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Germany

- Population of around 82 Mn – Almost stagnant
- Rapidly aging population
- More than 90% of Citizens are covered by health insurance - Mandatory health coverage
- Health care cost is around 10.4% of Germany's GDP
- Insurance premium contributions from declining number of active workers could soon be insufficient to cover the cost of care for retirees
- Germany is more proactive in seeking new ways to control costs
- Reference prices introduced in 2006 for systematic price reduction
- Patient has to co-pay if it wants to take a higher priced medicine
- Portfolio rebate contracts between companies and sick funds
- Generics are soft targets for cost savings due to high level of competition
- Cost containment has led to introduction of tenders (molecule contracts)

Innovator strategies to reduce Generic penetration

- Doctor’s aut-idem crosses – Pharmacy cannot substitute
- Innovator enters rebate contracts with sick funds – to avoid substitution to cheaper generics
- Try to win tenders either by themselves or their generic subsidiaries

Tenders

- Dosage forms other than oral solids also part of some of the tenders (eg Ondansetron IV, Tilidin Naloxon liquid)
- Co-therapy oncology products also part of the tenders (eg Bicalutamide, Granisetron)
- Sick funds are moving towards consolidation – forming groups for introducing tenders
- Cheapest price is the only criteria for winning tenders - No qualitative criteria
- Companies losing tender with one sick fund are bidding aggressively in subsequent tenders
- Sick funds are introducing follow-on tenders to cover almost all their high value generic products
- Market is moving towards consolidation. Few players winning tenders

Market Shares – In Total Market

By Volume	Apr-09	Jul-09	Okt-09	Jan-10	Apr-10	Jul-10	Okt-10	Jan-11	Feb-11	Mar-11	Apr-11
Hexal	13.0%	11.4%	11.3%	11.0%	10.2%	8.8%	8.6%	7.4%	7.1%	6.9%	7.0%
Ratiopharm	11.1%	9.8%	9.8%	10.1%	9.4%	9.1%	9.2%	9.5%	9.2%	9.1%	9.0%
ALIUD	7.3%	6.1%	6.3%	6.4%	5.8%	5.5%	5.6%	5.8%	5.8%	5.6%	5.3%
1A Pharma	4.2%	5.9%	6.2%	6.5%	6.8%	7.2%	7.5%	8.9%	9.2%	9.3%	9.3%
Winthrop	1.2%	3.5%	3.6%	3.8%	4.3%	5.0%	5.1%	5.2%	5.4%	5.5%	5.5%
Betapharm	2.7%	3.4%	3.3%	3.4%	3.2%	3.5%	3.3%	3.1%	3.0%	3.1%	3.1%
Stadapharm	2.5%	2.6%	2.6%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Mylan Dura	1.8%	1.8%	1.7%	1.7%	1.5%	1.5%	1.4%	1.3%	1.3%	1.3%	1.3%
CT Arzn.	1.8%	1.4%	1.4%	1.6%	1.8%	1.9%	2.0%	2.1%	2.0%	2.0%	2.0%
Sandoz	1.5%	1.3%	1.3%	1.1%	1.0%	0.9%	0.8%	0.7%	0.7%	0.7%	0.7%
ABZ Pharma	0.9%	0.9%	0.8%	0.9%	0.8%	0.8%	0.9%	1.0%	1.0%	1.0%	1.0%
Others	51.8%	52.1%	51.8%	51.0%	52.6%	53.3%	53.2%	52.4%	52.8%	53%	53.3%
Total market – Mn packs	58.1	57.8	60.1	54.3	57.6	57.1	57.9	57.5	55.0	59.9	55.1

- 1A Pharma, Winthrop, betapharm, CT Arzneimittel and ABZ Pharma able to increase market share due to tender winning
- Hexal generally does not participate in Tenders
- Winning Tender is key to increase/maintain market shares
- *Hexal, 1A Pharma and Sandoz are part of Novartis group*
- *Ratiopharm, ABZ and CT are part of Teva group*
- *Aliud and Stadapharm are part of Stada group*

Source: Insight KV/KT Analyzer

Arrows based on 2 Year trend

Market covered by Tenders

Sick fund	MAT HAP – Mn €			MAT Volumes - Mn packs			MS
	Covered by Tender	Total generic market	% covered	Covered by Tender	Total generic market	% covered	
AOK	1,679	2,632	64%	159	212	75%	39%
TK	309	482	64%	29	37	79%	8%
BKK Spectrum	175	497	35%	20	43	48%	8%
BKK GWQ	159	420	38%	17	34	50%	7%
DAK	481	675	71%	42	49	85%	10%
IKK – Classic Plus and Vereinigte IKK	172	280	62%	18	23	75%	4%
KKH Allianz	95	162	59%	9	12	70%	3%
Knappschaft	113	242	47%	12	20	59%	3%
Deutsche BKK	39	89	44%	4	7	60%	1%
Total	**3,223**	**5,479**	**59%**	**309**	**438**	**71%**	
Total Generic Market	6,539			518			
% Covered by tenders	*49%*			*60%*			

Next round of Multiple winner Tenders expected

Next round of Single winner Tenders expected

Source: Insight KV/KT Analyzer and Internal analysis

Generic market is based on internal assumptions

Rebated / Non-rebated sales

Mn €

Company	Rebate status	M 2011.04 Volume Mn Packs	M 2011.04 HAP Sales	Volume % to total	HAP Sales % to total
Hexal	Total	3.9	41.0		
	Rebated	2.4	24.5	61%	60%
	Not Rebated	1.5	16.5	39%	40%
Ratiopharm	Total	5.0	38.1		
	Rebated	3.8	29.1	77%	76%
	Not Rebated	1.1	9.0	23%	24%
1A Pharma	Total	5.1	35.9		
	Rebated	4.4	29.5	87%	82%
	Not Rebated	0.7	6.4	13%	18%
Winthrop	Total	3.0	20.6		
	Rebated	2.8	17.7	94%	86%
	Not Rebated	0.2	2.9	6%	14%
Aliud	Total	2.9	19.7		
	Rebated	2.4	16.1	81%	82%
	Not Rebated	0.6	3.6	19%	18%
Stadapharm	Total	1.4	12.7		
	Rebated	1.0	9.4	75%	74%
	Not Rebated	0.3	3.4	25%	26%
Betapharm	Total	1.7	10.8		
	Rebated	1.5	8.8	89%	82%
	Not Rebated	0.2	1.9	11%	18%

Only 6% of Winthrop’s volumes are non-rebated

Only 13% of 1A Pharma’s volumes are non-rebated

39% of Hexal’s volumes are non-rebated

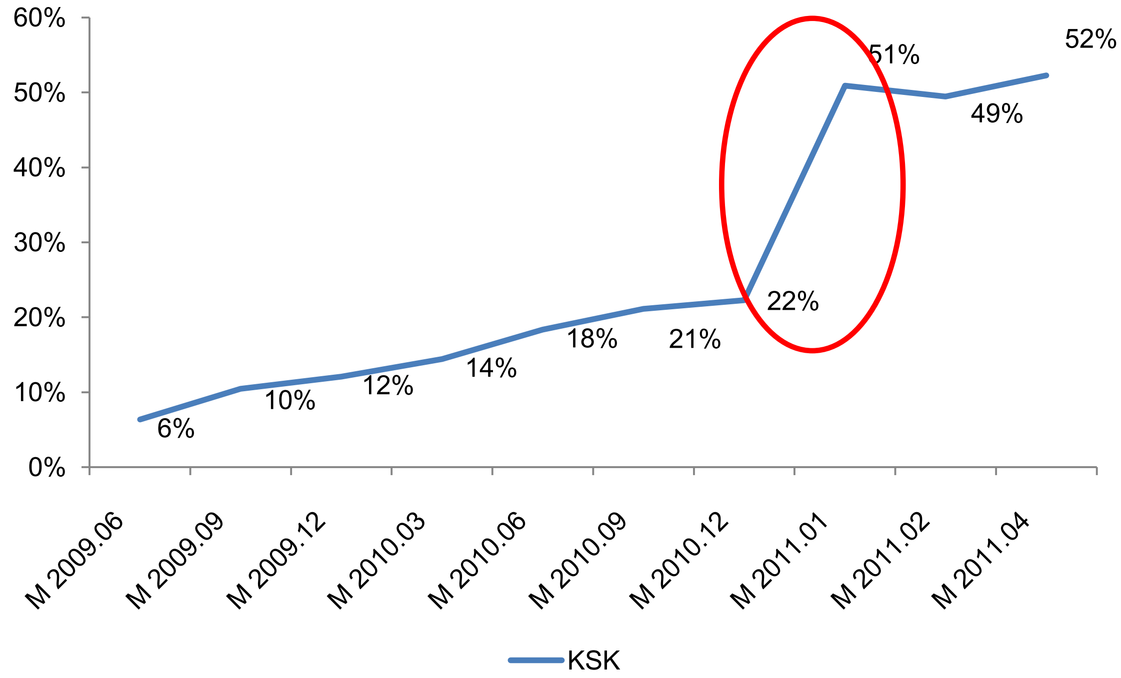
“Rebated” means sales driven by winning tenders and portfolio contracts

Source: Insight KV/KT Analyzer

Omeprazole in AOK – Increase in Tender Efficiency

Tender start – June 2009

Impact of AMNOG on pack size issues



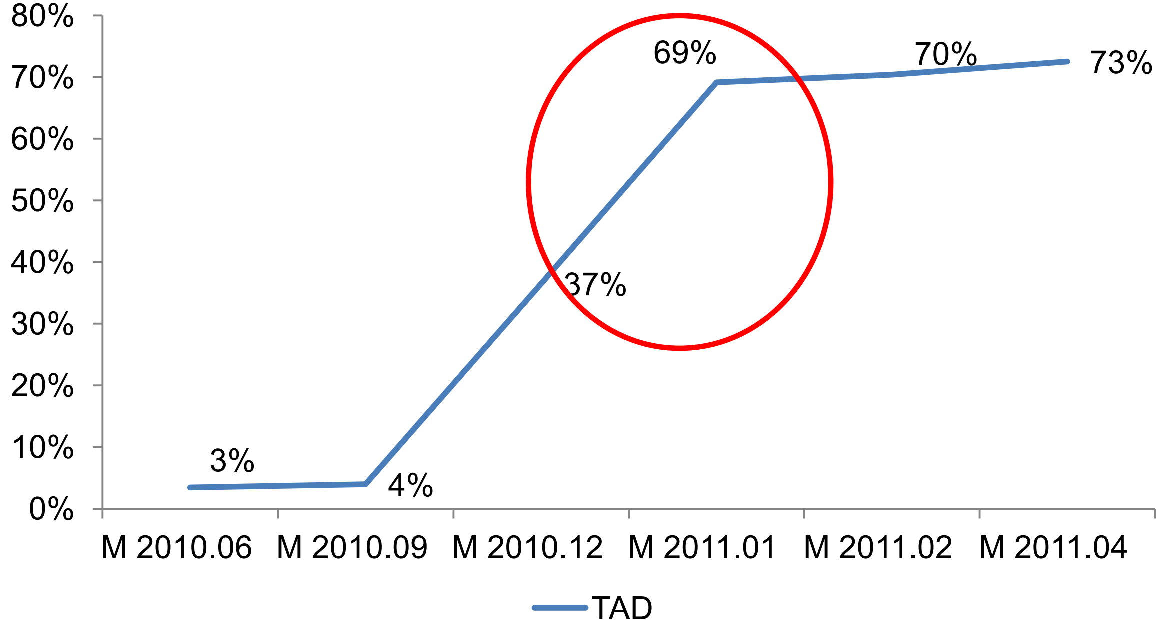
KSK is the winner of Omeprazole in AOK. Increase in Tender efficiency due to AMNOG

Tender efficiency - % volumes sold by the tender winner

Clopidogrel in AOK – Increase in Tender Efficiency

Tender start – Oct 2010

Impact of AMNOG on Indication issues



TAD is the winner of Clopidogrel in AOK. Increase in Tender efficiency due to AMNOG

Tender efficiency - % volumes sold by the tender winner

Tender efficiencies for a few products in April 11

Single winner | Multiple winner

Product	AOK	TK	DAK	KKH Allianz	Deutsche BKK
Simvastatin	87%	85%	87%	87%	82%
Ramipril	86%	82%	85%	84%	86%
Ramipril HCT	83%	79%	77%	75%	87%
Alendronate	81%	67%	73%	73%	79%
Amlodipine	82%	79%	78%	82%	82%
Bisoprolol	70%	84%	85%	78%	83%
Lisinopril	82%	78%	80%	79%	80%

- Tender efficiencies are high for most of the products
- Tender efficiencies reaching 85% plus levels

Tender efficiency - % volumes sold by the tender winner

No. of Tenders running concurrently

Sick fund	Market share	No. of Tenders running currently
AOK	39%	3
BARMER GEK	13%	None
DAK	10%	3
TK	8%	2
Spectrum k	8%	2
GWQ	7%	1
Others	4%	None
Knappschaft	3%	1
KKH Allianz	3%	2
IKK Classic	2%	2
Vereinigte IKK	2%	1
DEUTSCHE BKK	1%	1
Total	100%	

New DAK to start from Oct 11

New TK to start from Feb 12

New GWQ to start from July 11

New IKK to start from Nov 11

New Deutsche BKK to start from Aug 11

Multiple winner

Single winner

1st Tender was single winner

Recent patent expiry products in Tender

API	Patent expiry	Tenders	Total market – HAP sales – MAT April 2011 – Euro Mn	
Anastrazole	Feb 2011	DAK – Oct 2011 onwards TK – Feb 2012 onwards Deutsche BKK – Aug 2011 onwards Vereinigte IKK – Nov 11 onwards	103	21% MS
Pramipexol	Dec 2010	TK – Feb 2012 onwards Deutsche BKK – Aug 2011 onwards Vereinigte IKK – Nov 11 onwards	147	11% MS

- These products could be part of the AOK Tender which starts on 1.4.2012 – Tender announcement expected next month
- Short window of opportunity for generic companies
- Critical to launch products on Day-1

Factors impacting market share in Multiple winner tenders

- Tender efficiencies are high for smaller sick funds also
- AOK winners have a high market share in multiple winner tenders
- Companies with high historical market shares have an advantage
- Market share of co-winners at a total market level

Disadvantages of Tenders

- Difficult times for the Generics industry
- Generics companies may not be willing to develop new products – will lead to reduced Genericization and reduced savings on patent expiry
- Employees losing Jobs – Indirect strain on the Economy
- Patient is forced to take the tender winner's product – No choice
- Products lost consistently are being withdrawn from the market by some companies
- Supply risk for the product in case of sudden surge in demand

Tenders – Key strategies for winning

- Vertical integration – Own API, Own manufacturing
- Increasing volume coverage – Having all key SKUs in portfolio
- Aggressive participation in tenders
- Consistently win products in single winner tenders and leverage by winning in multiple winner tenders
- Strategic partnerships with contract manufacturers / licensing partners
- Evaluating need for Joint bidding with other companies
- Fulfilling extensive documentation requirements of Sick funds. Thorough due diligence by the team to ensure completeness and correctness

Betapharm structure

- Restructured the organization - No Doctor‵s and Pharmacy sales force
- Lean organization
- Tender Management Team put in place
- Robust Supply Chain Management Team for handling high volumes

Thank You