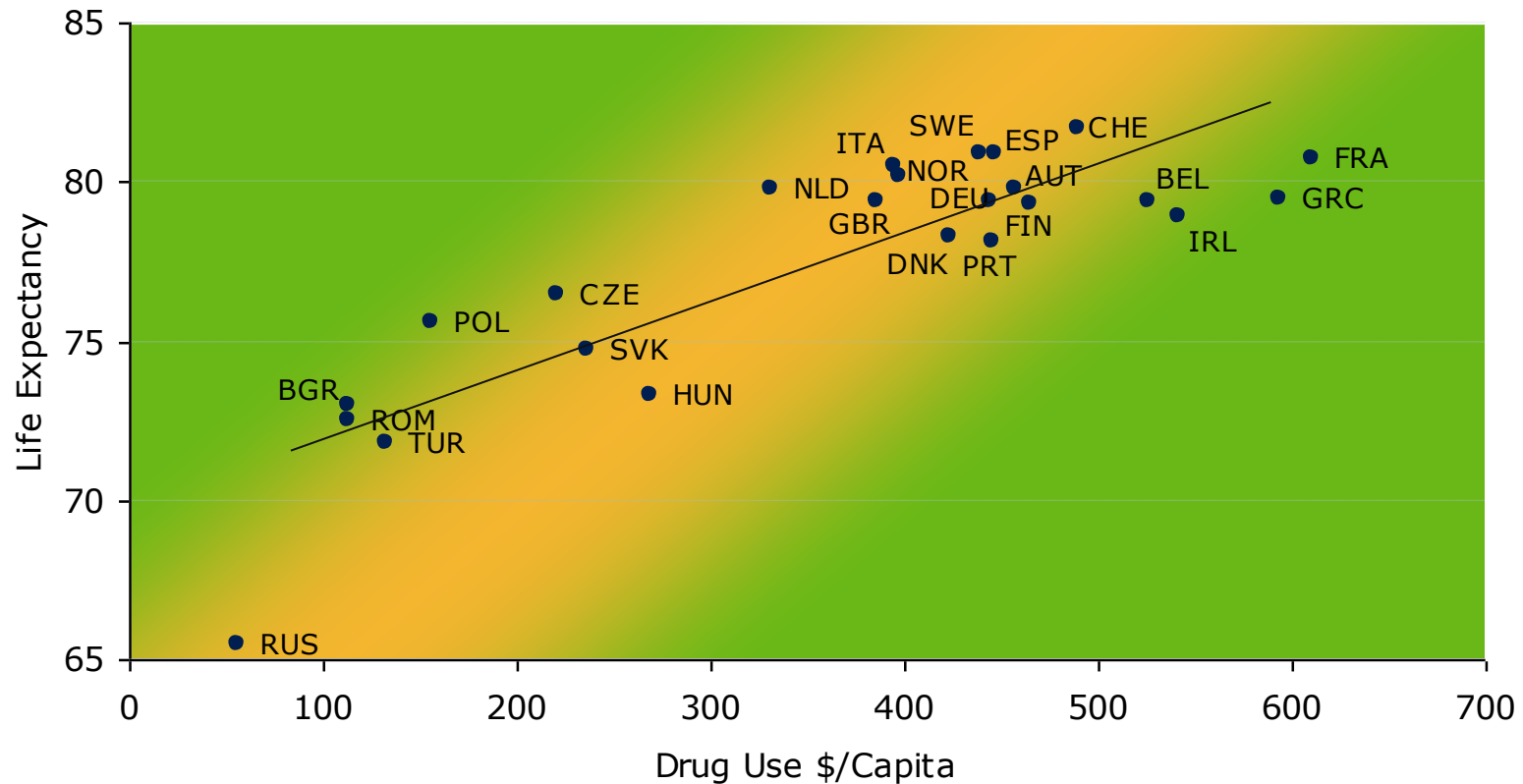
Generic medicines: Essential contributors to the long term health of society.

Sector sustainability challenges in Europe

*Alan Sheppard, Principal, Global Generics, Thought Leadership
Brussels, November 17th 2010*



A long life could be linked to spend on medicines...



Life Expectancy; United Nations (average for the 2005-2010 period)
Drug use per capita; IMS market prognosis, 2007, ex-manufacturing price

A healthier society, but at a cost

Pharmaceuticals play an essential role in improving and maintaining health, but managing and controlling cost remains a major challenge.

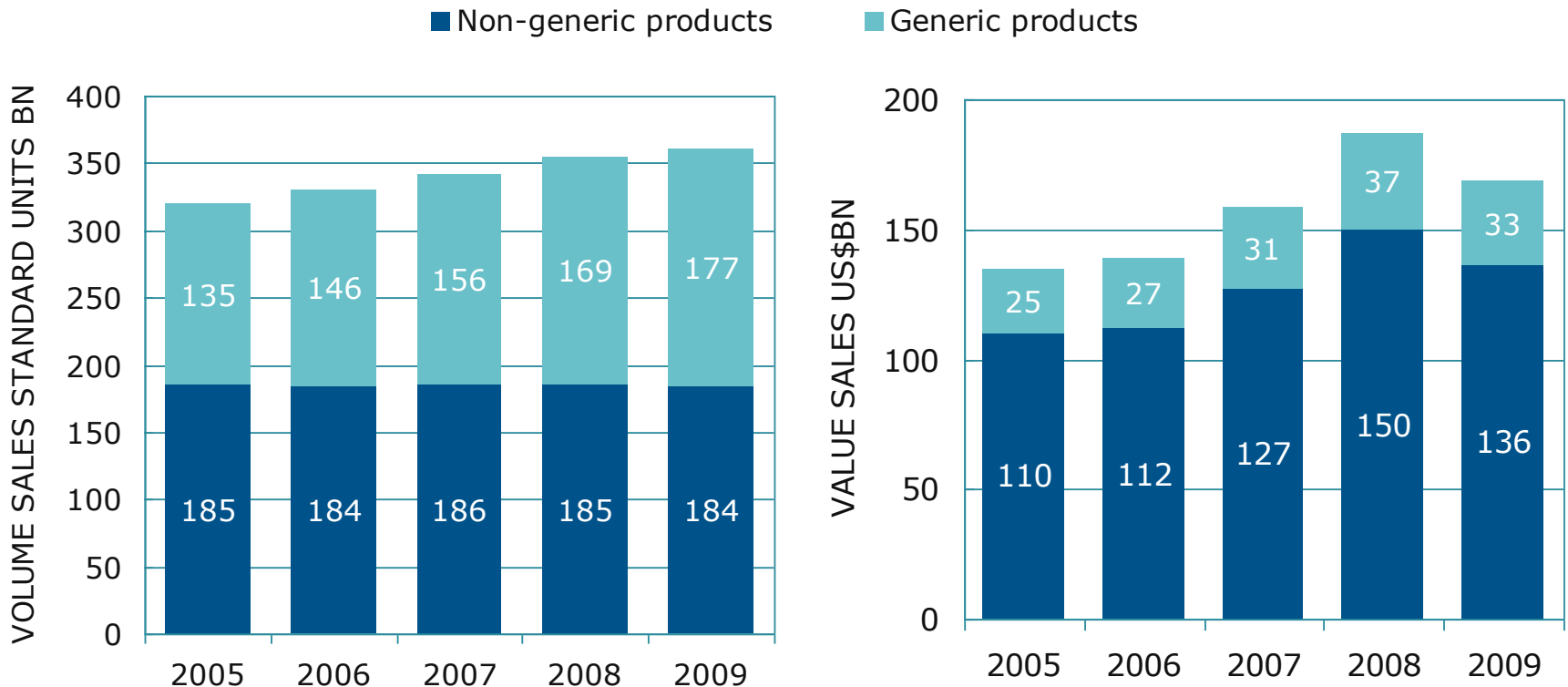
Although the percentage of GDP spent on healthcare is fairly consistent in the major EU countries , the absolute amounts available are straining to deliver the desired levels of healthcare.

Imagine what the drugs bill would look like without generic medicines?

The EGA have estimated that, generics medicines in the EU have generated savings in the order of €30 billion, excluding those made from the stimulation of competition with the pharmaceutical sector as a whole.

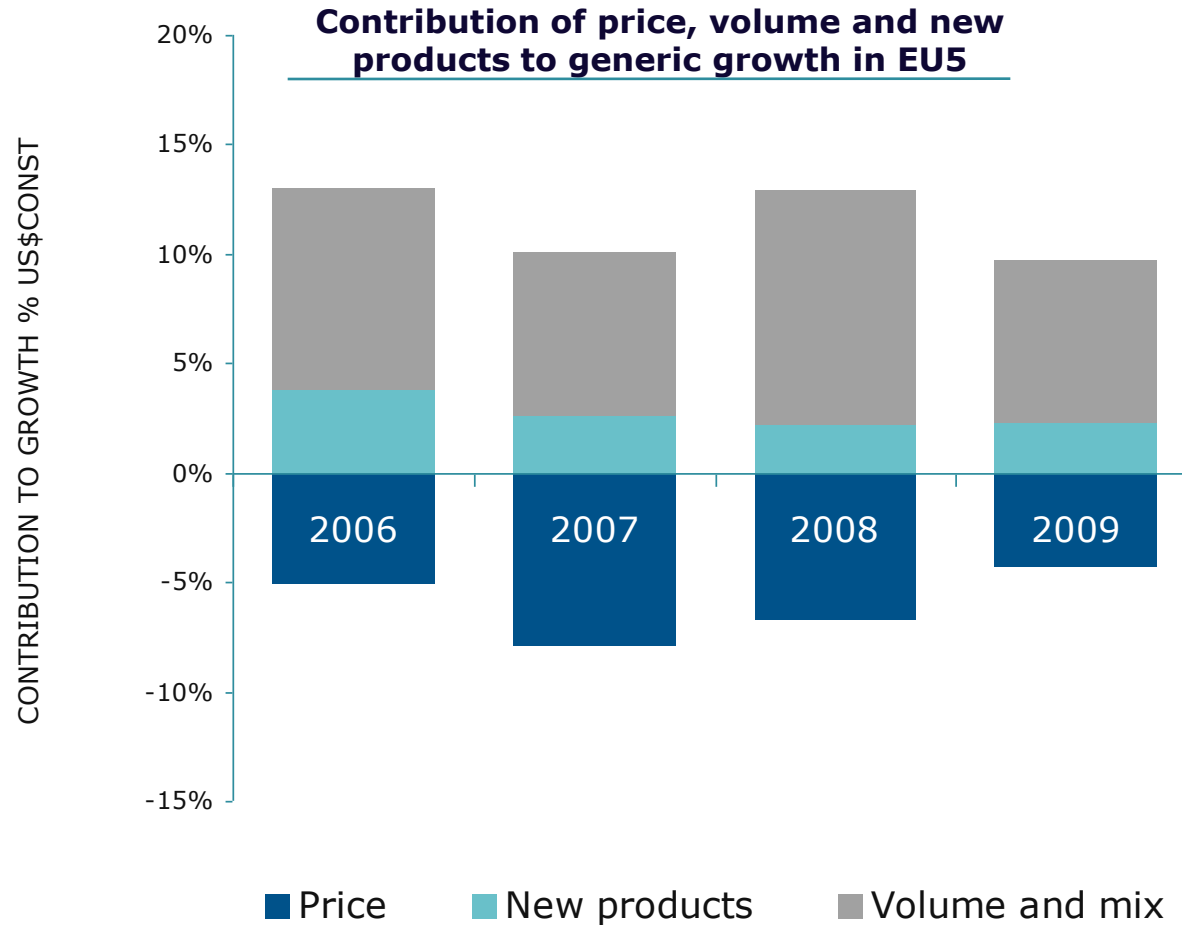
However, following the expansion of the European Union to 27 member states, the accrued savings could certainly be projected to double this figure.

The cost benefits of a healthy and dynamic generic medicine industry are evident: in Europe, generics make up almost 50% of volume sales, but merely a fraction of value sales



Source: IMS Health, MIDAS, Market Segmentation, MAT Sep 2009, Rx only

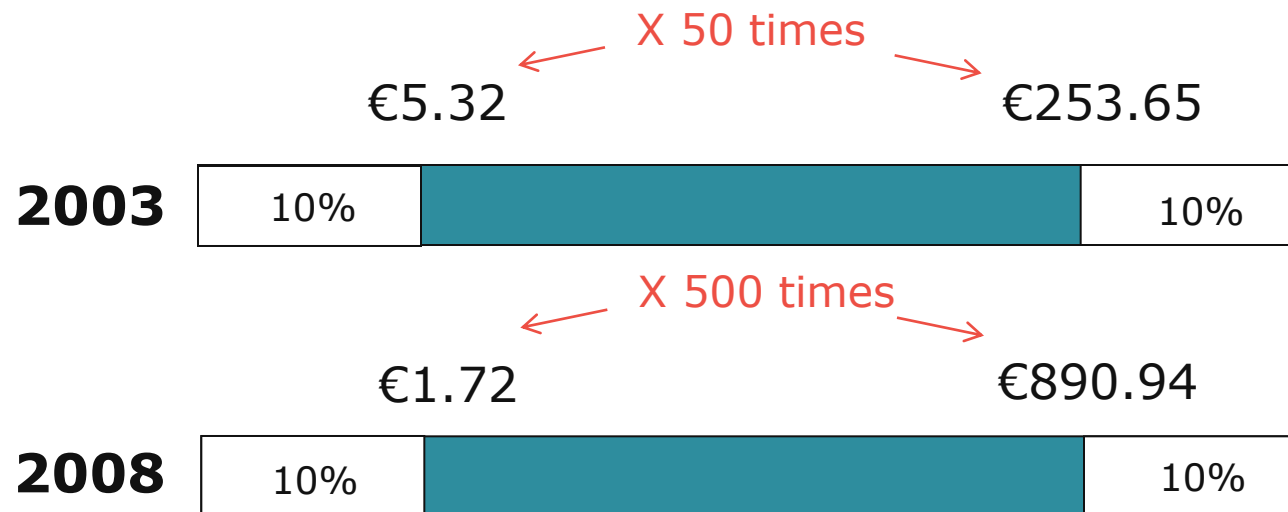
In major EU markets generics show strong volume growth but also significant price erosion



Source: IMS Health MIDAS Market Segmentation MAT June 2009

Market dynamics have left us with considerable price 'polarisation' and the gap is widening

Prices of lower percentile e.g. generics have become significantly cheaper. Whereas higher percentile e.g. specialist medicines have become significantly more expensive



Denmark, all RX products, ex-mnfg price
Share of value

An important time ahead for the generic industry and payers.

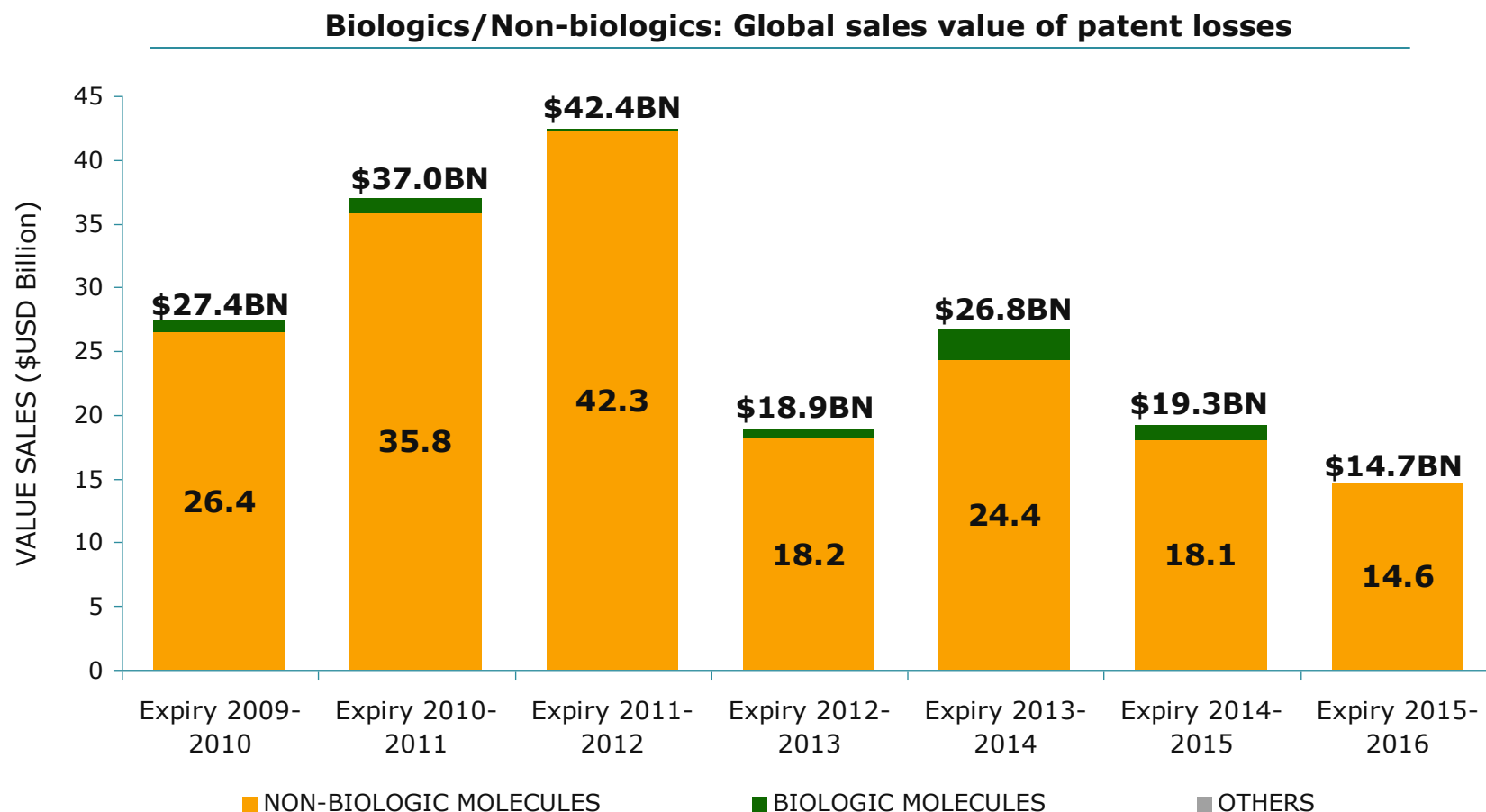
The peak of patent expiries is upon us

- Unprecedented savings potential through utilisation of generics
- Post 2013 generics will no longer be able to compensate for escalating medicine costs

Therefore essential that generic medicines are available immediately on patent expiry and that benefits accrue into the future.

The value of medicines losing patent protection

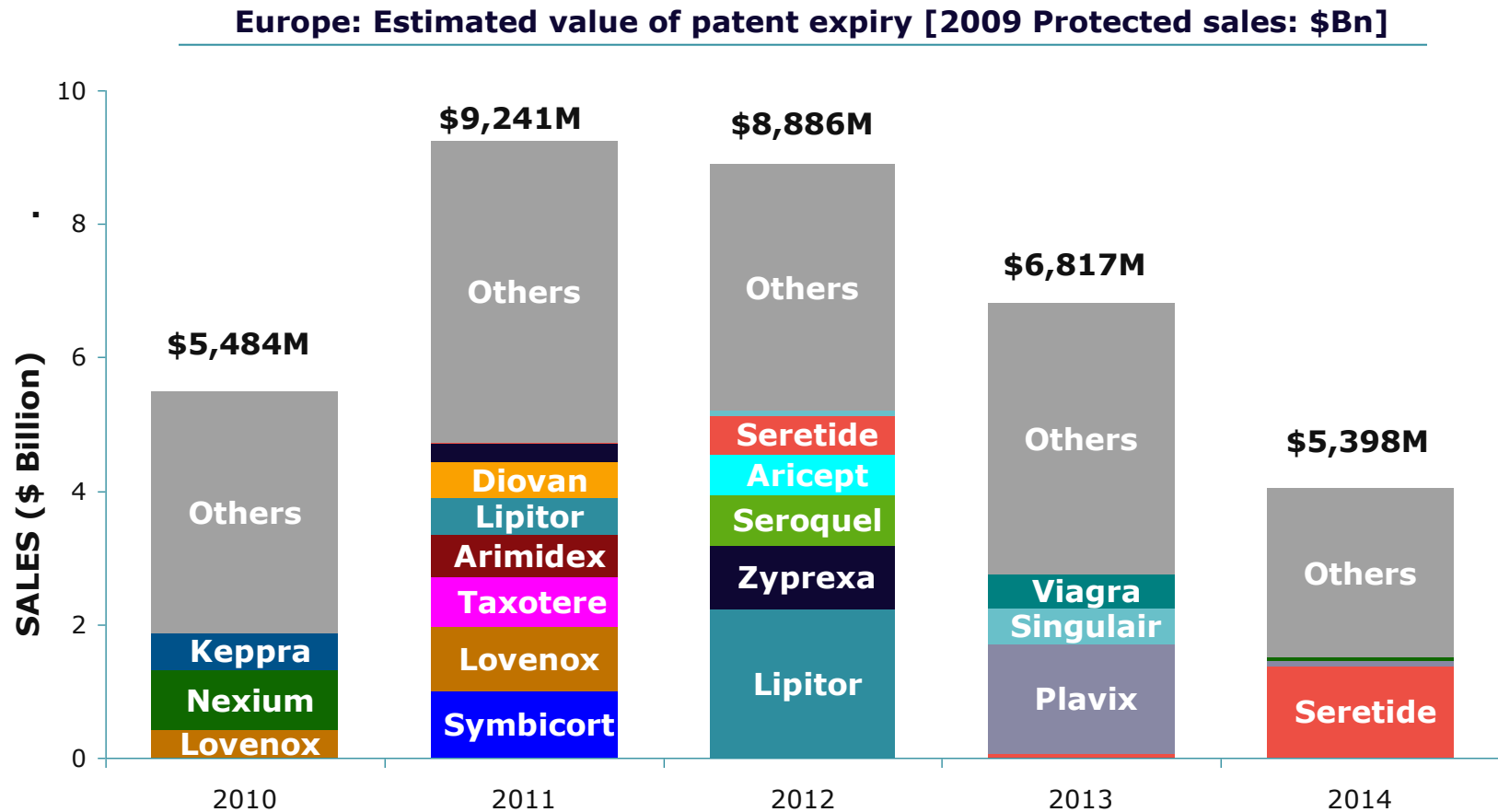
\$186bn of sales revenues is likely to be exposed to generic competition between 2010-2016



Source: IMS Health MIDAS Market Segmentation MAT Sept 2009 – Market Segmentation Countries only

Expiry dates: MAT Sept

This means in Europe over the next 5 years 40% of current patent protected product sales will be available to generic medicines



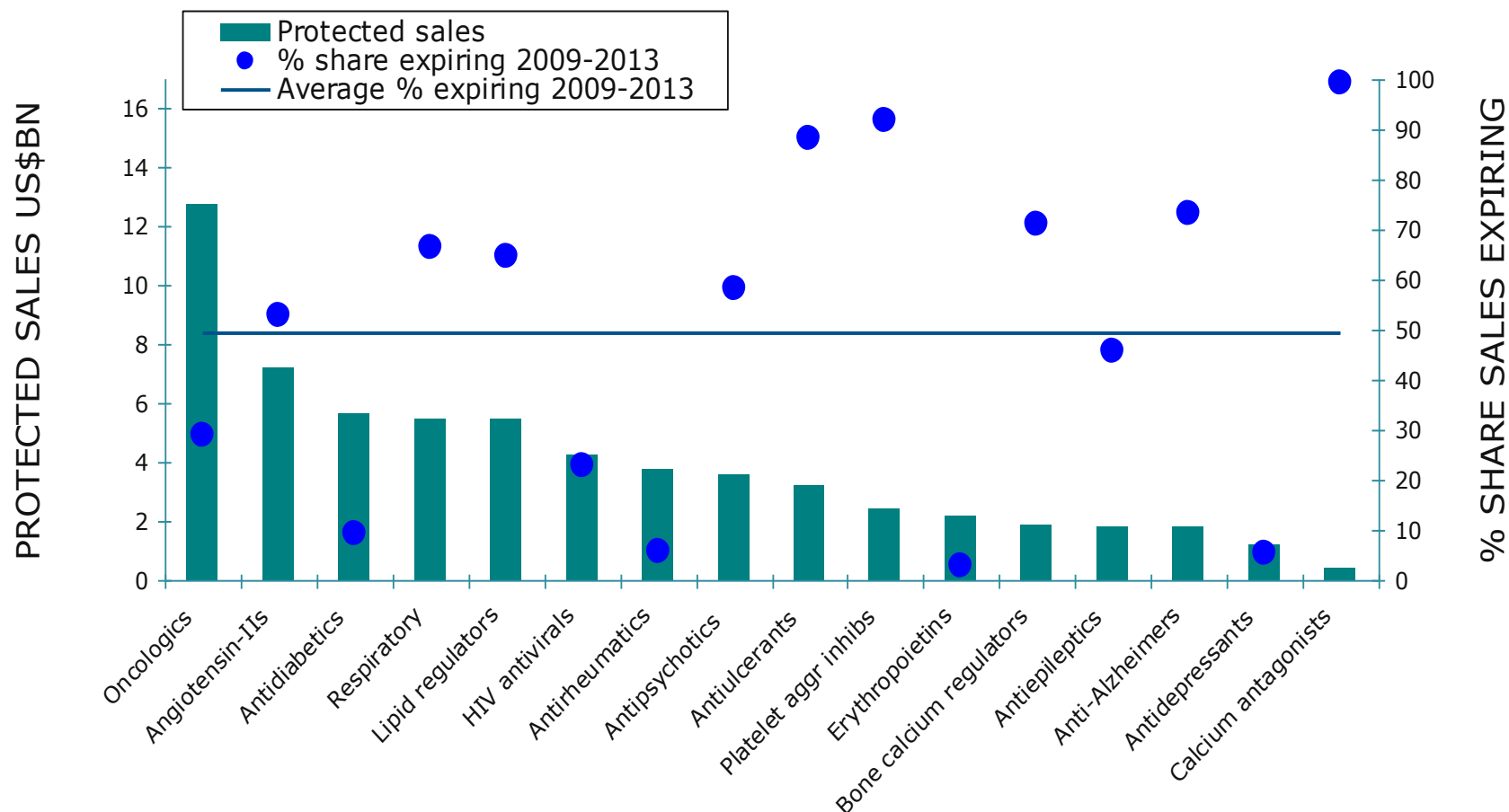
Source: IMS Health MIDAS Market Segmentation June 2009 Products shown have >\$500M sales in 2009

*Assumptions based on no price erosion following generic entry to the market.

Expiry dates: MAT June



Key therapy classes face significant generic exposure in Europe* in the next five years

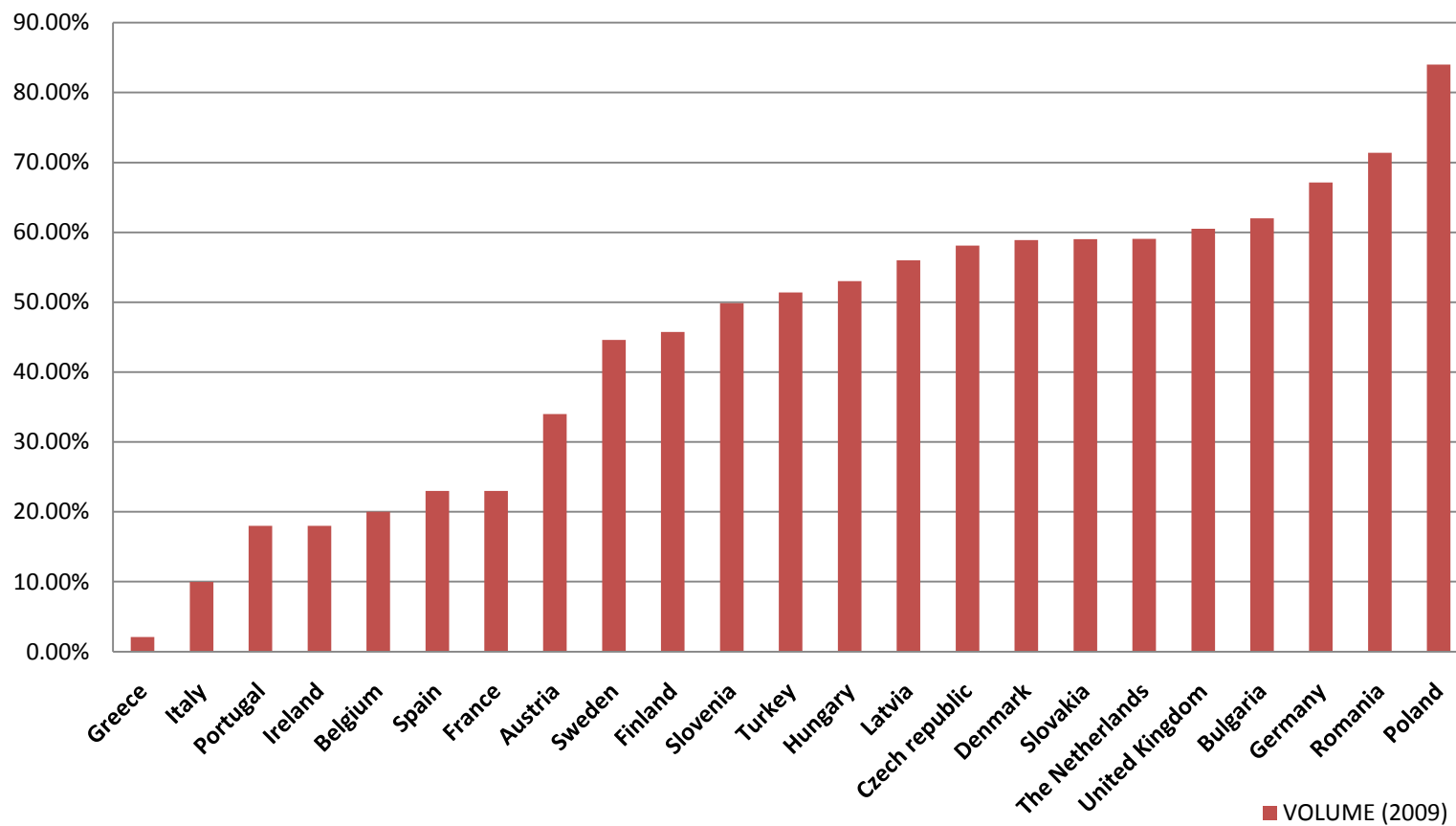


Source: IMS Health, MIDAS, Market Segmentation, MAT Mar 2009, Rx only * 19 European markets

The key question:

How to maximise the potential savings that lie ahead
and secure long term benefits for all players?

EU Generic Market Shares 2009 - Total Market - Retail

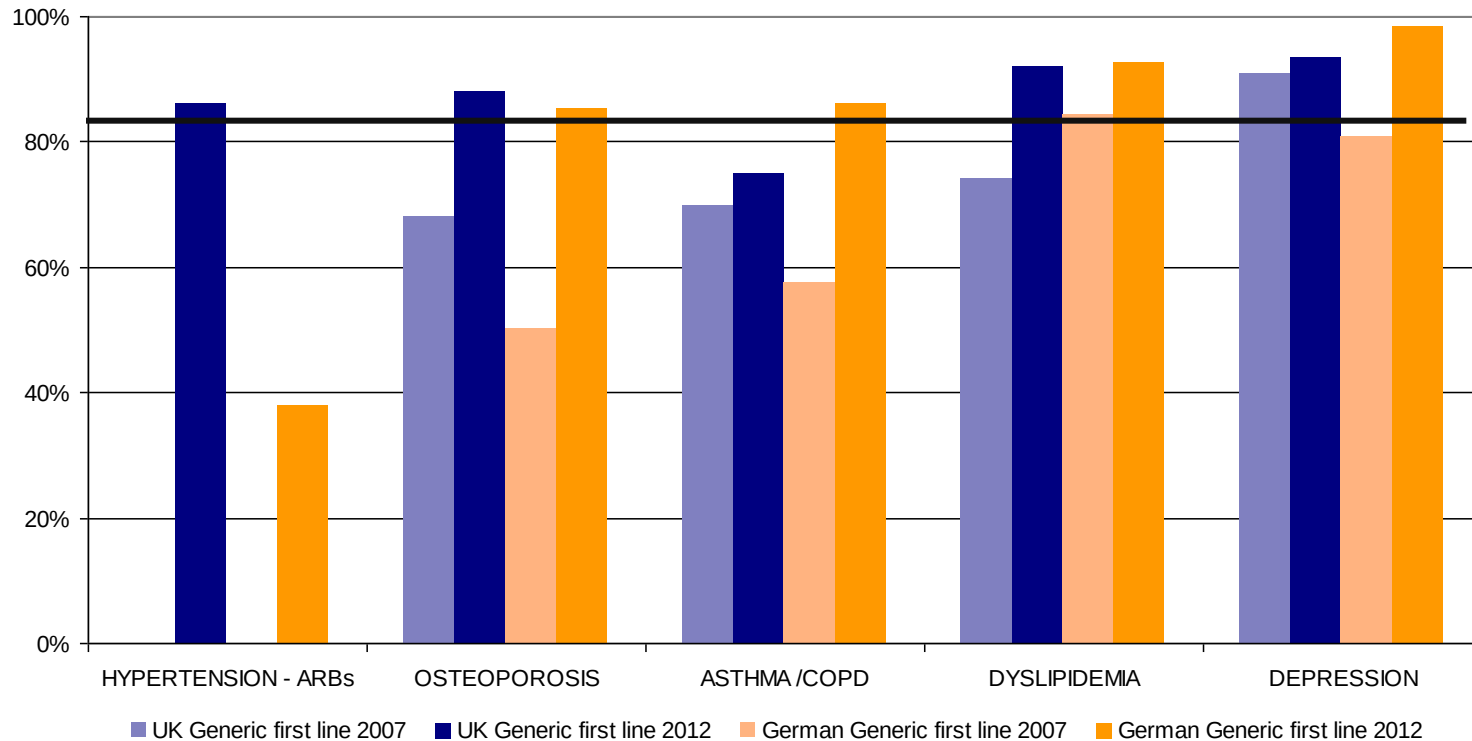


Optimising savings

- Generic medicine first policies for key diseases where gold standard therapies are available as generic medicines e.g. hypertension, hyper-lipidaemia, depression, GI disorders.
- Remove disincentives for generic medicine prescribing and dispensing
- Immediate pricing and reimbursement for generic medicines
- Faster access to generic medicines
- Ensure savings are used to benefit patients
- Plan for the future

Potential for Payers to demand a generic as first line in many key primary care areas

Percentage of first line patients receiving a generic, now and by 2012, in key primary care areas



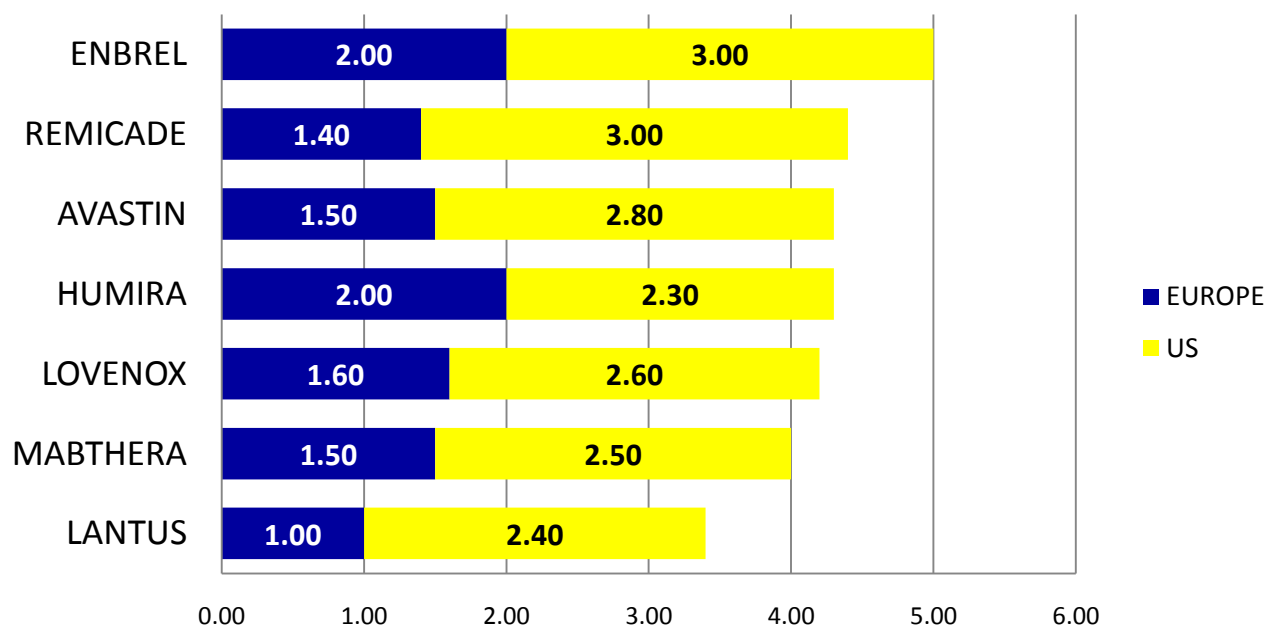
Source: IMS Disease Analyser Germany, UK, 1st line use defined as new to pharmacotherapy – ARBs=Angiotensin II receptor antagonists (antihypertensive class)

Optimising savings

- Generic medicine first policies for key diseases where gold standard therapies are available as generic medicines e.g. hypertension, hyper-lipidaemia, depression, GI disorders.
- Remove disincentives for generic medicine prescribing and dispensing
- Immediate pricing and reimbursement for generic medicines
- Faster access to generic medicines
- Ensure savings are used to benefit patients
- Plan for the future

Biopharmaceuticals add to drugs bill now and in the future

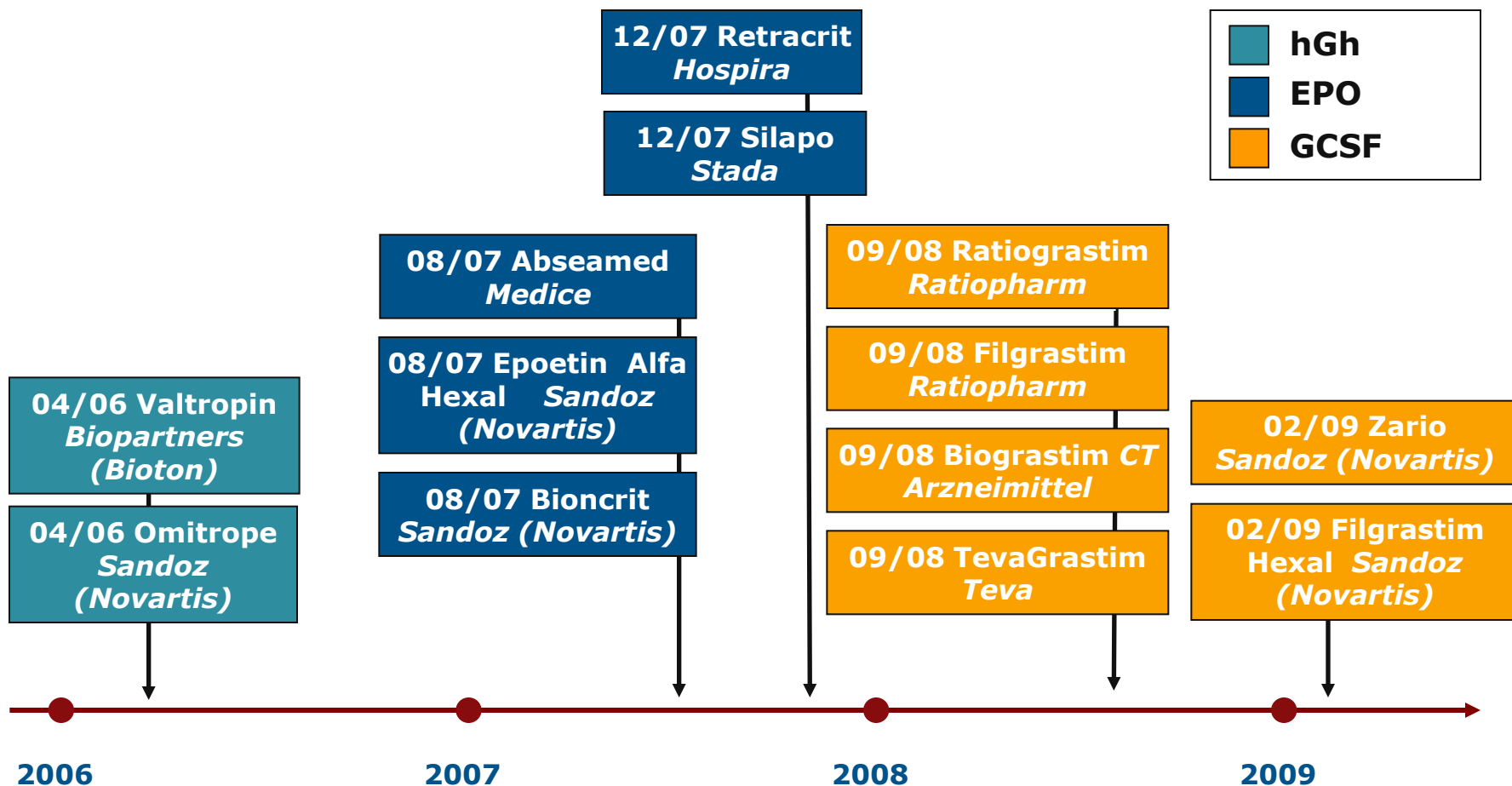
Top 6 Biopharmaceuticals, in \$US bn



Source: IMS 2009



Despite the approval of a regulatory pathway, only a few biosimilar manufacturers have launched in Europe to date



Generic medicines

- Provide an affordable, gold standard medication for many major illnesses
- Allow access to medicines for a greater proportion of the population
- Stimulate healthy competition with the branded sector
- Deliver savings to national health bills
- Enable future long-term savings in the expanding role of medicines vs hospitalisation
- Generate employment and other benefits
- Are high quality products

How to control and balance rising healthcare costs?

There is no other single,
simple solution.

Generic medicines

Thank You

Alan Sheppard

Principal, Global Generics, Thought Leadership

