Pivotal years for Pharma to 2009

Pharma Industry Meeting: Athens February 2006

Graham Lewis

Vice President Global Pharma Strategy

IMS Health

Agenda

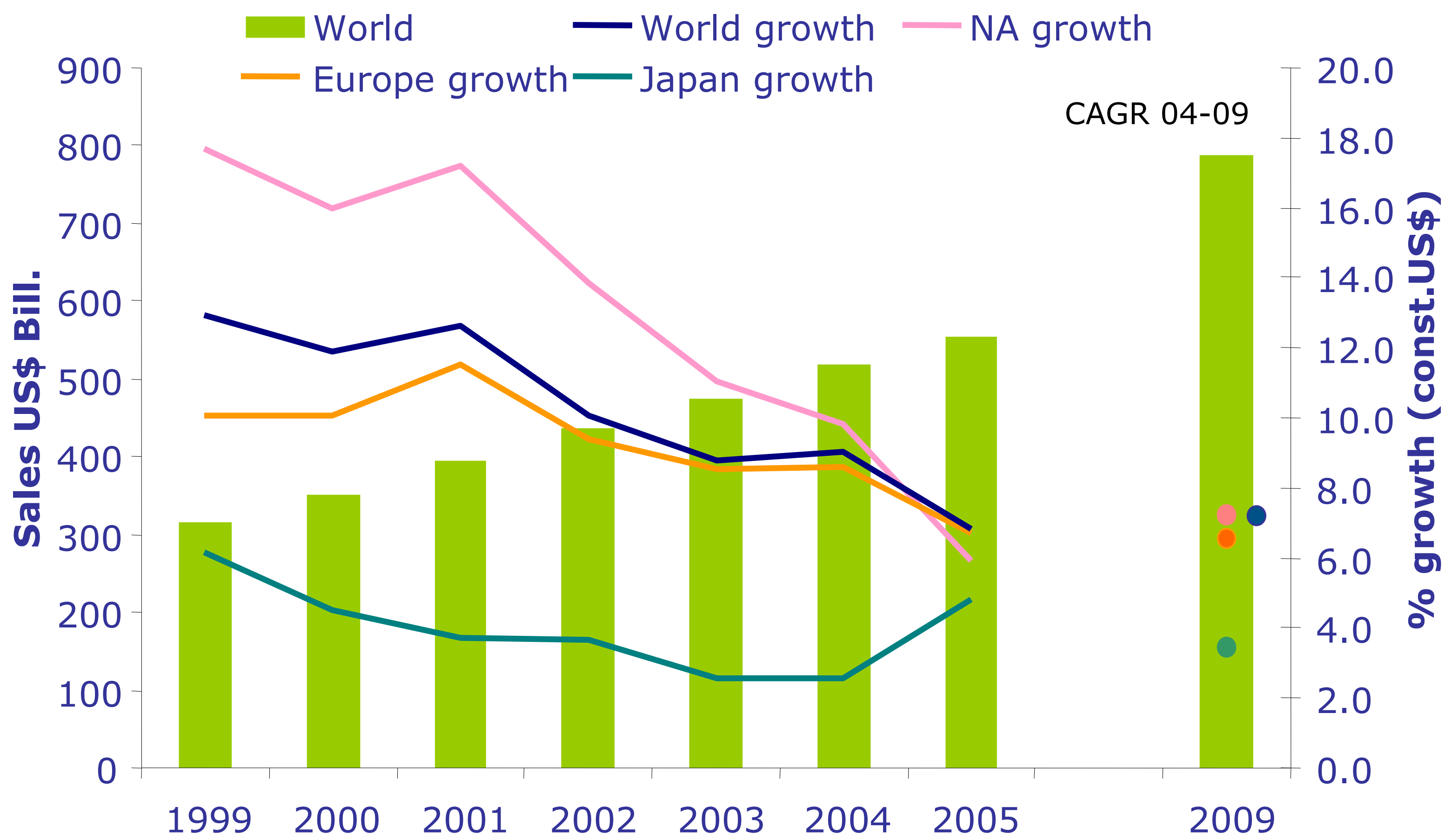
- Pharmaceutical market growth
- Growth dynamics
  - Emergence of specialist driven markets
  - Generic impact
- Players Performance
- Future Market Outlook

Global: key events in pharma in 2005

- 29* NCE: lowest number in past 10 years
- USA growth down to 5.4% from CAGR of 11% in past 5 years
- Specialist initiated segment contribution continues growing
- Half of top 40 corporations struggling with growth
- Generics made further inroads
- Regulators safety concerns and product withdrawals

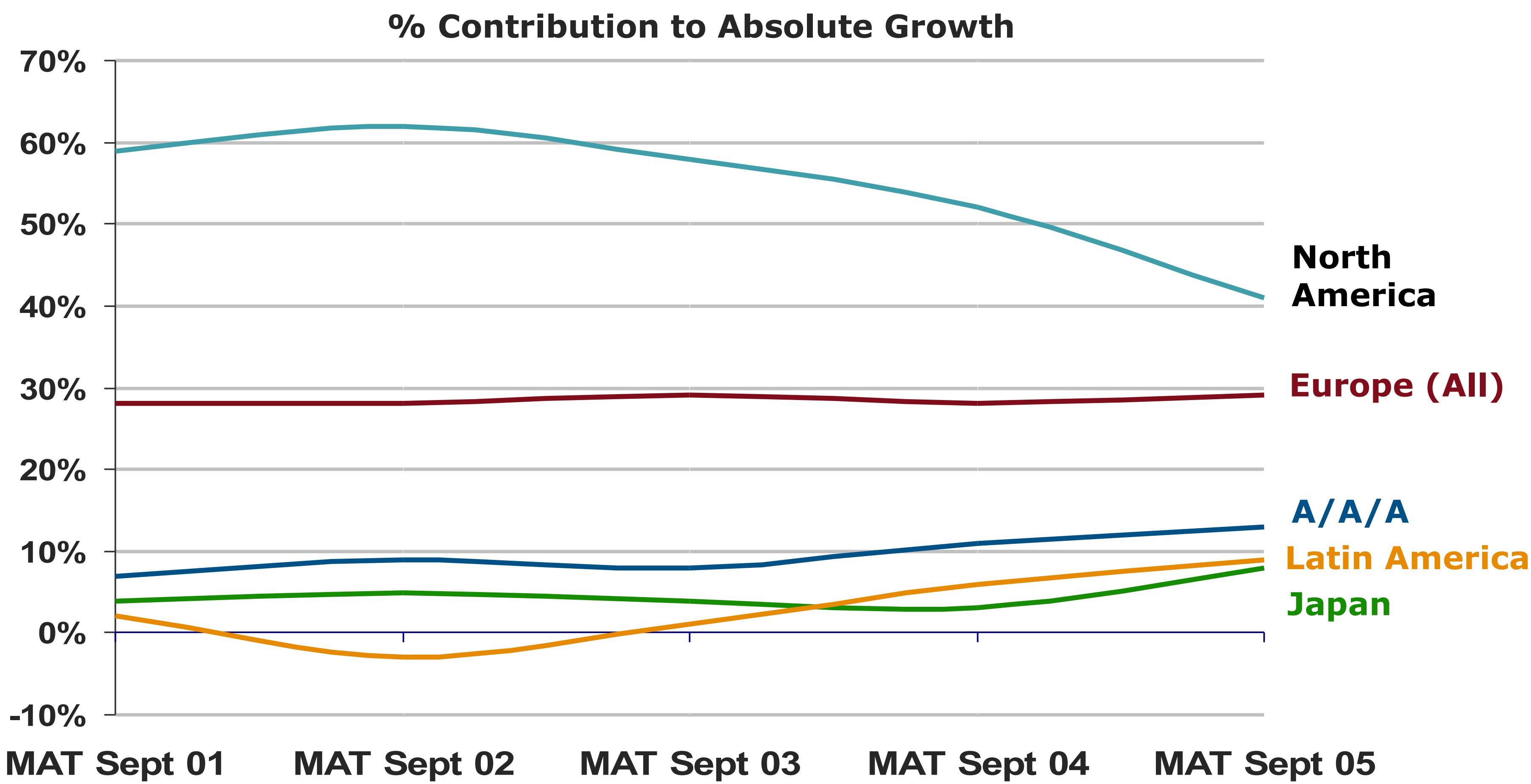
*provisional

World market growth rate has slowed significantly but expected to stabilise to 2009 at 5-8%



Source: IMS Health MIDAS; MAT Sept and IMS Market Prognosis 2005

North America growth contribution has sharply declined in past 3 years



Source: IMS Health MIDAS MAT Sept 2005

China outpaces world market growth as US slips

+ 5.9 %
10 Key Markets
$456.6 Bil

+5.8% US $249.2 B	**+7.0%** Germany $32.1 B
+8.0% Canada $13.1 B	**+7.0%** France $30.7 B
+4.8% Japan $60.8 B	**+0.2%** UK $20.0 B
+24.2% China ** $8.9 B	**+0.7%** Italy $19.6 B
+11.3% Mexico* $7.2 B	**+8.1%** Spain $15.1 B

+ 4.8 %
Top 5 Europe
$117.3 Bil

*** Pharmacy Market Only ** Hospital Market Only % Growth Constant $**

 Source: IMS Health: MIDAS, MAT Sept 2005

Many smaller countries show outstanding growth

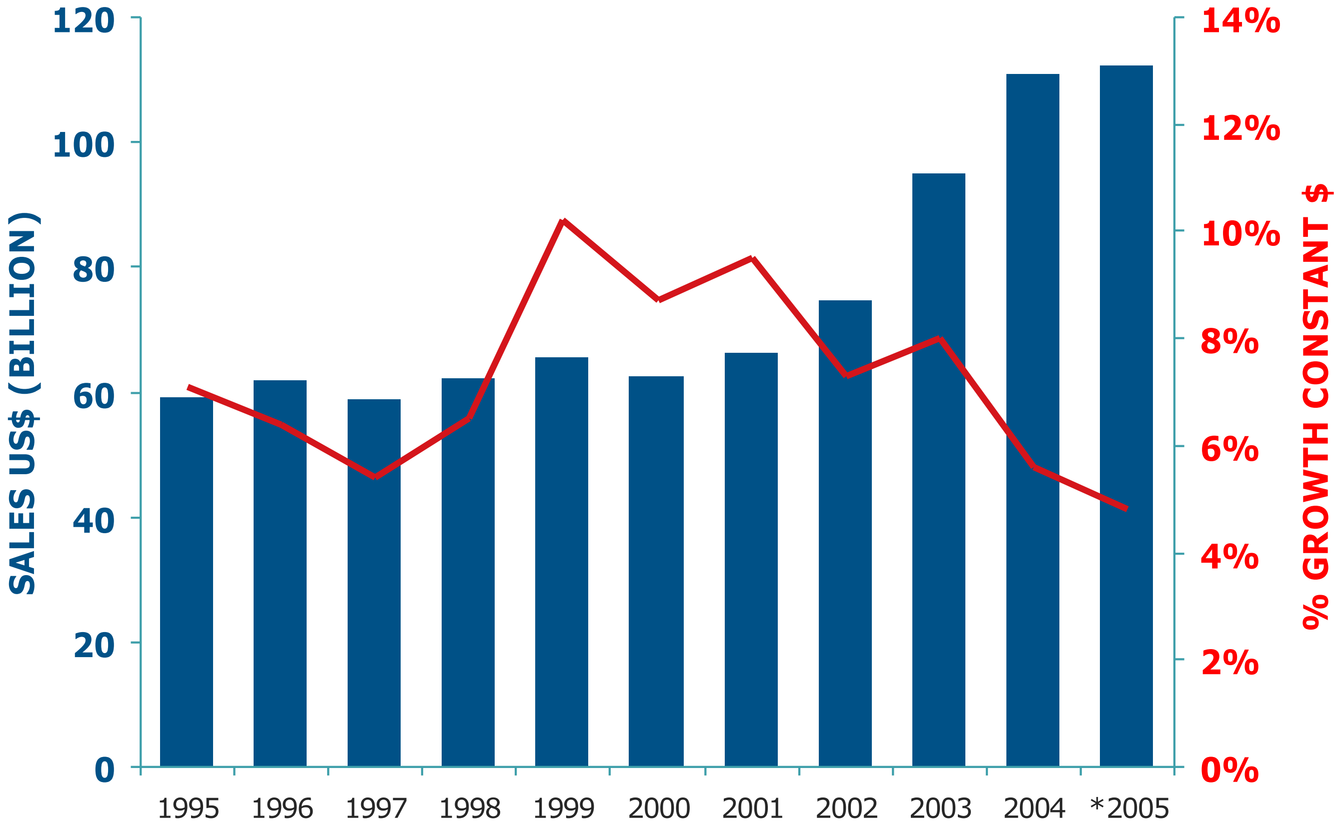
Europe		
Country	**US $ Bil**	**Growth***
Turkey	**6.3**	**+ 43.8 %**
Belgium	4.7	+ 4.9 %
Poland	4.4	+ 5.3 %
Netherlands	3.8	- 0.6 %
Greece	**3.5**	**+ 16.4 %**
Switzerland	3.4	+ 2.8 %
Russian Fed.	**3.5**	**+ 17.3%**
Sweden	3.3	+4.1%
Austria	3.0	+ 4.6 %

A/A/A, Latin America		
Country	**US $ Bil**	**Growth***
Korea	**7.1**	**+ 15.5 %**
Brazil	**6.4**	**+ 31.5 %**
Australia	6.4	+ 6.4 %
India	4.9	+ 5.1 %
Taiwan	3.0	+ 0.3 %

*Constant dollar

Source: IMS Health MIDAS MAT Sept 2005

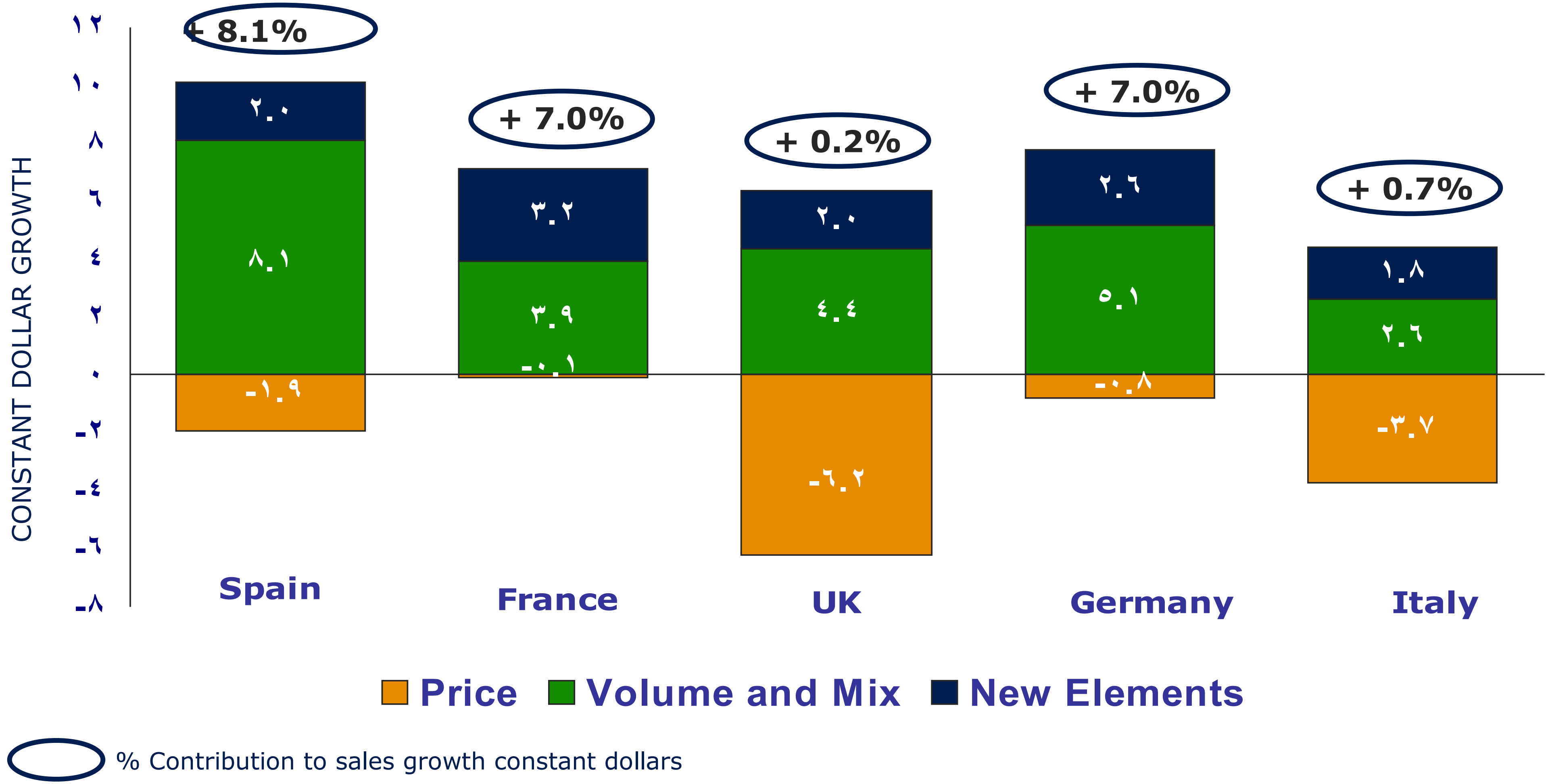
Top 5 Europe sales growth rate slowing down reaching ten-year low



- Pricing
  - Generics
  - Reference prices
  - Price cuts
  - Parallel trade
- Funding
- Slower uptake of new products

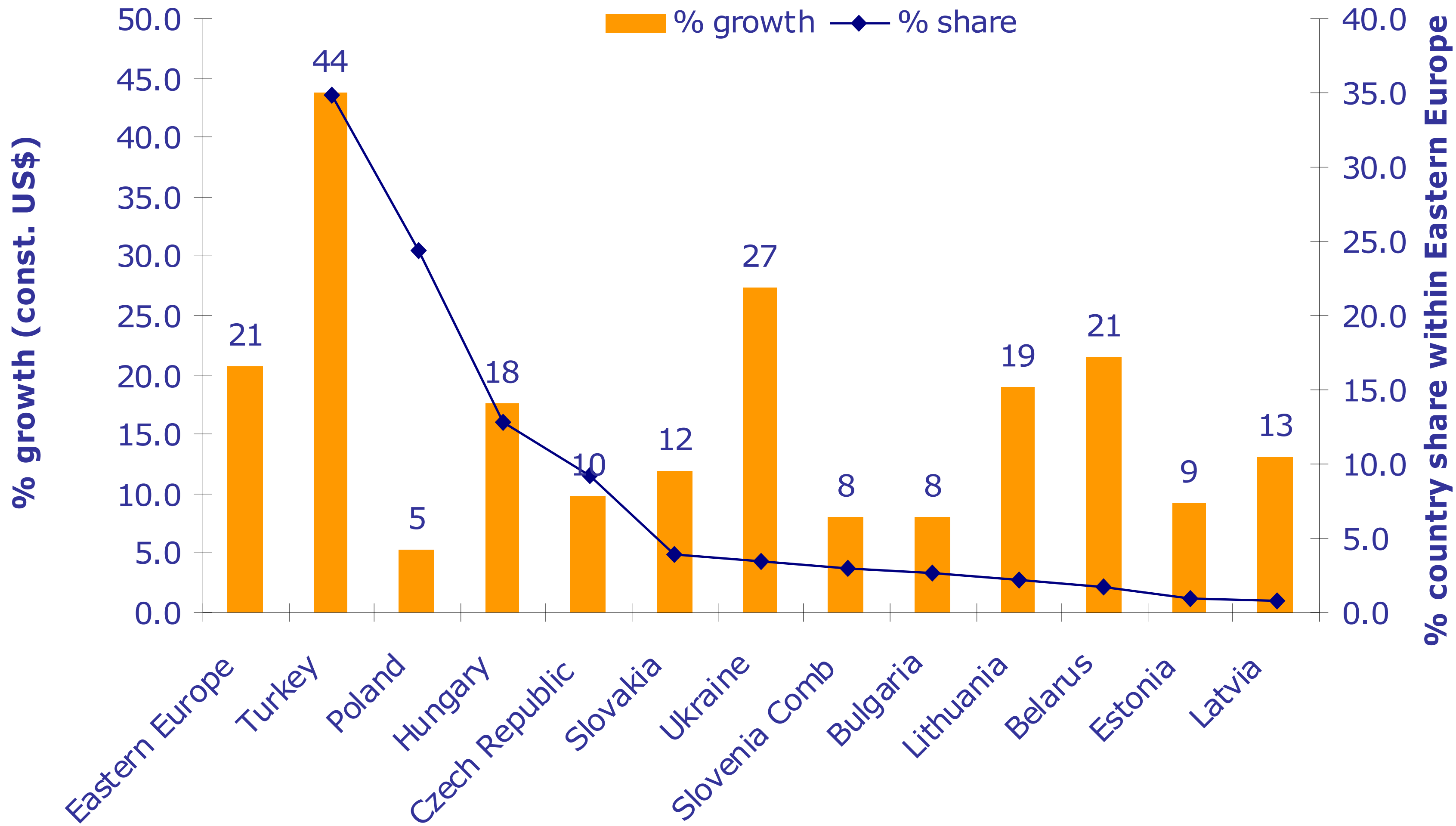
Source: IMS Health MIDAS; * MAT Sept 2005

Top 5 Europe growth continues to be limited by cost containment



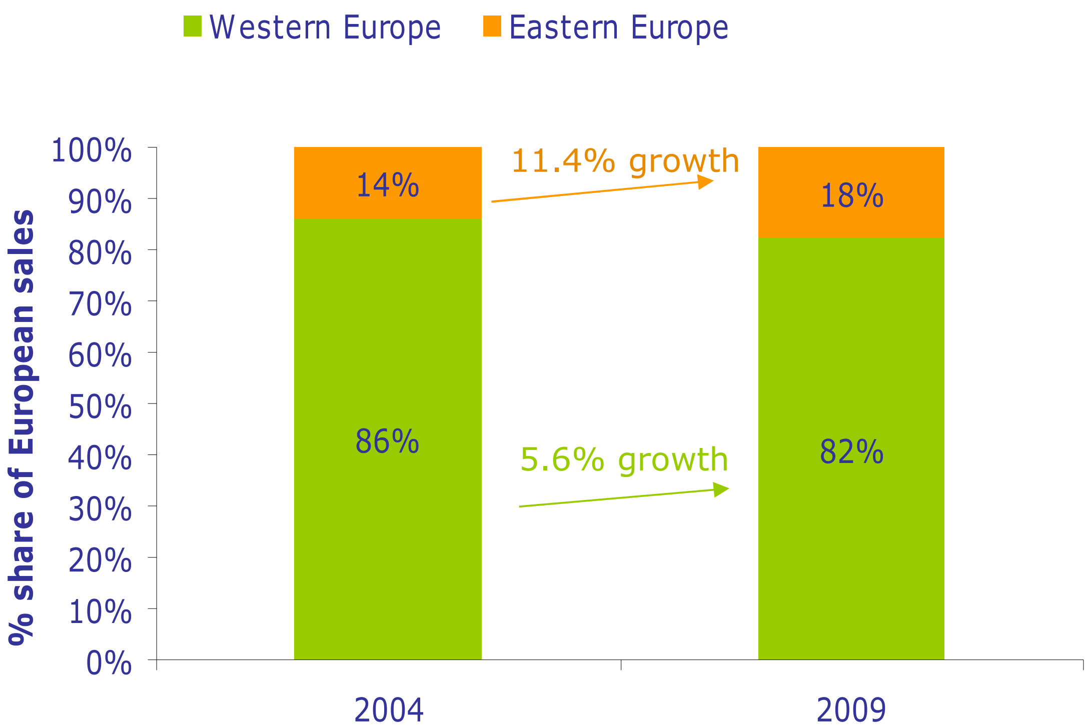
Source: IMS Health: MIDAS, MAT Sept 2005

Turkey and Poland hold 60% of Eastern Europe sales



Source: IMS Health MIDAS; * MAT Sept 2005

Higher growth in Eastern Europe by 2009 but still not material



By 2009

- **Top 5 63% of European sales**
- **Turkey from 8th to 6**
- **Poland moves from 10   to 9th**

CAGR 2004-2009

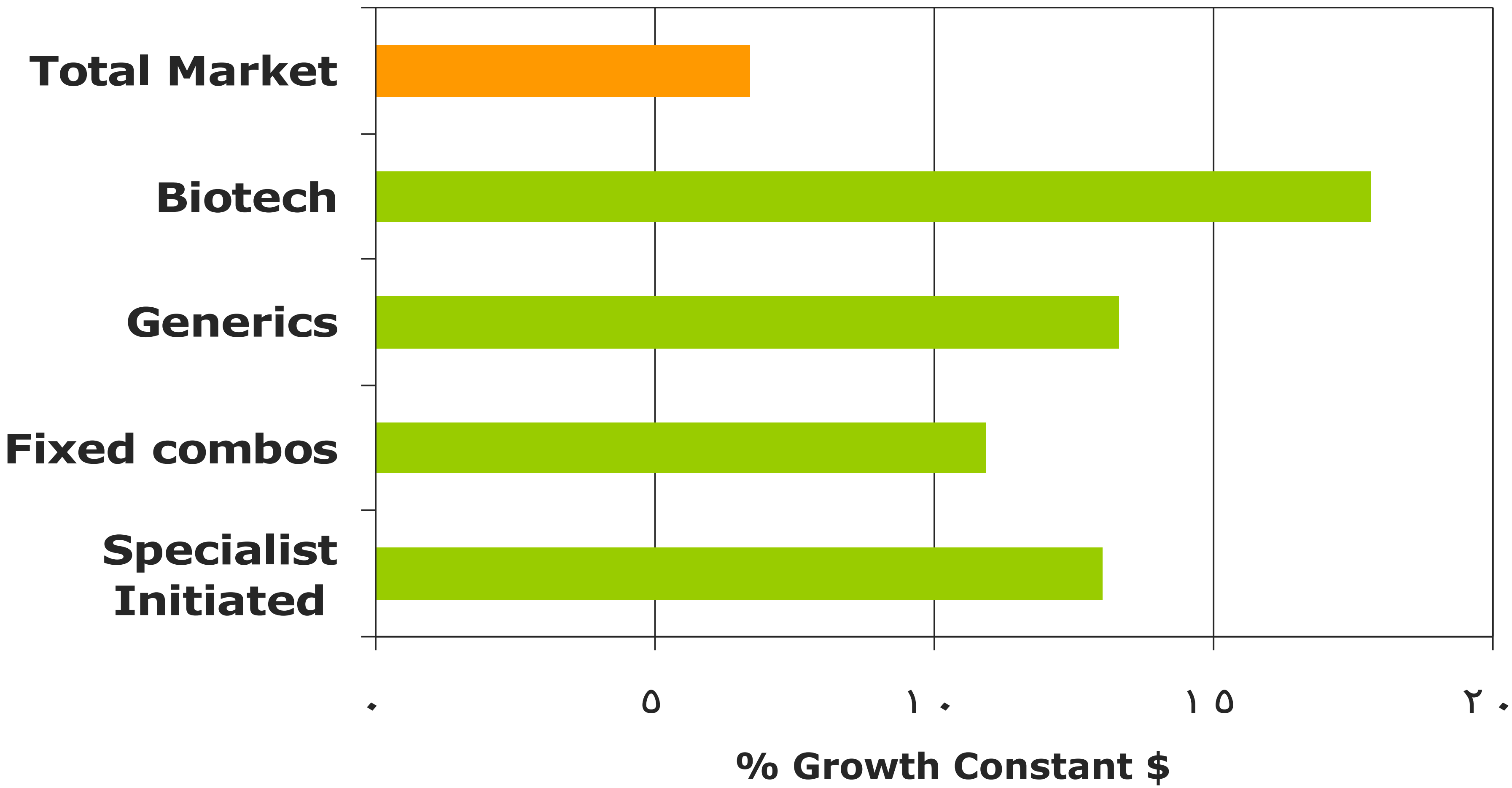
Top 5	5.3%
Rest of EU	7.2%
Other Countries	10.2%
Europe	6.5%

Source: IMS Health: IMS Global Pharma Forecasts 2005

Agenda

- Pharmaceutical market growth
- Growth dynamics
  - Emergence of specialist driven markets
  - Generic impact
- Players Performance
- Future Market Outlook

Smaller and Specialty Segments Drive Growth



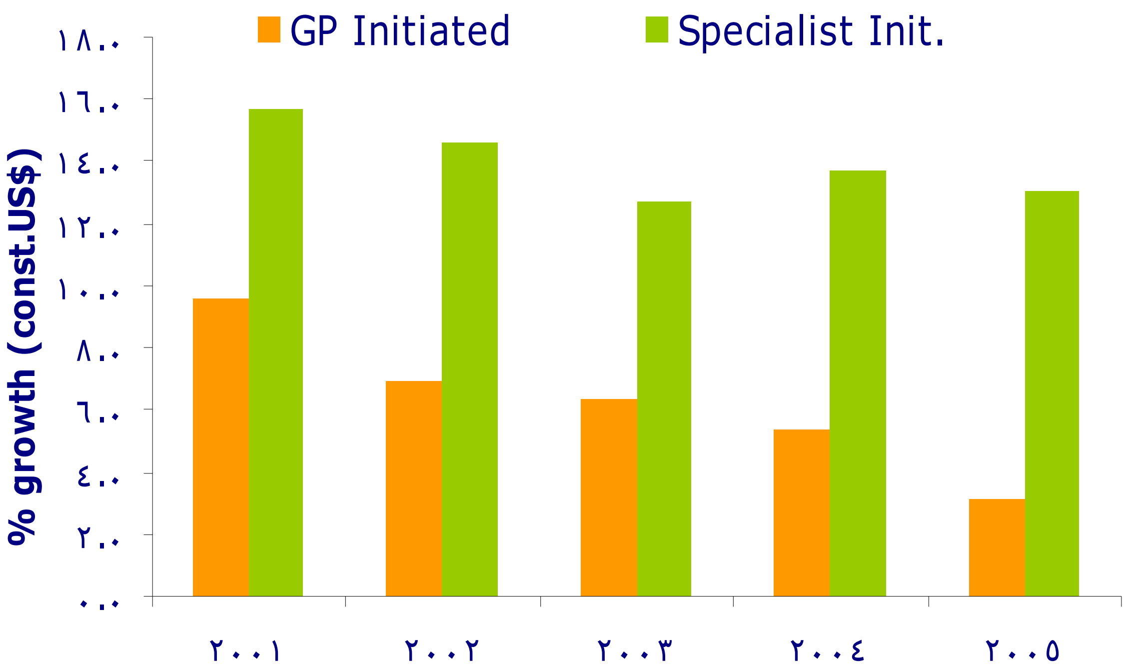
Source: IMS Health: MIDAS and IMS Consulting, MAT Sept 2005

Agenda

- Pharmaceutical market growth
- Growth dynamics
  - Emergence of specialist driven markets
  - Generic impact
- Players Performance
- Future Market Outlook

Europe: Contribution to growth from specialist initiated twice GP initiated

Europe-GP vs Specialist Initiated (US$)



% Share of Sales

GP Initiated 64%

Specialist Initiated **36%**

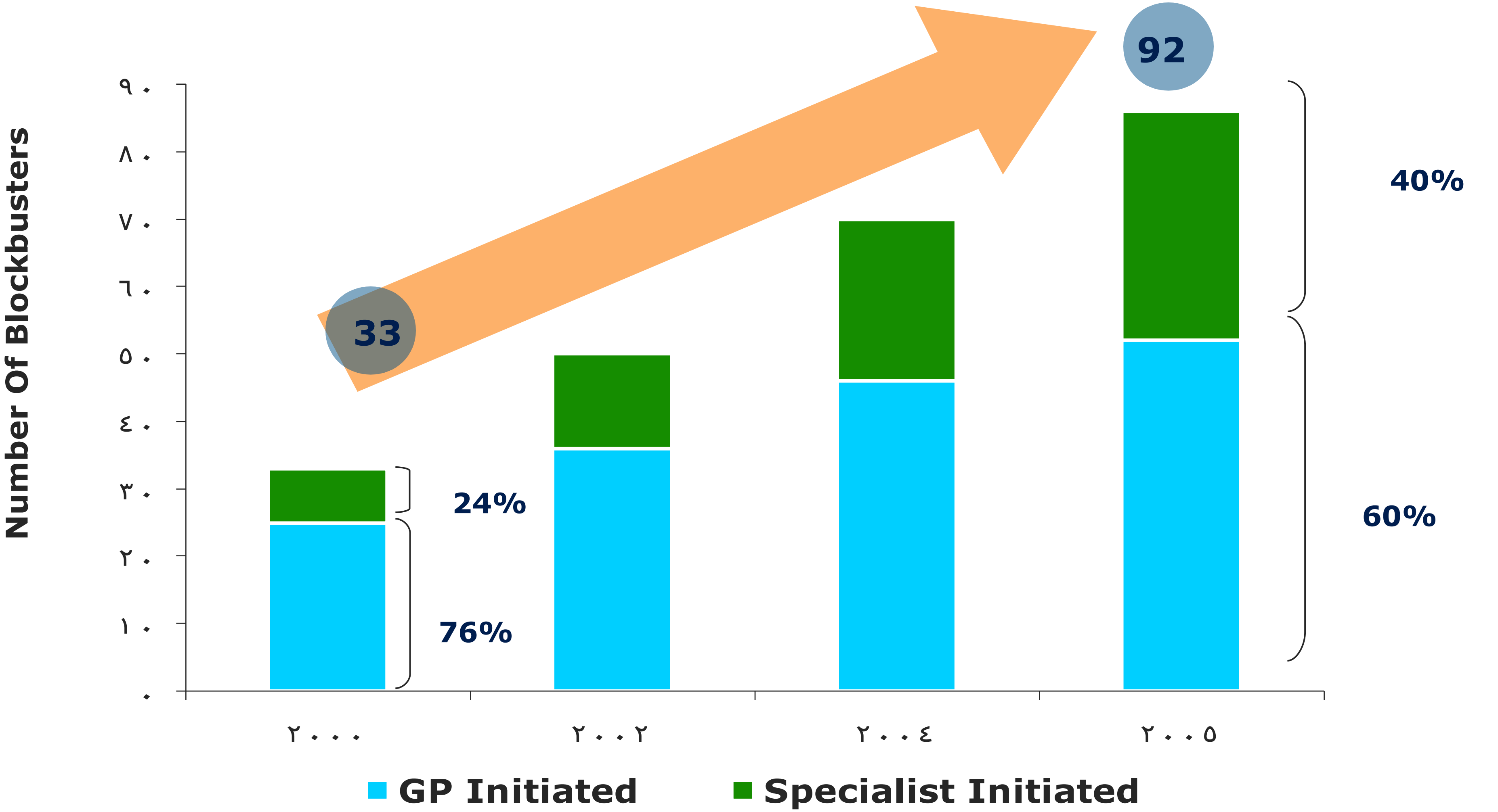
% Contribution To Growth

GP Initiated 32%

Specialist Initiated **68%**

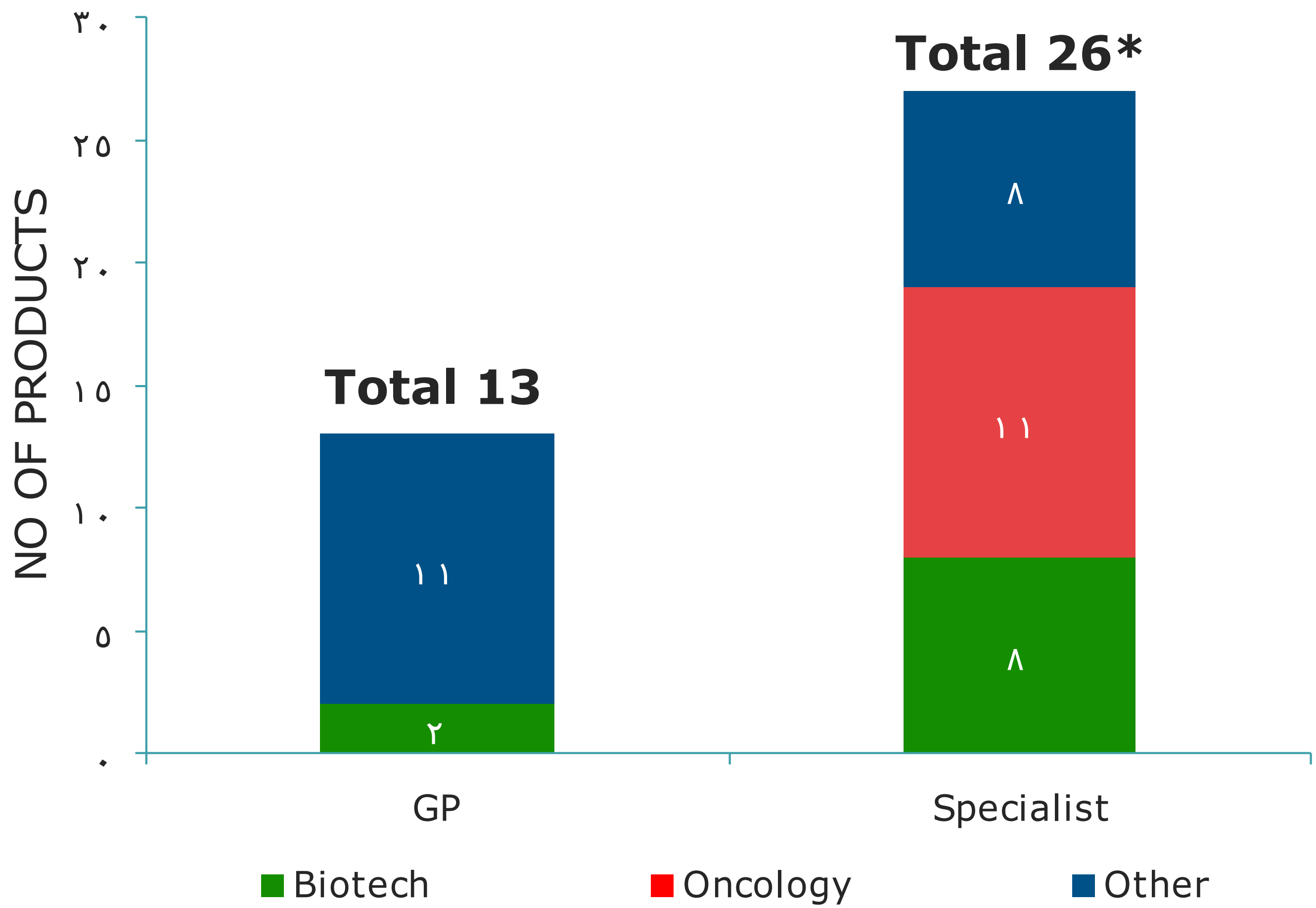
Source: IMS Health MIDAS MAT Sept 2005 and IMS Management Consulting

Major pharma is turning to specialist care to drive Blockbuster growth



 Source: IMS Health Midas and Consulting based on MAT Sept period

2006 potential launches reflect Specialist Emphasis



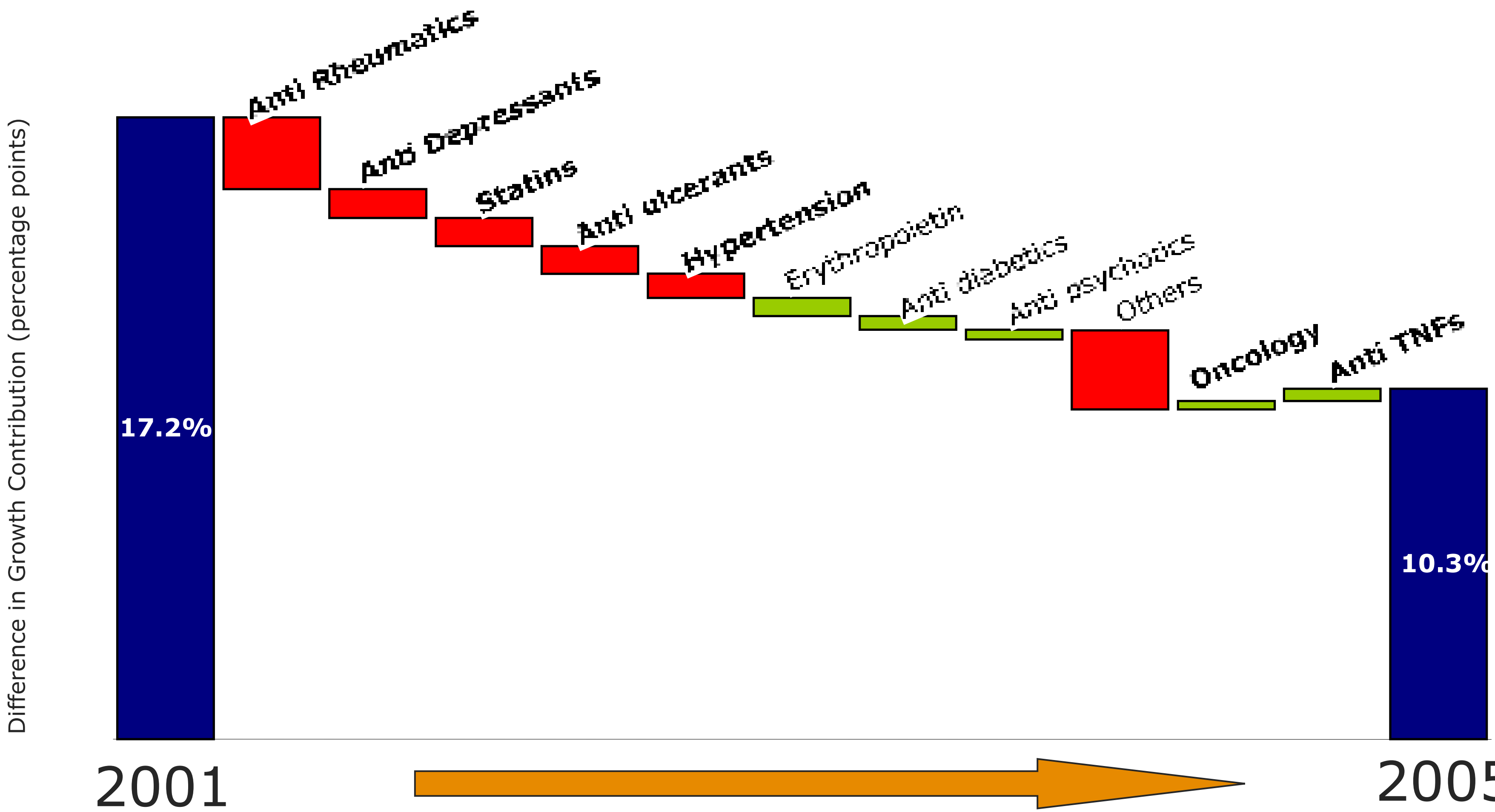
* *Individual segments add to 27 because one product (oblimersen) is both biotech and oncology*

Source: IMS Health: R&D Focus, MI team analysis, October 2005.

Impact of trend towards specialist initiated

- Sales and marketing approaches in Primay care to be reappraised.
  - Sales force sizes: Pfizer and MSD downsized sales forces in primary care in 2005 and likely to continue in 2006
  - Marketing in specialist initiated more dependent on opinion leaders and long term commitment to label extension and expansion programme
- Payors starting to turn attention to specialist driven market for cost containment (cost benefit metrics to play larger role)
- Use of alternative channels (homecare -Enbrel & Humira; hospital outpatient clinics offering dispensing;mail order;specialty pharmacies)

But Protected brands contributing less growth in primary care therapy areas: even in some specialist driven markets



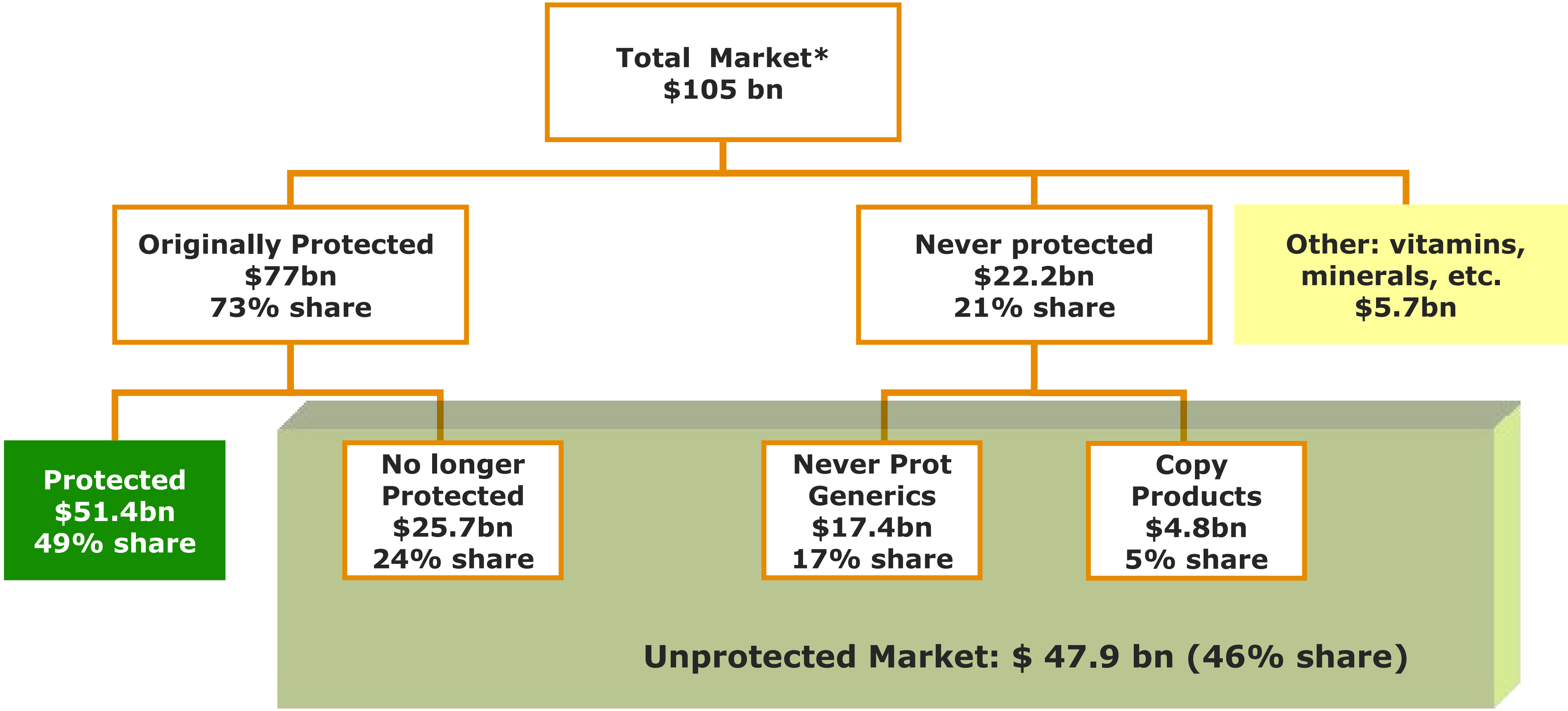
Source: IMS Health: MIDAS, MAT June 2005 (US, Japan, Germany, France, UK, Italy and Canada)

Agenda

- Pharmaceutical market growth
- Growth dynamics
  - Emergence of specialist driven markets
  - Generic impact
- Players Performance
- Future Market Outlook

Understanding market dynamics in top 5 Europe

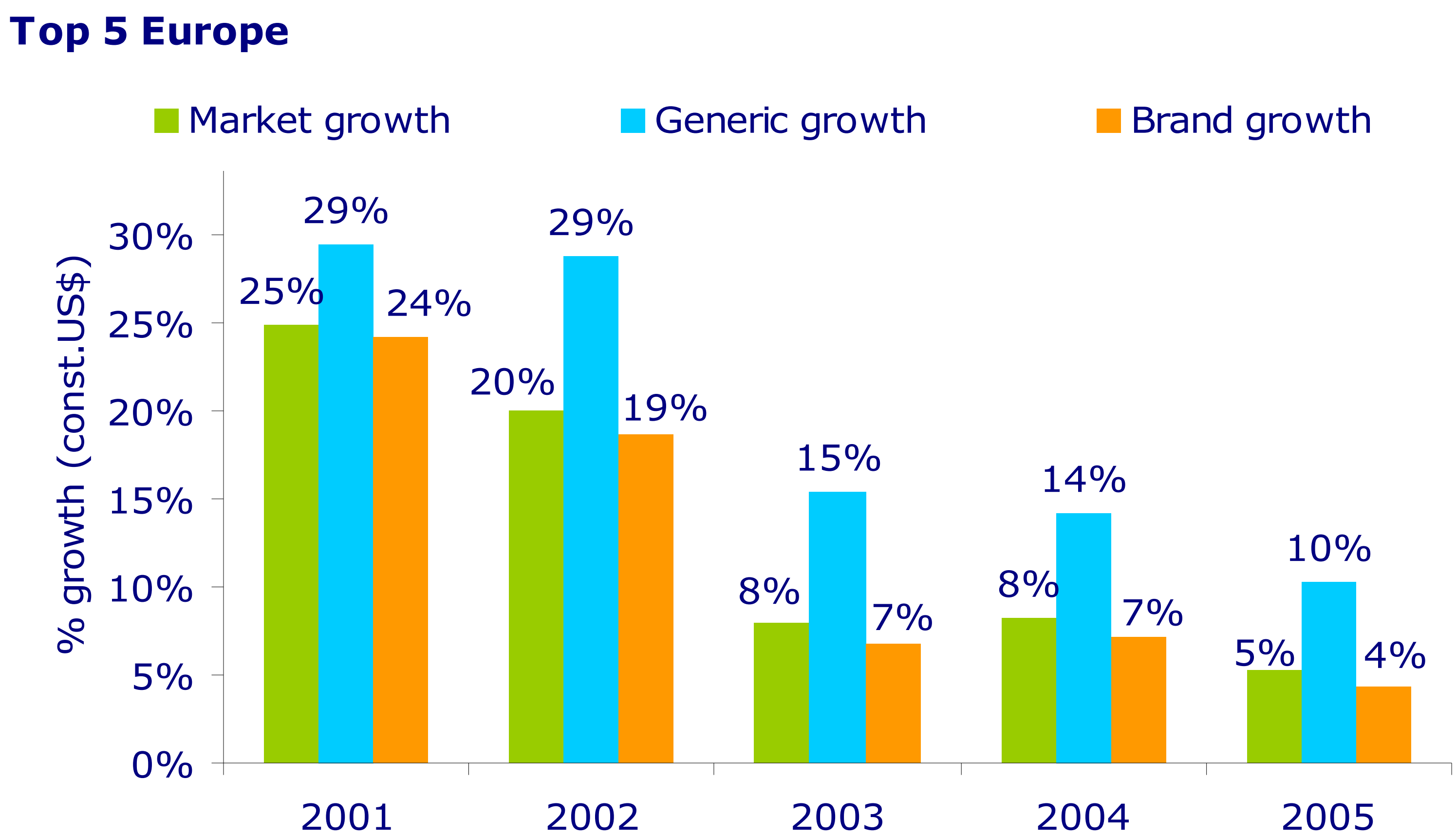
Still protected segment holds 49% of value



Source MIDAS New Market Segmentation Feature, MAT Q3/2005, France, Germany, Italy, Spain, Japan, UK.
(*) excludes non Rx-bound

$bn ex-manufacturer prices

Generics continue showing double digit growth
Low original brand growth affects total market

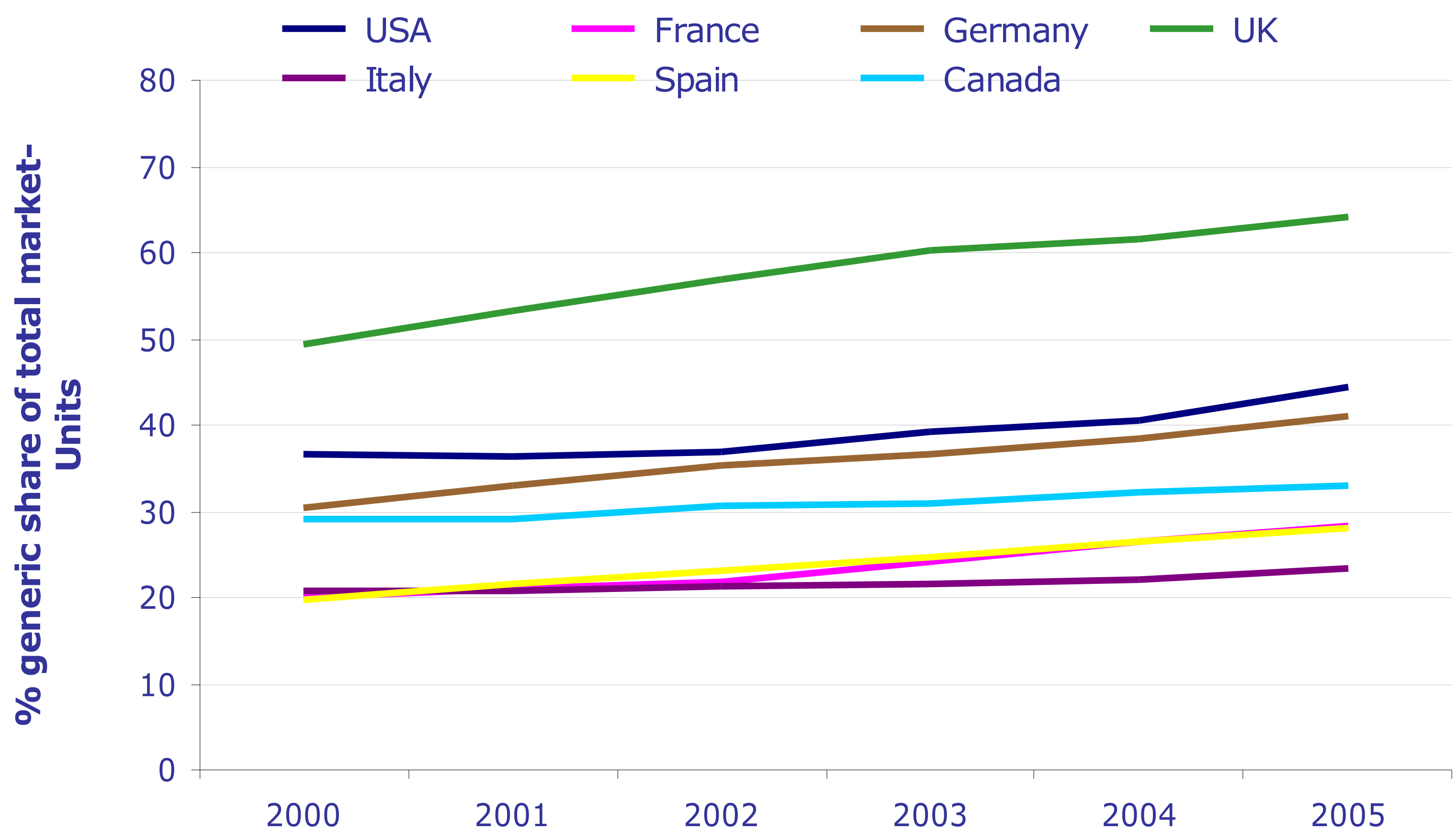


Source: IMS MIDAS New Market Segmentation Feature – PREVIEW.Rx bound ethical market

Preview

… as well as in volume

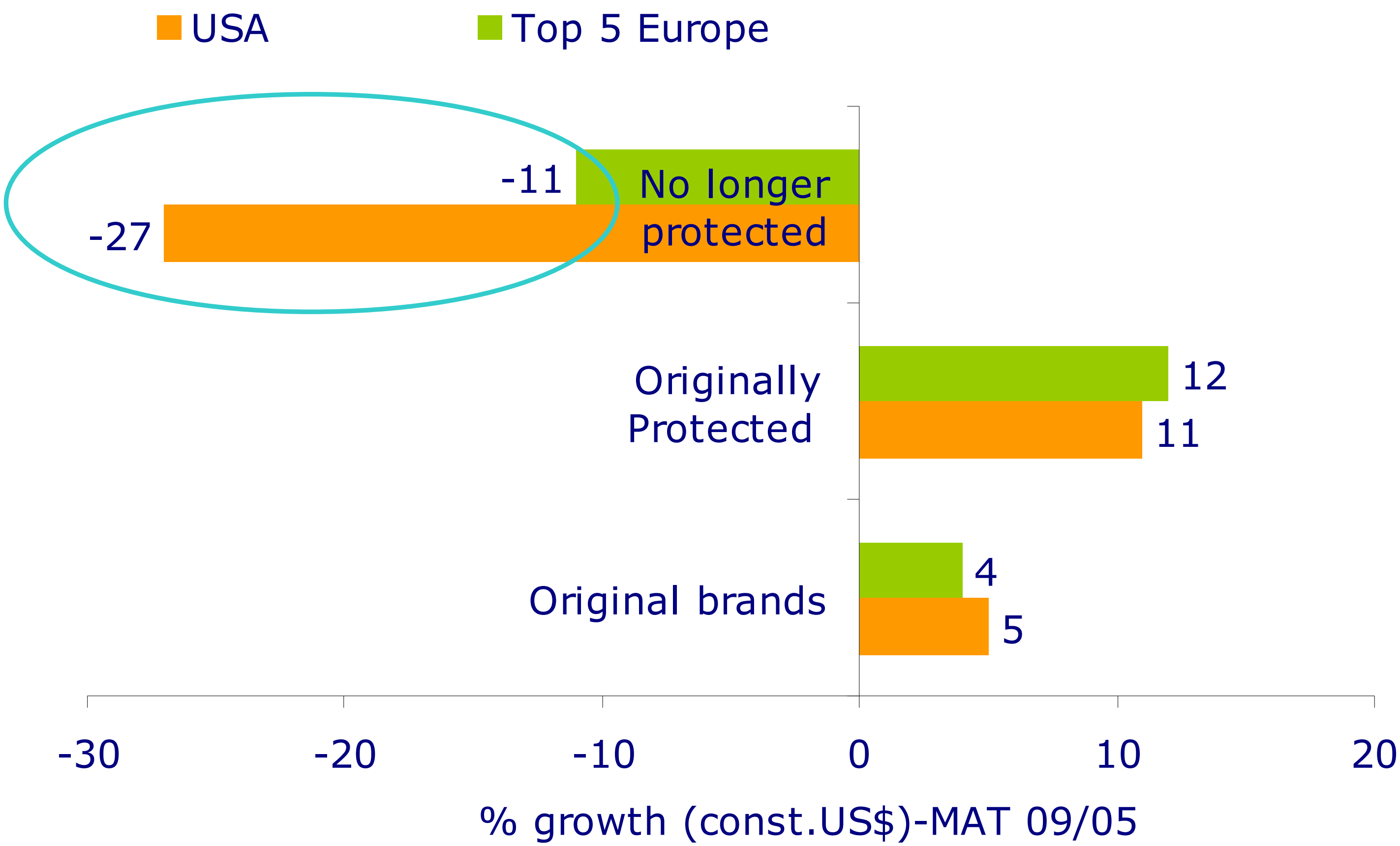
Generic share increase from 18% in ’01 to 20% in ’05 (units)(*)



(*) top 7 markets

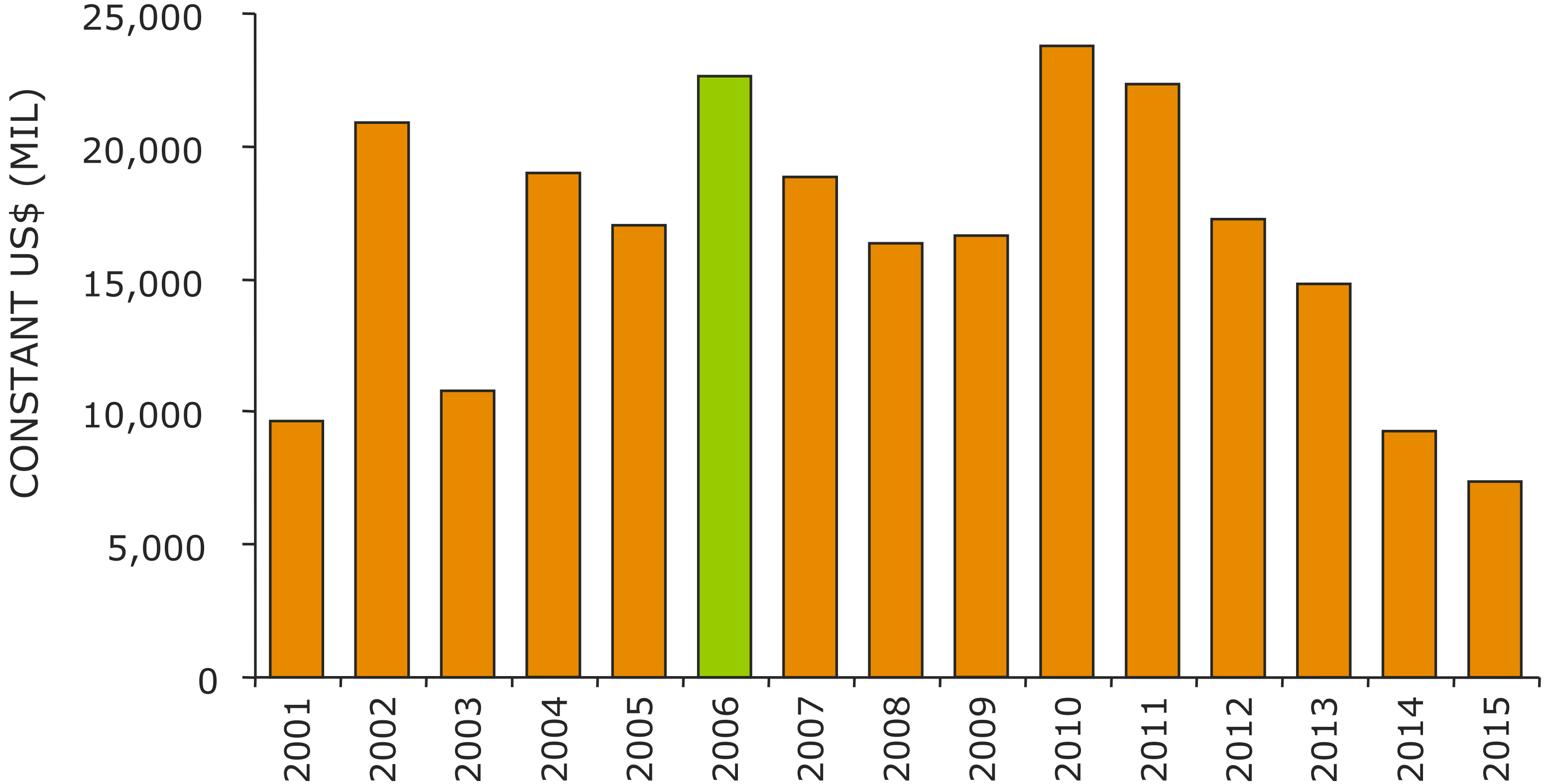
Source: IMS MIDAS New Market Segmentation Feature – PREVIEW. Rx bound ethical market

Impact on no longer protected original brand sales
Stronger decline in USA than top 5 Europe



Source: IMS MIDAS New Market Segmentation Feature – PREVIEW. Rx bound ethical market

2006 is biggest year yet for patent expiries with $23B at risk- $18B in USA

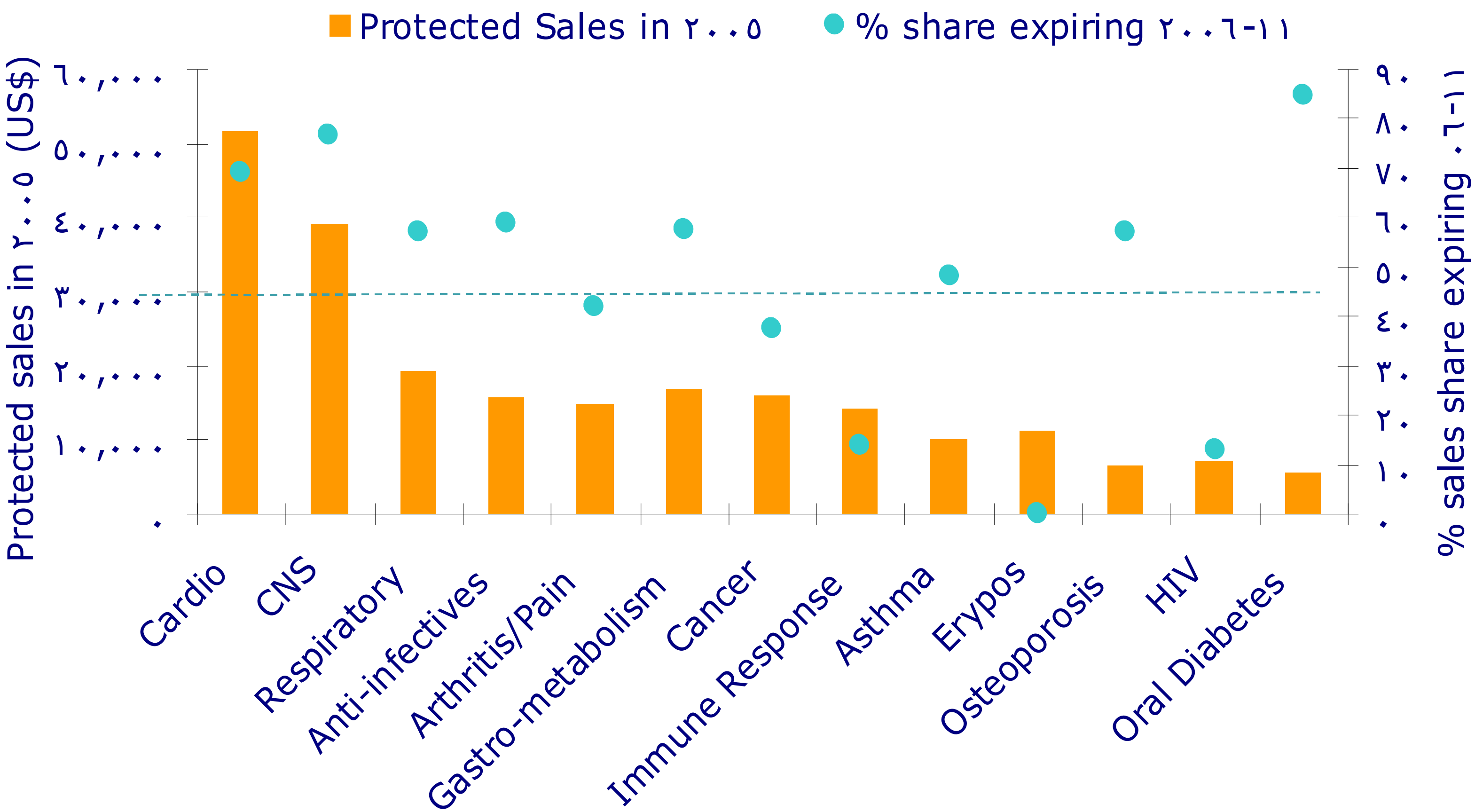


2006 (USA)
Zocor
Stilnox
Proscar
Pravachol
Lamisil
Flixonase

*Sales for patent expiries 2001-2004 are based on prior calendar year and 8 key markets

Source: IMS Health Consulting; Market Insights Team 2005

Generic Exposure in Strategic Classes from 2006-11
US$123-135 Bill in sales at risk



Source: IMS New Generic Midas-Preview- Rx bound ethical market

Biosimilars Expected to Enter Strategic Markets in Europe by or before 2008 but will need branding and monitoring

Omnitrope was launched in Australia at 25% discount

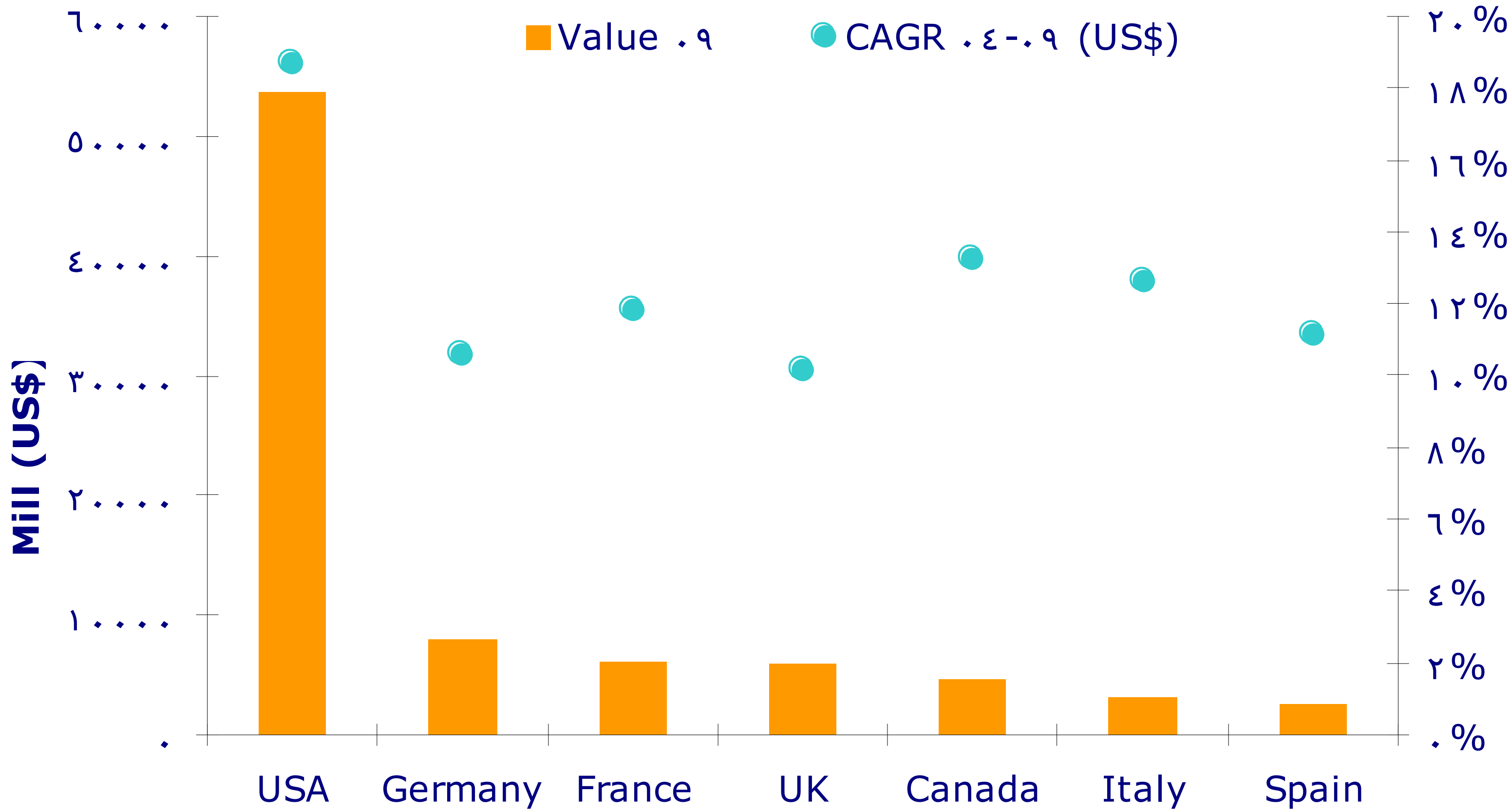
BIOGENERICS | **FOLLOW-ON BIOLOGICS** | **BIOSIMILARS** | **COMPARABLE BIOLOGICS**

- USA may wait until 2010
- Europe ‘approvable’ for omnitrope
- Biosimilars already being marketed in Poland, China, E. Europe, India and S. America
- Payors have demonstrated their intent to contain diabetes costs
- R+D players may launch biogeneric brands
- Key players include Sandoz and Teva

Top 7 markets

Generics Market to grow at 14-17% CAGR to 09 (US$)(*)

By 2009, generics will achieve 18% share in value



(*) forecasts currently under review

Agenda

- Pharmaceutical market growth
- Growth dynamics
  - Emergence of specialist driven markets
  - Generic impact
- Players Performance
- Future Market Outlook

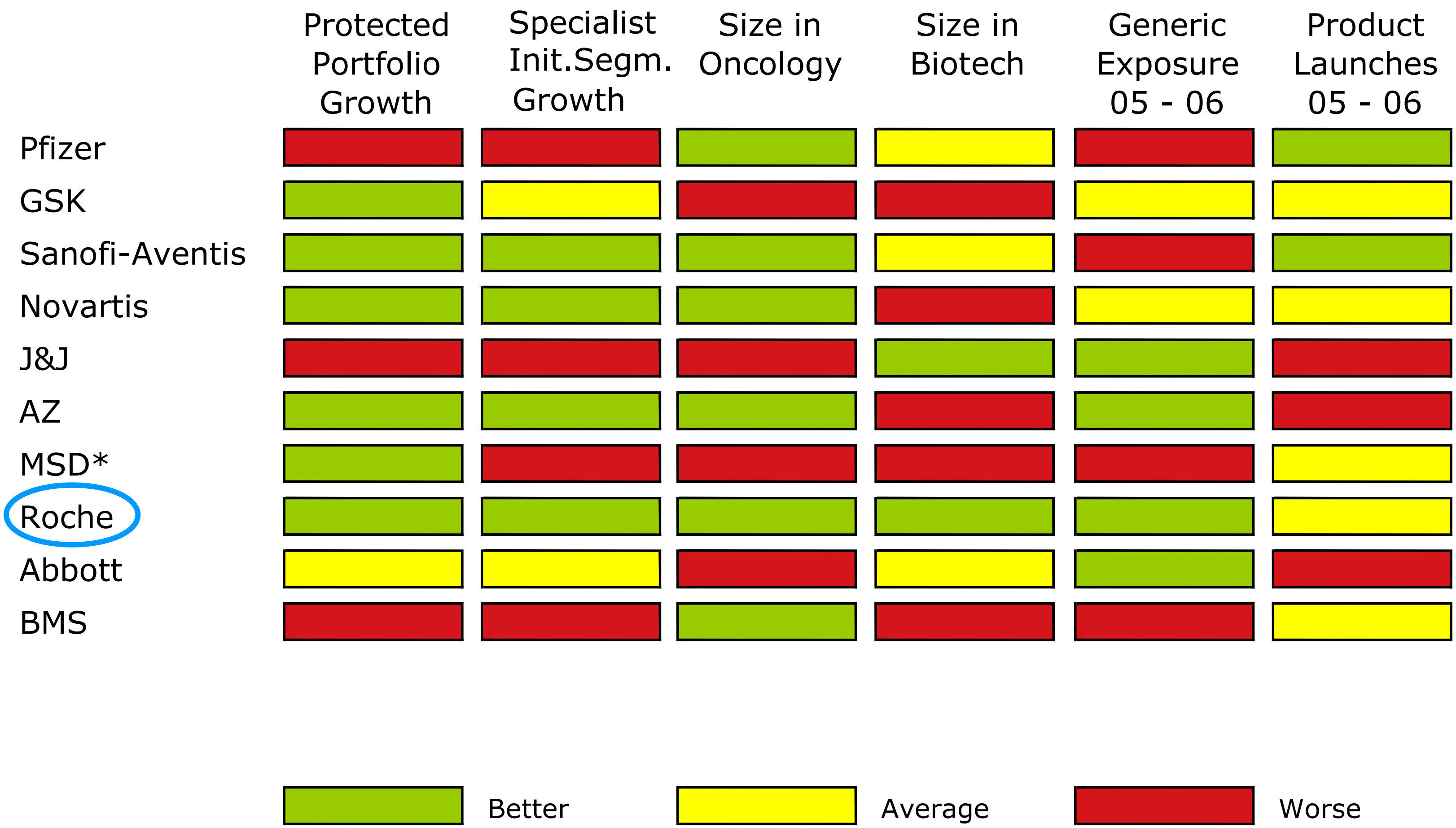
Global: Half of Top Corporations Struggling

Rank		US $Mil MAT Sept 2005	% Market Share 2005	% Growth Constant $ 2005	% Growth Constant $ CAGR 00-04
	Global	558.0	100.0	6.8	10.1
1	Pfizer	49.0	8.8	-4.7	11.1
2	GlaxoSmithKline	34.4	6.2	4.2	7.7
3	Sanofi-Aventis	30.0	5.4	9.5	13.0
4	Novartis	27.9	5.0	10.1	13.4
5	Johnson & Johnson	25.5	4.6	2.4	16.1
6	AstraZeneca	23.7	4.3	9.7	8.3
7	Merck & Co	23.2	4.2	-5.8	10.4
8	Roche	19.1	3.4	14.1	10.2
9	Abbott	15.5	2.8	9.8	10.3
10	Bristol-Myers Sqb.	14.9	2.7	-7.4	2.1
	Top 10	263.2	47.2	3.1	10.4

***Key:** growth below Worldwide; negative growth

Source: IMS Health: MIDAS, MAT Sept 2005

Global: Corporate Positioning for Growth: Roche Best Positioned For Sustained Superior Growth



Source: IMS Health Consulting

*Merck excluding Vioxx

Europe: among top 10, corps with strong presence in specialist segment show above market growth

Rank		US $Mil MAT June 2005	% Market Share 2005	% Growth Constant $ 2005	% Growth Constant $ CAGR 00-04
	Europe	163,970	100.0	6.7	9.0
1	Sanofi-Aventis	13,428	8.2	7.0	9.0
2	Pfizer	11,510	7.0	-2.0	11.0
3	Novartis	10,237	6.2	10.8	12.0
4	GlaxoSmithKline	9,454	5.8	2.7	4.0
5	AstraZeneca	7,360	4.5	4.9	7.0
6	Roche	6,060	3.7	8.2	10.0
7	Merck & Co	5,121	3.1	-11.0	8.0
8	Johnson & Johnson	4,772	2.9	9.3	12.0
9	Wyeth	3,795	2.3	9.6	15.0
10	Bristol-Myers Sqb.	3,651	2.2	-6.6	4.0
	Top 10				

***Key:** growth below Europe; negative growth

Source: IMS Health: MIDAS, MAT Sept 2005

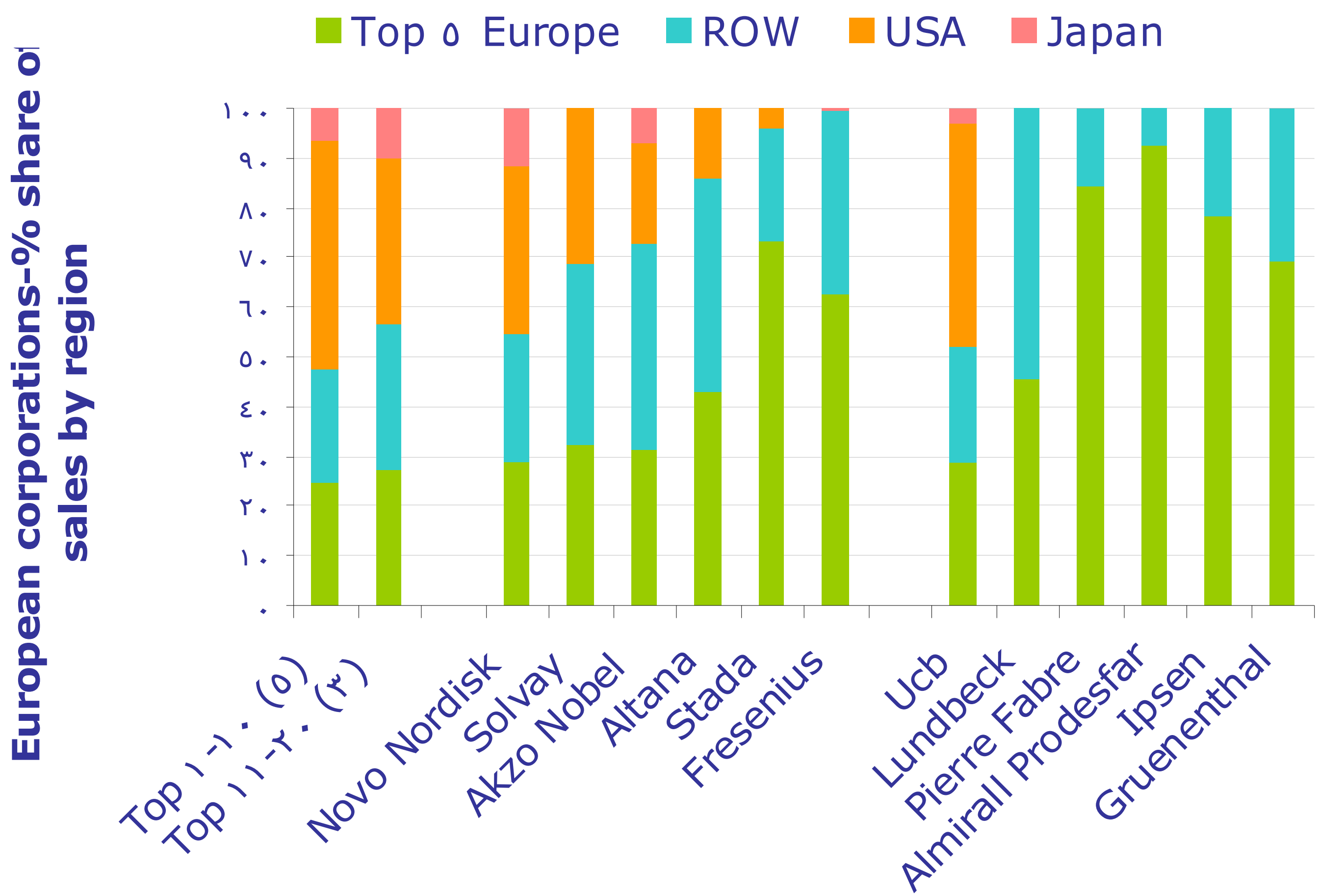
Europe: 7 out of 11-20 corps show above average growth

Rank		US $Bil MAT June 2005	% Market Share 2005	% Growth Constant $ 2005	% Growth Constant $ CAGR 00-04
	Europe	163,970	100.0	6.7	9.0
11	Lilly	3,361	2.0	5.9	11.0
12	Boehringer Ingel	2,978	1.8	13.5	10.0
13	Bayer	2,873	1.8	6.4	0.0
14	Abbott	2,750	1.7	9.6	8.0
15	Servier	2,565	1.6	12.2	12.0
16	Schering Plough	2,456	1.5	7.2	12.0
17	Ratiopharm	2,398	1.5	12.8	20.0
18	Merck KGAA	2,374	1.4	14.5	13.0
19	Schering AG	2,294	1.4	5.4	9.0
20	Menarini	2,234	1.4	10.4	12.0
	Top 20				

***Key:** growth below Europe; negative growth

Source: IMS Health: MIDAS, MAT Sept 2005

Corporations of European origin in top 20-40: 8 out of 12 still rely for over 40% of sales on top 5 Europe



Source: IMS Health: MIDAS, MAT Sept 2005

Top 10 corps in Greece: ranking close to European profile

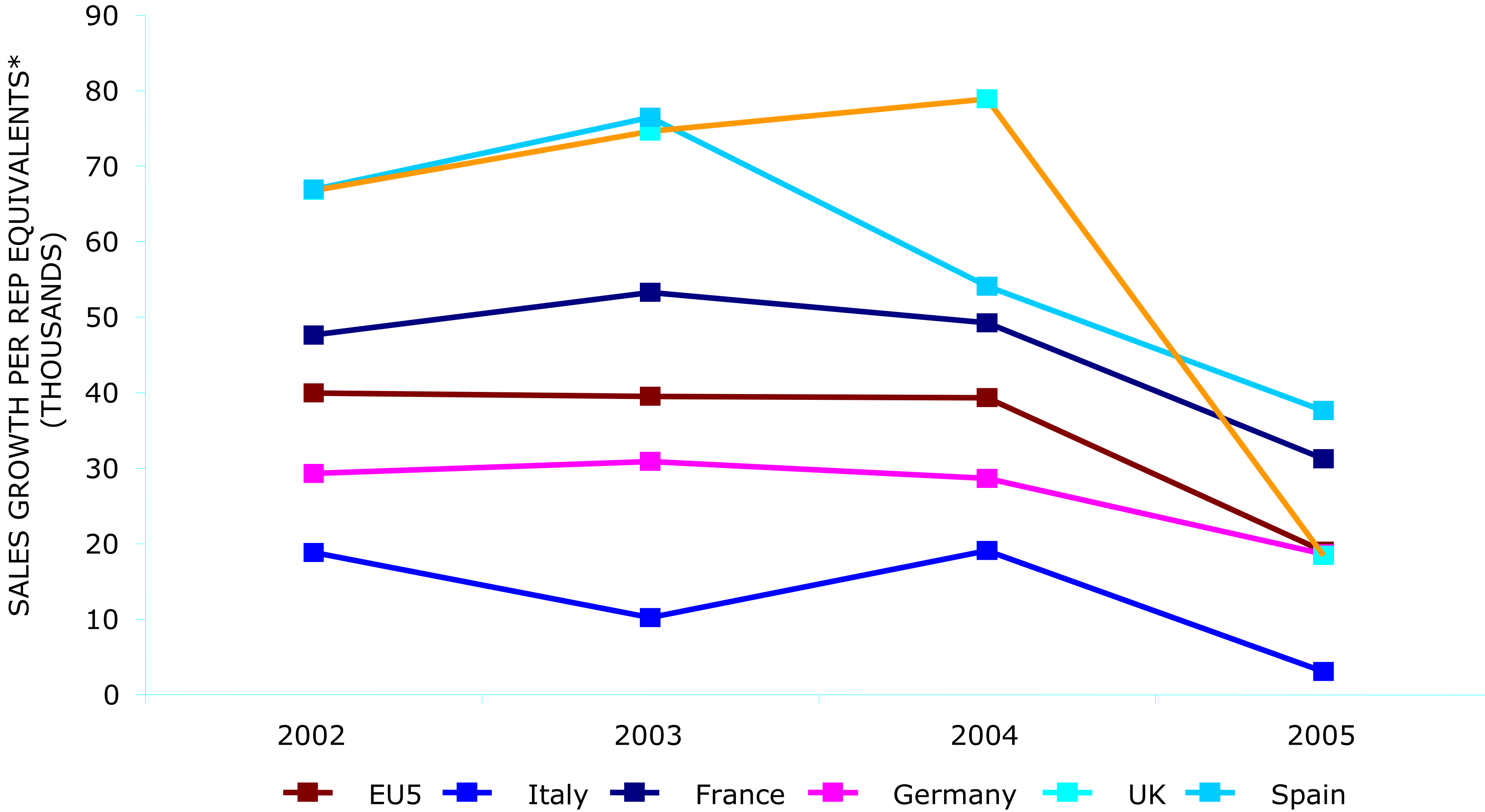
Sales to MAT 9/05

	Corp ranking in Greece	Corp ranking in Europe
Pfizer	1	2
Sanofi-Aventis	2	1
Novartis	3	3
Glaxosmithkline	4	4
Astrazeneca	5	5
Merck & Co	6	7
Lilly	7	11
Boehringer Ingel	8	12
Johnson & Johnson	9	8
Bristol-Myers Sqb.	10	10

In a single digit growth primary care environment, corporations have to focus on drivers and optimise their promotional mix

- All possible points of differentiation and leverage must be exploited to increase the effectiveness of stretched promotional resource
- This means leveraging
  - Clinical trials
  - Patient segmentation and well as prescriber segmentation
  - Effective messaging
  - New channels and programs
  - Customer synergies

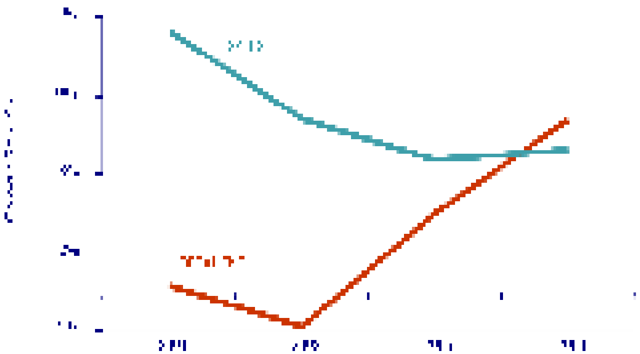
Overall, sales productivity is in decline in the retail sector



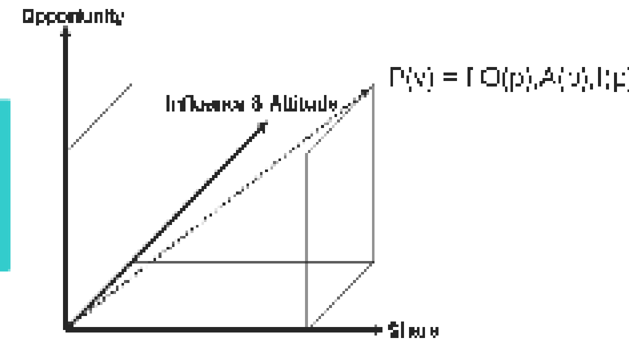
Source: IMS Generics Database Periods MAT ending Sept Protected ethical/non-specialist market only. *Rep Equ = Total Mkt Details/(Total Mkt Details/Est Total Number of Reps in a Market)

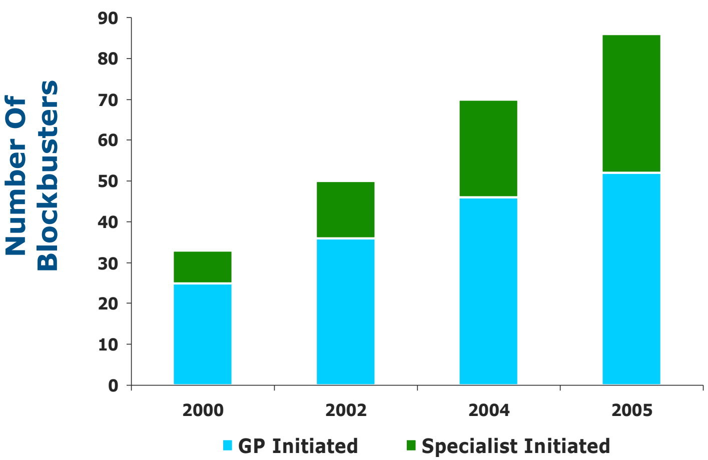
The challenges in Sales Force Effectiveness are driving change towards precision marketing

Improve Return on Detailing

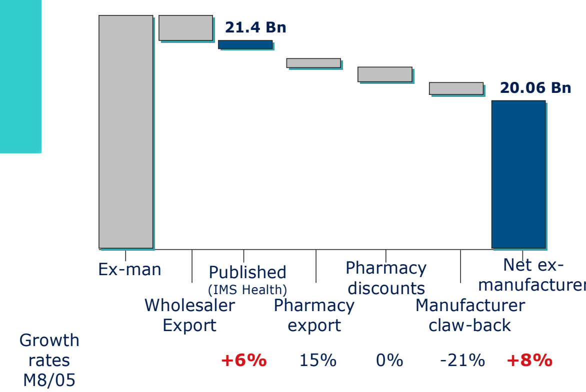


Understand Attitudes & Influence on Prescribers

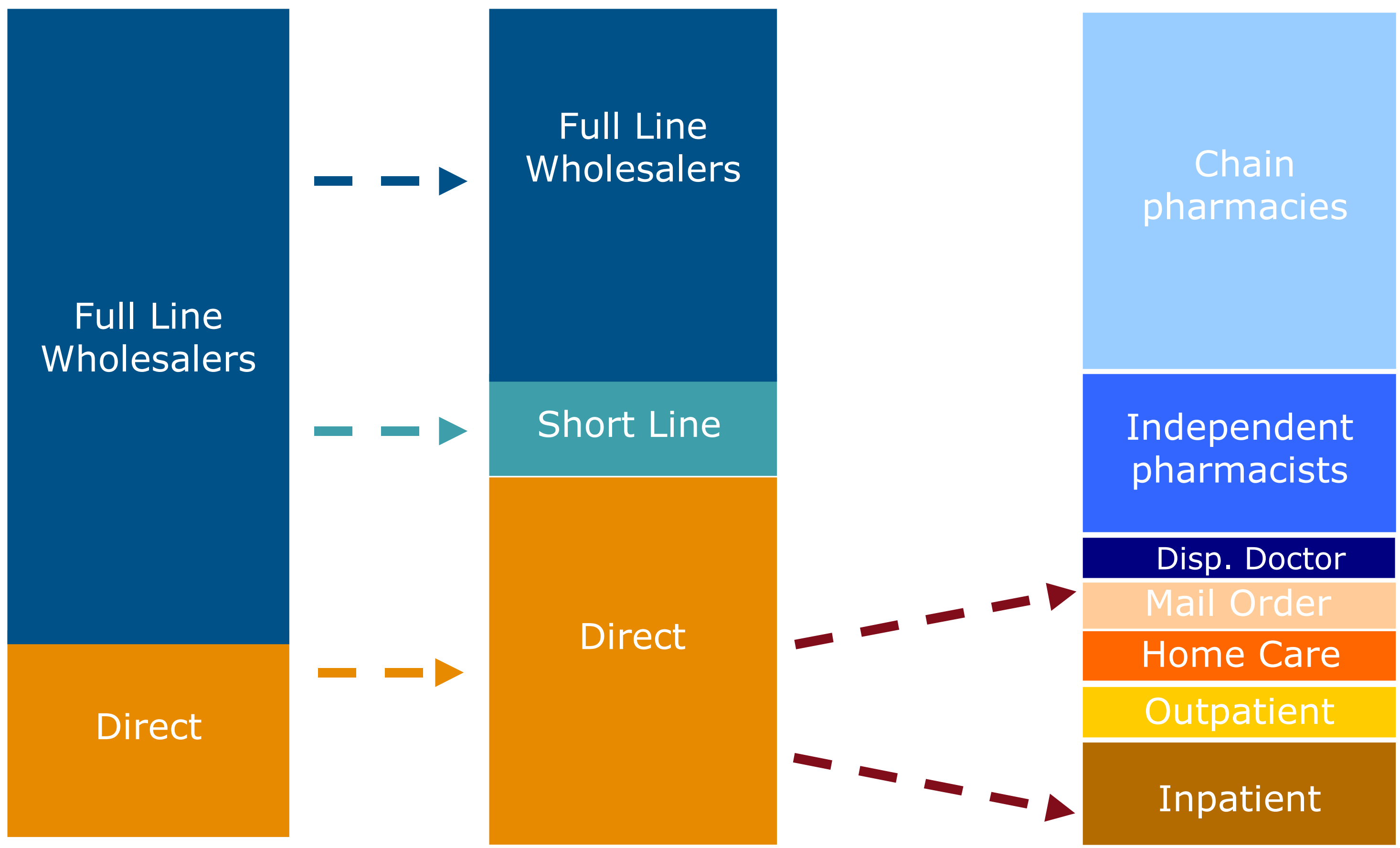




Manage Supply Chain Complexity



Manufacturers are leveraging emerging channels



Source: IMS Health Consulting

Agenda

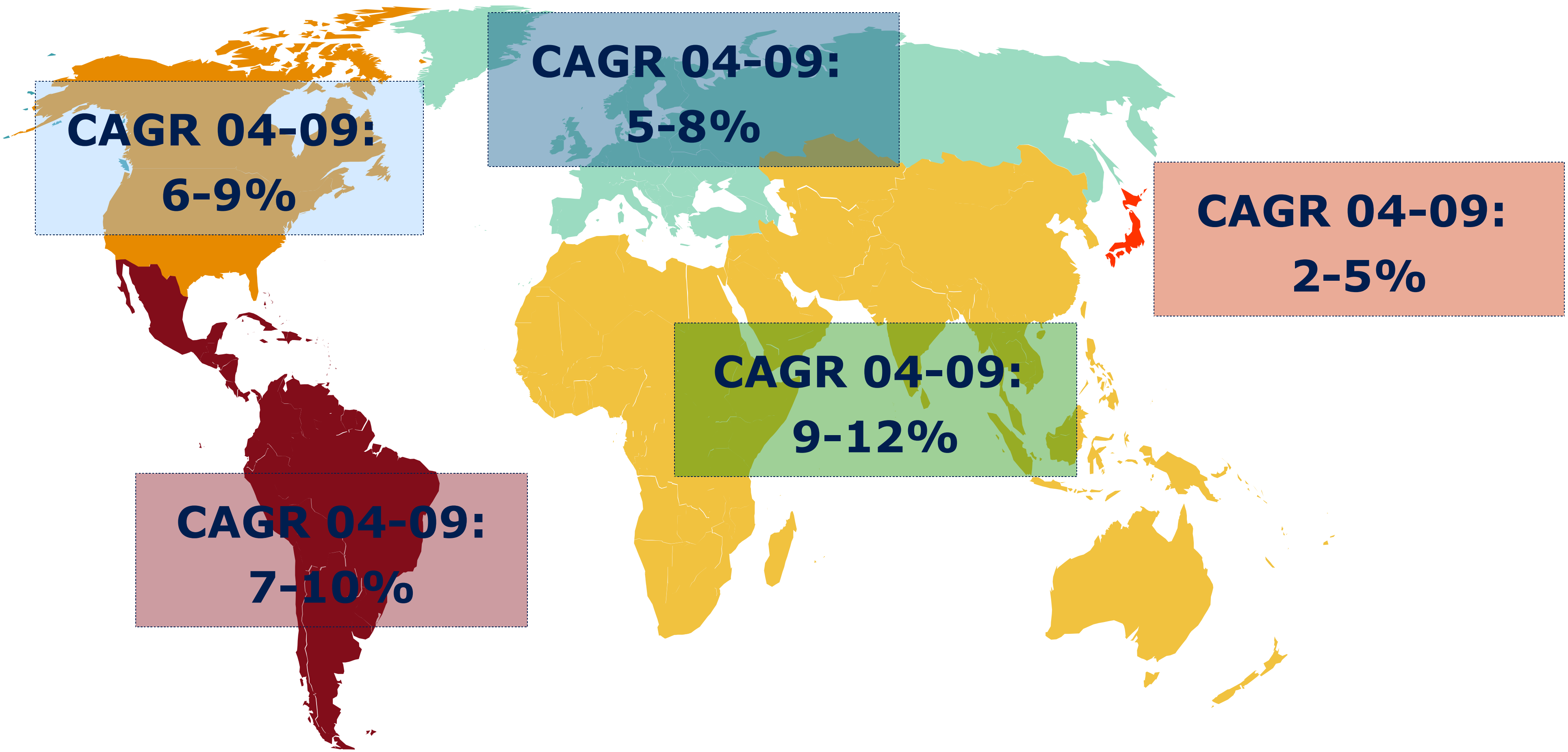
- Pharmaceutical market growth
- Growth dynamics
  - Emergence of specialist driven markets
  - Generic impact
- Players Performance
- Future Market Outlook

Pivotal Events to 2009

- **Governments continue to emphasize cost-effectiveness**
- **Annual price increases** in the USA lessen
- **Cost benefit Assessors** (with NICE as a model) in all key countries
- **Wholesalers to roll out new service model** to counter plans by major pharma to sell direct
- **EMA to lead FDA** in introducing protocols for the introduction of **'follow on proteins'**
- **New channels**, especially home care/delivery will grow in support of increased IV delivery allowing closer links to patients
- **Industry consolidation** will involve further concentration among generics companies, and mergers with wholesalers:
- **Russia/China/Turkey** will continue to grow strongly

Source: IMS Market Prognosis International September 2005 Update

Global growth: steady but unspectacular
CAGR 04-09: 5-8%



Source: IMS Market Prognosis Sept 2005 update

Top 10 markets 2009: Turkey joins China in top 10

USA	1
Japan	2
Germany	3
France	4
UK	5
Italy	6
China	7
Spain	8
Canada	9
Turkey	10

- Almost 80% of global pharma market
- USA increasing its dominance
- China stepping up the ladder

Source: IMS Market Prognosis Global 2005

IMS expects oncology to be worth $55 bil by 2009

Therapy Class	2004 Bil. Const. US$
Statins	27
Oncology	24
Proton Pump Inhibs	22
Antidepressants	21
Antipsychotics	14
Angiotension II Inhibitors	12
Erythropoeitin Prods	12
Anti-epileptics	11
Oral Antidiabetics	10
Osteoporosis	9

Therapy Class	2009 Bil. Const. US$
Oncology	55
Statins	38
Antidepressants	26
Proton Pump Inhibs	26
Angiotension II Inhibitors	24
Antipsychotics	20
Platelet Aggr. Inhibitors	18
Erythropoeitin Prods	18
Osteoporosis	16
Anti-epileptics	15

 Source: IMS Health: MIDAS, MAT Dec 2004; Therapy Forecaster 2005

Thank You

Graham Lewis
Vice president IMS Health
Global Pharma Strategy

glewis@uk.imshealth.com