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**SEE PHARMACEUTICAL
MARKET HEALTHY IN 2010**

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SEE PHARMACEUTICAL MARKET HEALTHY IN 2010

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The pharmaceutical market in Southeast Europe (SEE) continued to grow in 2010 despite the economic volatility brought on by the global financial crisis. Pharmaceutical sales in the region are still dominated by generic drugs, especially in terms of volume, due to low per capita income and under-investment in research and development activities focused on new medicines. However, the introduction of brand-name drugs is expanding and their share in terms of value is getting close to that of generics. For instance, brand-name drugs registered a 15.40% year-on-year growth in Bulgaria to 959.6 million levs (490.6 million euro) in 2010 and their market share reached 48.90% in value terms.

VALUE OF PHARMACEUTICAL MARKET IN SOME SEE COUNTRIES (IN BILLIONS OF EURO)

Country	2011 (forecast)	Y/Y change	2010	Y/Y change
Bosnia and Herzegovina	N/A	N/A	1.032	12.63%
Bulgaria	1.094	6.00%	1.033	9.00%
Croatia	0.785	1.74%	0.779	0.17%
Romania	2.357	4.80%	2.260	18.70%
Serbia	0.689	4.50%	0.636	-5.76%
Slovenia	0.772	3.80%	0.744	4.50%

Source: Business Monitor International; IMS Health; Cegedim Romania

The growth of the over-the-counter (OTC) pharmaceutical market in SEE in 2010 was driven by higher sales of analgesics, digestives, vitamins and minerals. Oncology drugs also recorded higher sales because of an increase in prices and in the number of cancer patients.

Pharmaceutical demand in the SEE countries continued to be covered mainly by imports and their share in terms of value reached 80% in both Romania and Bulgaria in 2010.

Pharmaceuticals producers in the region kept their focus on the manufacturing of low-cost generic drugs with the major companies generating the bulk of their sales revenue abroad.

The Bulgarian pharmaceutical market grew in terms of value in 2010. The pharmaceutical companies sold drugs worth 2.019 billion levs in 2010, which is a 9.0% increase compared to 2009, according to data from global market research company IMS Health. In terms of volume, the market shrank by

2.0% on the year. However, the decrease was not caused by lower consumption of drugs but by the fact that the pharmaceutical companies started to put more tablets in a single package, according to industry experts. Sales of brand-name drugs marked growth in both value and volume terms but the market is still dominated by generic drugs, which accounted for 80% of the total number of units sold. The country's largest Bulgarian-owned generic drugs maker is Sopharma AD, which recorded non-consolidated sales of 63.31 million levs on the domestic market in 2010. The company produces the market's top-selling medicine in the past 10 years - the analgesic Analgin. In 2010 Sopharma's exports increased by 19.44% and totalled 145.7 million levs or 69.72% of its net sales revenue.

Sopharma ended up in the fifth spot in the ranking of the 15 biggest SEE pharmaceutical companies in terms of total revenue for 2010. It was the highest placed Bulgarian drug manufacturer in the ranking with total revenue rising nearly 12% and net profit up 21% last year.

In Serbia, pharmaceutical sales were estimated at 67.1 billion dinars (636 million euro), down from 71.2 billion dinars in 2009, according to market intelligence company Business Monitor International. The export of basic pharmaceutical products jumped by 21.9% year-on-year to 157.6 million euro in 2010. Serbia's major pharmaceutical producers are state-owned Galenika AD and Hemofarm AD, controlled by German generic drug-maker Stada Arzneimittel.

Hemofarm ranked fourth among the SEE pharmaceutical companies in 2010, while Galenika was sixth. Hemofarm saw a 2.93% rise in total revenue last year while Galenika posted an increase of 5.16%. Both companies, however, slipped in the red in 2010.

In 2010, the pharmaceutical market in Romania marked an 18.7% annual increase to 9.620 billion lei (2.26 billion euro), data from research company Cegedim Romania indicated. The growth was fuelled by retail sales, which accounted for 89.4% of the total. The prices of drugs in the country remained among the lowest in the region. The low prices boosted the so called parallel export - wholesalers bought medicines from Romania and exported them to countries with higher drug prices.