



Pharmaceutical Industry in LATAM

March 2021

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Regional Overview: The pharma industry in Latin America



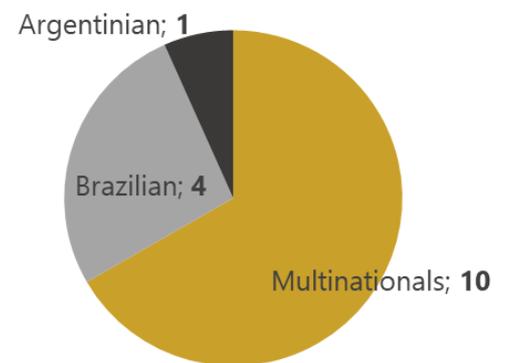
Market share and evolution

Latin America represents between 10% and 15% of the global pharmaceutical sales as FIFARMA states. Moreover, the pharmaceutical industry in LATAM employs more than 250.000 people.

Actual indicators suggest that the pharmaceutical industry's market in Latin America is in a phase of significant expansion. According to Global Health Intelligence (June 2018), recent forecasts state that the annual growth rate of the market would be 9.3% between 2018 and 2023.

15 biggest companies operating in LATAM

Regarding the information published by Close-Up International (October 2020), almost 40% of the pharmaceutical companies' sales that operate in Latin American is concentrated in the biggest 15 pharmaceutical companies.



Source: Close-Up International

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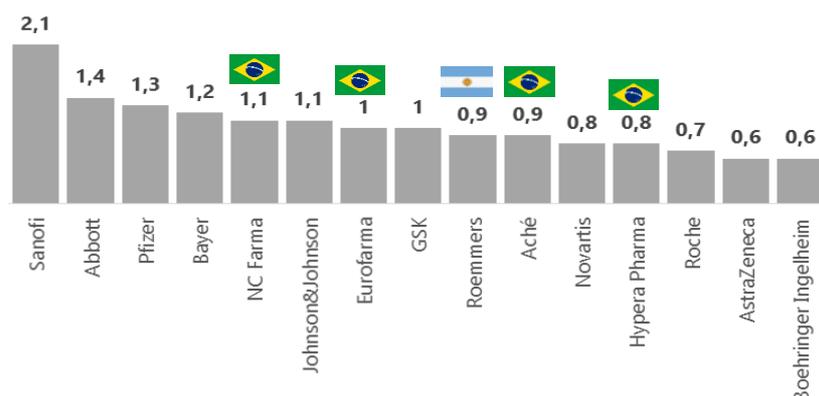
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Sales of 15 biggest pharmaceutical companies operating in LATAM (in USD billion)



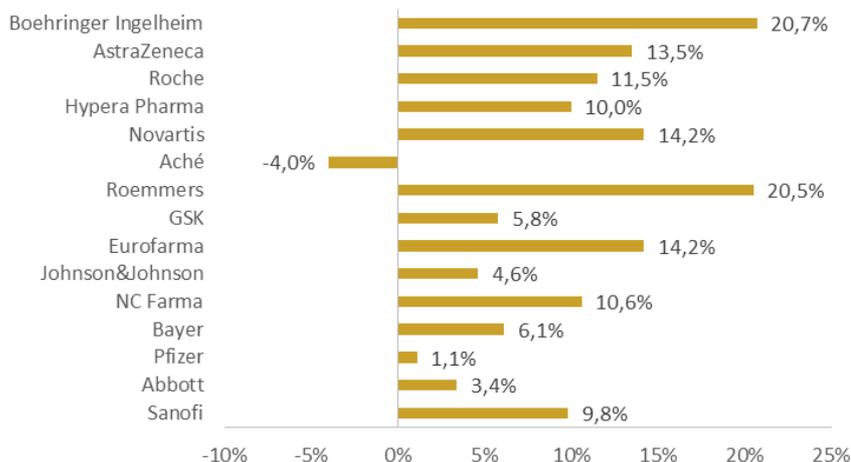
Source: Close-Up International

Annual sales of the 15 biggest pharmaceutical companies operating in LATAM sum USD 15.5 billion, being USD 2.1 billion the highest record and USD 0.6 billion the lowest one. As it is shown in the figure above, 30.3% of the 15 biggest pharmaceutical companies operating in LATAM correspond to Latin-American companies.



Regarding the evolution of sales in the last year (Jan-Oct-19/Jan-Oct-20), sales of the dominant companies operating in the pharmaceutical LATAM market, increased, in average, 9.5%. Besides, it is important to remark that 8 of the 15 biggest companies operating in LATAM region registered two-digit positive variations, being 4 of them Brazilian and Argentinian. The only company that verified a downfall was Aché, a Brazilian pharmaceutical business.

Evolution of Sales in pharmaceutical companies operating in LATAM (YoY growth)



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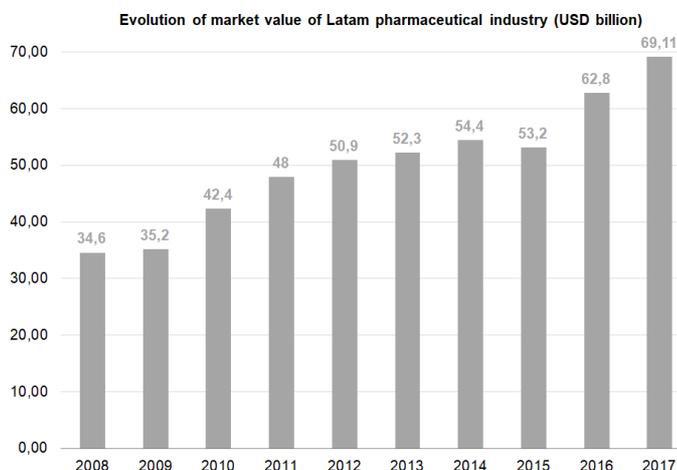
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Latin America = Land of opportunities for pharmaceutical industry

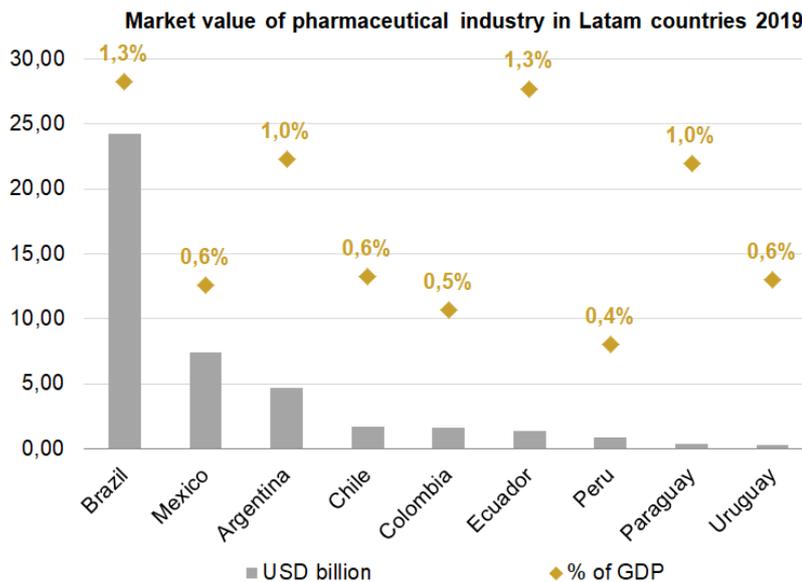
In aggregated terms, as can be shown in the figure below, the market value of the pharmaceutical industry in LATAM reflected a clear increasing trend in the period between 2008 and 2017, with a level that achieved almost USD 70 billion, duplicating the value of 2008. As this industry is constantly spinning-off, mainly in LATAM, it is probable that this trend was continued in 2018-2020.



Source: Statista.com



In relation to the market value of pharmaceutical Industry in LATAM, it is important to remark that Brazil, Mexico and Argentina are the 3 countries that registered the greatest market value. In particular, Brazil registered a market value that is almost 5 times Mexico's market value of pharmaceutical industry In LATAM. Besides, in average, the market value of pharmaceutical industry in LATAM region in 2019 represented 0.8% of GDP in 9 of Latin-American countries. Brazil and Ecuador are the countries in which there is major relative weight of the pharmaceutical industry in National GDP, while Colombia and Peru are the ones that reflect the lowest ratio.



Source: Statista.com

Pharma is a relevant domestic market in the region. The main countries in Latam as per their internal markets are Brazil, Mexico and Argentina.



Source: Cámara Industrial de Laboratorios Farmacéuticos Argentinos (2020): "La industria farmacéutica Argentina: su carácter estratégico y sus perspectivas".

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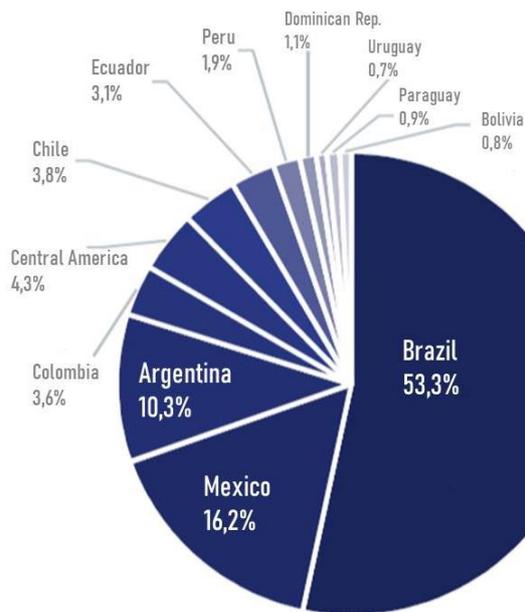
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Source: Cámara Industrial de Laboratorios Farmacéuticos Argentinos (2020): "La industria farmacéutica Argentina: su carácter estratégico y sus perspectivas".

Latin American companies are strengthening their global market presence by investing efforts for the modification and expansion of domestic manufacturing facilities as well as focusing on worldwide partnerships. Some international and solid companies expanded and got established in countries like Brazil, Mexico, Argentina and Chile, as they are expected to fuel growth in Latin American market as the countries demonstrated they have huge potential for pharmaceutical development.

Since almost a decade ago, the LATAM region has been considered the land of opportunities for the development of pharmaceutical industry. The industry's market value evolved from approximately 35 USD billion in 2008 to 63 USD billion in 2016. However, this has not been reflected in better and lower prices for consumers.

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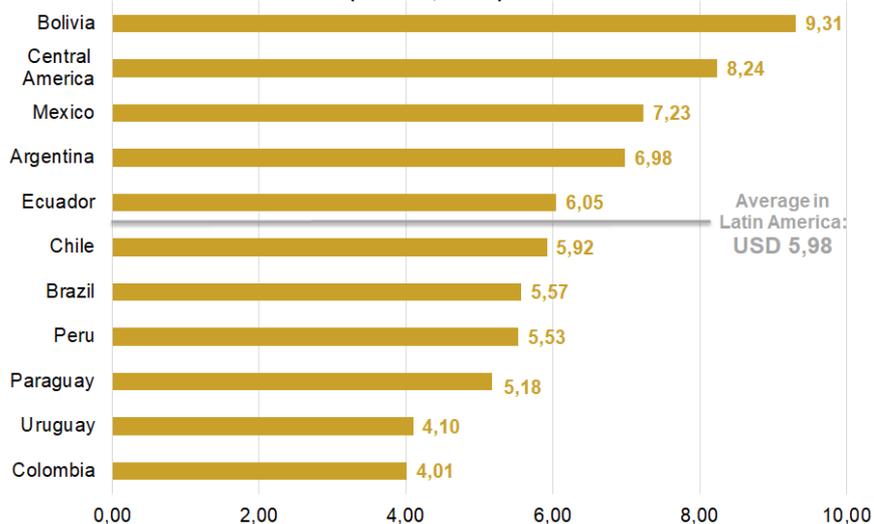
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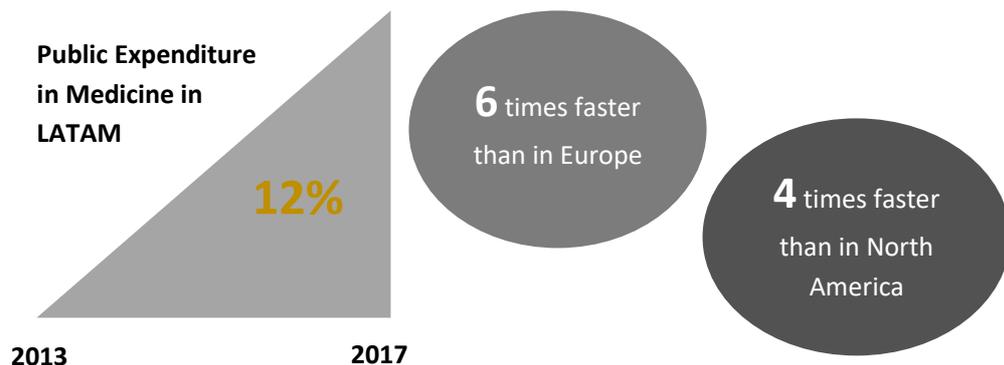
Average prices per country (in USD, 2019)



Source: Cámara Industrial de Laboratorios Farmacéuticos Argentinos (2020): "La industria farmacéutica Argentina: su carácter estratégico y sus perspectivas".



According to the Interamerican Development Bank (IDB), the recent rhythm of growth in public expenditure in medicine in LATAM was significantly higher than in North America and Europe.



Reasons for the "price spiral" in pharmaceutical products in LATAM¹:

- According to OPS, in LATAM, the quality of the pharmaceutical products is strictly associated to a brand, that might be an innovative brand, and that might present "quality deviations".
- While almost 80% of the medicines are composed by "generic components" in USA, in LATAM there is a huge relative weight of innovative medicines, the ones that have a brand and an original patent. This definitely makes the product more expensive, so academic and relevant actors in the industry insist on the idea of generating interchangeability policies in order to certify equivalent products that might be cheaper.
- Mexico, Brazil and Argentina are considered "exceptions" as they have regulatory figures and centralized purchase policies that regulate the medicine's prices.

In LATAM, one of the main features of the pharmaceutical industries is that there is a huge variability of prices in the different countries, and there are no clear trends shared in countries in the case of a particular medicine. Prices in each country definitely depend on the competence. This is called "differential prices", this is that they are established according to each country.

- According to an academic study (Universidad de Chile) centred In LATAM, Peru would be the cheapest country to buy medicine, followed by Mexico, Argentina, Chile, Colombia and lastly Brazil, classified as the most expensive one. In the case of "generic" medicines, Mexico and Argentina register the cheapest aggregated prices while in the case of "innovative medicines" Argentina and Peru are the cheapest countries.

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¹ EFE: <https://www.efe.com/efe/america/economia/las-farmaceuticas-crecen-tanto-como-la-espiral-de-los-precios-medicinas-en-america/20000011-4053419>



- International organizations, experts as well as members of the governments state that there should be a pharmaceutical policy with control of medicines' prices and stimulus for competitive markets.

KEY FACTORS DRIVING THE PHARMACEUTICAL MARKET GROWTH IN LATAM



BCI Survey 2019: Latin America performance in comparison to other regions²

This survey evaluates or scores the biopharmaceutical competitiveness and investment. According to the results of the BCI Survey 2019 in Emerging Markets, LATAM's average score was 58, while in APAC (Asian Pacific Countries) the average score was of 60 and in MENA (Middle East and North Africa) 65.

This overall score considers a number of enabling factors: Scientific & Capabilities & Infrastructure, Clinical Research Conditions & Framework, the Regulatory System, Market Access & Financing and Effective Intellectual Property Protections. LATAM has the higher scores in the factor of Market Access & Financing.

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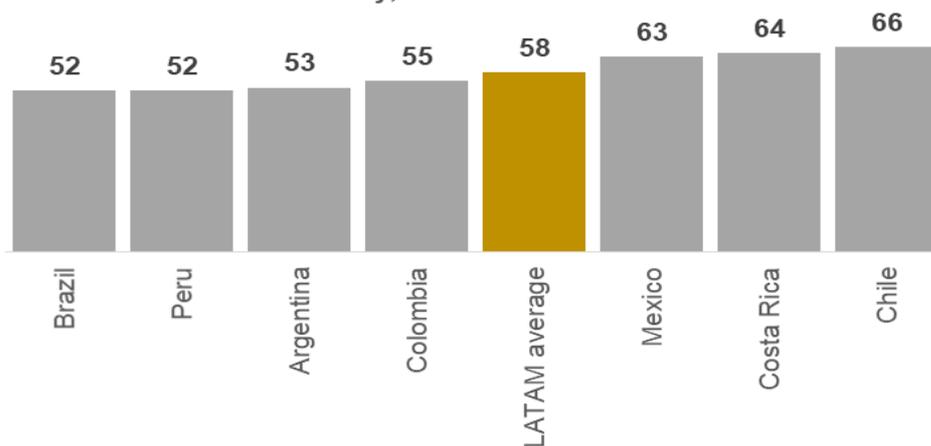
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Overall results of the 2019 Emerging Markets BCI Survey, LATAM countries



² Biopharmaceutical Competitiveness & Investment (BCI) Survey 2019 - LATAM Special Report (Pugatch Consilium, Phrma, FIFARMA). https://www.pugatch-consilium.com/reports/BCI_2019_Executive_Summary.pdf



Overall results of the 2019 Emerging Markets BCI Survey and evolution since the first available BCI survey for each economy

Emerging Markets BCI Survey		Evolution since first available survey (>2 percentage points)	BCI Surveys			
2019			2018	2017	2016	2015
Singapore	87	↑		87	86	78
Taiwan	80	↑	81	77	77	
Israel	75	=		77	75	74
South Korea	70	↓	69	72	77	
Chile	66	↓		69		
Costa Rica	64	=		64		
UAE	64	↓		65	67	
Mexico	63	↓	64	63	65	66
Malaysia	56	↓		62		
Colombia	55	=	54	56	54	
Kuwait	54					
Argentina	53	↓	55	53	53	60
Peru	52	↓		55		
Brazil	52	↓		55	54	57
Thailand	46	↓		50	49	
Indonesia	42	↓		44	46	
Vietnam	42	=		44		

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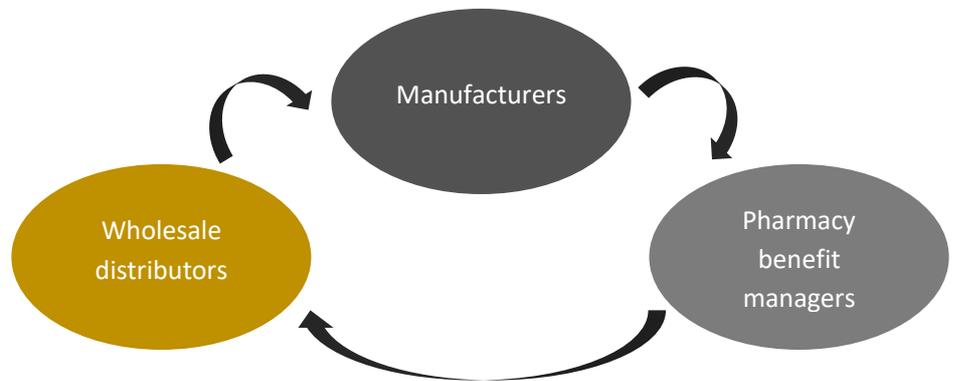
Source: Biopharmaceutical Competitiveness & Investment (BCI) Survey 2019 - LATAM Special Report (Pugatch Consilium, Phrma, FIFARMA).

https://www.pugatch-consilium.com/reports/BCI_2019_Executive_Summary.pdf



Pharmaceutical Supply Chain³

The pharmaceutical supply chain is the mean through which prescription medicines are manufactured and delivered to patients, however the supply chain network is complex, requires a lot of steps and involve a wide range of stakeholders. This means that companies are constantly challenged. Besides, the effect of errors or inefficiencies in the pharma's supply chain can be definitely relevant and might have negative incidence on public health. Besides, the pharma supply chain significantly affects drug costs.



Manufacturers: supply a quantity of products that is ideally equal to the effective demand and have the most influence on the pharmaceutical prices.

Wholesale distributors: purchase pharmaceutical products from manufacturers and distribute them to a wide range of customers (pharmacies included).

Pharmacy benefit managers: they manage consumer drug purchases and define how much consumers might pay out of the pocket.

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³ <https://pharmanewsintel.com/news/fundamentals-of-the-pharmaceutical-supply-chain#:~:text=The%20pharmaceutical%20supply%20chain%20faces,of%20pocket%20costs%20for%20patients>



There are usually 5 basic steps in the pharmaceutical supply chain:

- 1** **Pharmaceuticals originate in manufacturing sites**
- 2** **Transferred to wholesale distributors**
- 3** **Stocked at retail**
- 4** **Subject to price negotiations and processed through quality management screens**
- 5** **Dispensed by pharmacies and delivery to / taken by patients**

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MAIN PHARMACEUTICAL SUPPLY CHAIN CHALLENGES

- ◆ Lack of coordination
- ◆ Obstacles in inventory management
- ◆ Lack of demand information
- ◆ Dependency on human resources
- ◆ Difficulty in temperature control and in order management
- ◆ Improvement opportunities in shipment visibility

The pharma industry in BRAZIL

The promising Latin American country for pharma's industry development

Brazil is presented as the biggest pharmaceutical market in Latin America and one of the biggest pharmaceutical market in the world. Recent perspectives show that Brazil will probably become one of the main key players in the pharmaceutical global market in the next years⁴.

Brazilian pharmaceutical market is the sixth in the world and is expected to be one of the 5 main markets of the world in 2021.

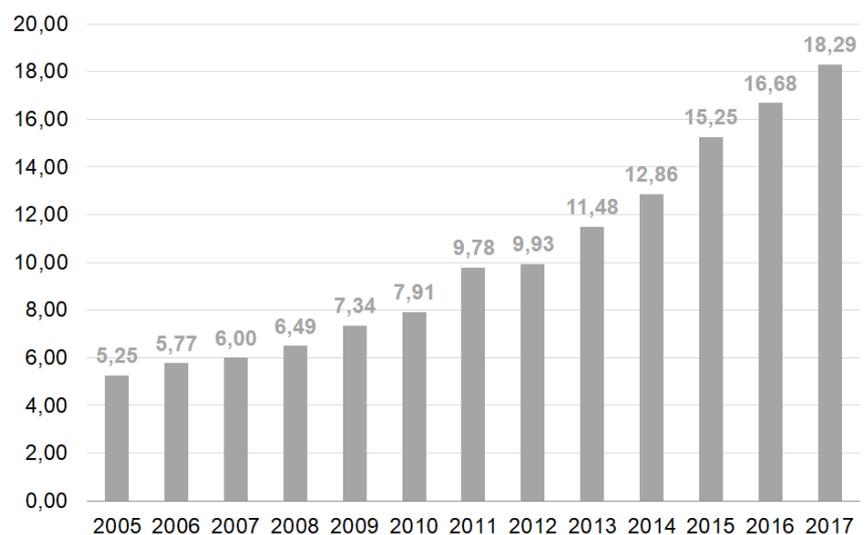
As a pharmaceutical market, Brazil beats United Kingdom, Italy, Canada and Spain and will probably surpass France.

Brazil was identified by a great number of companies as one of the most promising and highlighted pharmaceutical markets.

Market research predicts that the Brazilian pharmaceutical market will reach almost USD 30 billion.

Brazil was by far the Latin American country that registered the highest pharmaceutical market value in 2019, followed by Mexico. It is important to state that pharmaceutical industry in Brazil is driven by both, exports but mainly imports. As mentioned before, ACHE Laboratorios, that is a Brazilian pharmaceutical corporation, is considered a national market leader in Brazil and has a very good position in the global ranking, having invested significant amounts in R+D+I (Research, Development and Innovation) with focus on the production and sales of prescription drugs.

Brazil Pharma Market Growth (USD billion)



Source: Pharma Boardroom

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⁴ <https://globalhealthintelligence.com/es/analisis-de-ghi/el-mercado-farmacaceutico-latinoamericano-crece-en-un-9-al-ano/>



Brazil's pharma market showed a steady growth between 2005 and 2017. Revenues have more than tripled over those 13 years, ending 2017 with revenue above USD 18 billion.

Brazil is gradually climbing the global pharma market rankings and is expected to leap ahead of Italy and France and reach the 5th place in the global ranking by 2023.



Source: Pharma Boardroom

Key numbers of the Brazilian pharmaceutical Industry

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Brazil is the Latin American country with the highest pharmaceutical market value

169% is the expected growth rate of the Brazilian pharmaceutical industry between

13.500 is the number of companies in the pharmaceutical wholesale sector in Brazil

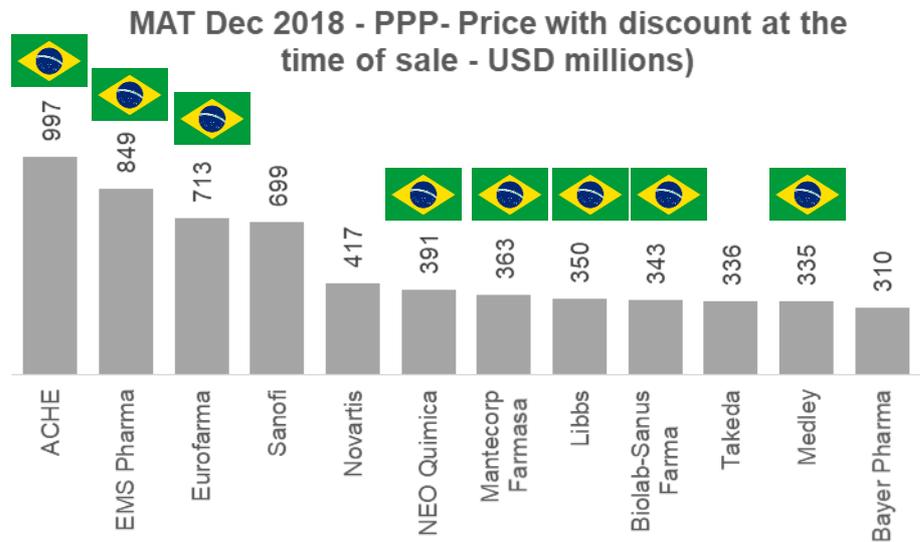
114.000 is the number of companies in the pharmaceutical retail sector in Brazil

279 is the number of granted patents in the pharmaceutical industry in Brazil

9,000 is the number of new registered brands in the pharmaceutical segment in Brazil

Source: <https://www.statista.com/topics/5107/pharmaceutical-industry-in-brazil/>

More than half of the top 20 pharma companies in Brazil are domestic, with Ache, EMS Farma, and Eurofarma taking the top three spots. The ranking is based on MAT December 2018.



Source: <https://pharmaboardroom.com/facts/brazil-pharma-market-snapshot/>
 Note: PPP = Pharmacy Purchase Price

Top 5 Brazilian Pharma Companies

1. ACHE

With almost USD 1,000 million in annual sales ACHE is the largest Brazilian pharma company in the domestic market. Operating since 53 years ago, with 5,000 employees, with 5 industrial plants and with presence in 29 markets across Latin America, Africa, Asia and Europe.

2. EMS PHARMA

It is the second biggest pharmaceutical company in Brazil, with almost USD 850 million in annual sales. It has 55 years of antiquity, with 100% national capital. It has significant presence across the country.

3. EUROFARMA

Eurofarma Group reaches USD 713 million in annual sales, and is the first pharmaceutical multinational with 100% national capital. It is present in 20 countries, and operates in many areas. The company is working to consolidate its presence in LATAM.

4. NEO QUÍMICA

It is the fourth largest Brazilian company with USD 391 million in annual sales.

5. MANTECORP FARMASA

It is the fifth place with USD 363 million in annual sales, with a much diversified portfolio of products.

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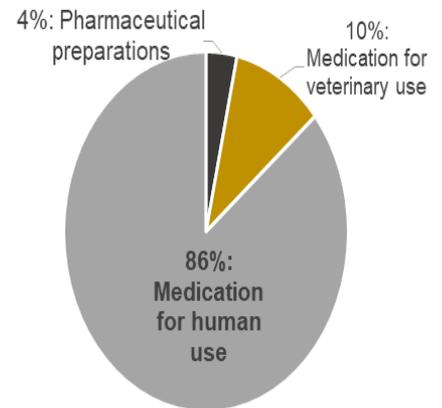
Employment, prices and international trade in the Brazilian pharmaceutical industry



The Brazilian pharmaceutical industry leads the pharmaceutical industry in LATAM, not only because of the market value and rates of expansion, but also due to the number of people it employs in Brazil. By 2018, the pharmaceutical industry in Brazil ended the year with 96,744 thousand direct jobs. Besides, Brazil seems to have favourable conditions to become a leader as a research centre.

86% of the pharmaceutical industry's employment correspond to companies that manufacture medication for human use, according to official data.

Employment generated by Pharmaceutical Industry in Brazil (2018)



Source: Pharma Boardroom

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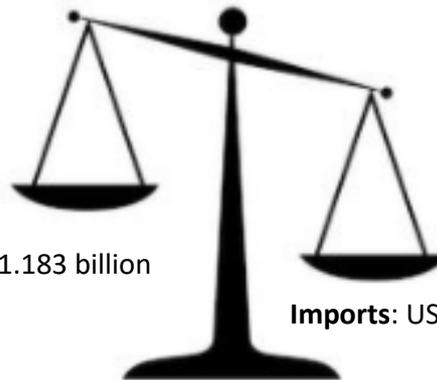
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Regarding tax burden, it is important to highlight that there is a high tax burden for medication for human use in Brazil and reaches 31.3% on average, of the price to the consumer, Identified as one of the steepest in the world, making difficult the fact of having more competitive prices (lower prices) for consumers. In relation to this, one of the main determinants of the prices is the production cost. In Brazil's case, the country imports 95% of raw materials for the manufacture of medicines in a context in which dollar rises and freight prices increase constantly. However, it seems that the price is the main fact that explain the difficulties in access to medication, however, one of the main reasons is the lack of enough pharmaceutical assistance programs and the power purchase power of Brazilian population.

Patents in pharmaceutical industry of Brazil can be considered as a "weak point" as the development of drugs and medication imply a very long and slow process involving stages of analysis and approval of patents. This is mainly connected to the lack of structure of the National Institute of Industrial Property that should be powered in order to promote innovation circuits, respecting the intellectual property. In this sense, it is important to highlight that "generics" has been gaining market segment in 2019, representing almost 15% of pharmacy revenues in Brazil and almost 35% of units sold.

As mentioned before, the strong development of the pharmaceutical industry in Brazil has to do with both: the expansion of pharmaceutical companies working for the local market (with local production and Imports) and some companies's growth in foreign markets through exports (many Brazilian companies are in the path of internationalization). In relation to the conquest of foreign markets, is relevant to consider that one of the main drivers is the tariff modernization (review of import rates and removal of barriers to exports) together with the timing of imports releases (linked with risk management).

Trade Balance of Pharmaceutical Industry in Brazil in 2019



Exports: USD 1.183 billion

Imports: USD 7.297 billion

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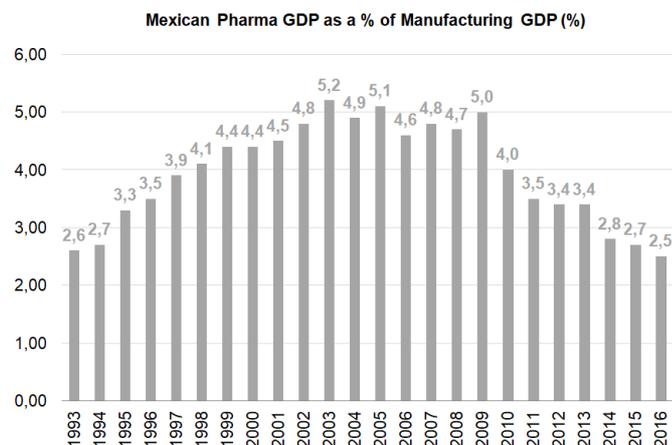
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The pharma industry in MEXICO

General Information⁵

Mexico is a major producer of high-tech drugs (antibiotics, anti-inflammatories, cancer treatments, among others). National and multinational laboratories that produce innovative and generic drugs coexist in Mexico. The pharmaceutical industry is a strategic economic activity in the country, since it is the seventh most important activity of Manufacturing Industries, representing a contribution of more than 2% to manufacturing production⁶. Nevertheless, in recent years, there has been a reduction in the percentage share of the pharmaceutical industry in manufacturing; the industry contributed 3.9% to Gross Domestic Product Manufacturing (GDP) in average during the period 1993-2016.



Source: <https://pharmaboardroom.com/facts/mexico-pharma-market-forecast-2020/>

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With more than 900 million units of products sold in 2017, the country's pharmaceutical industry reached revenue of nearly 150 billion Mexican pesos, or approximately 7.6 billion U.S. dollars. Mexico's market size is estimated to be US dollars 22.5 billion by 2020 and the market has seen and continues to see annual growth rates of about 6%.

Companies of the pharmaceutical industry are larger than the average of the companies in the rest of economic sectors: a company in the pharmaceutical industry has an average of 121.4 people employed, while companies in manufacturing industries average 10.4, and at the national level the economy has 5.1 employed people per economic unit. In addition, salaries paid in the pharmaceutical industry are higher than in other manufacturing industries as well in the average of the economy.

The production of the pharmaceutical industry is primarily intended to meet final demand (75.2%) constituted by the consumption of families and exports; and the rest (24.8%) covers companies' demand as to carry out their economic activity (intermediate demand).

⁵ Instituto Nacional de Estadística y Geografía (2017): "Estadísticas a propósito de la Industria Farmacéutica y sus proveedores". Information from the Economic Census 2014.

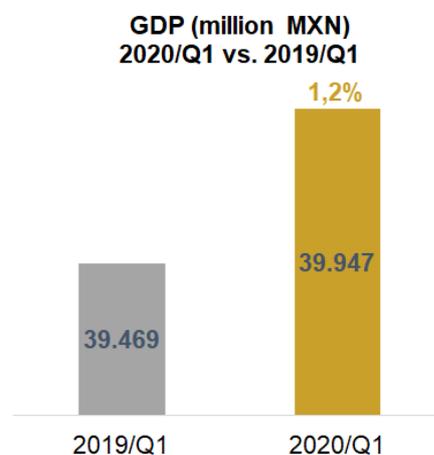
⁶ Instituto Nacional de Estadística y Geografía (2017): "Estadísticas a propósito de la Industria Farmacéutica y sus proveedores". Information from the Economic Census 2014.



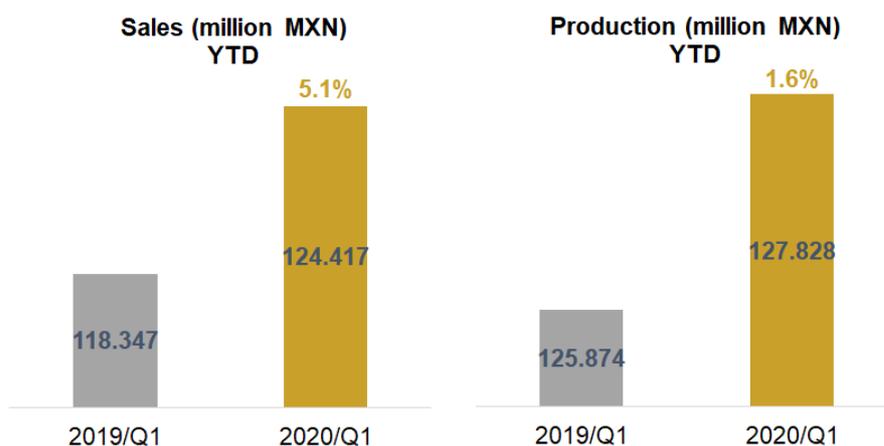
The pharmaceutical industry and its suppliers generate a direct impact (or spill over) in 161 branches of activity, in primary, secondary and commercial sectors. The production of the pharmaceutical industry is concentrated in Mexico City, the State of Mexico and Jalisco, jointly representing 86.0% of total production and 82.4% of employed personnel.

Indicators of the Mexican pharma industry: 2020/Q1⁷

In Latin America, Mexico has the second largest pharmaceutical market, after Brazil. GDP of the pharma industry in 2020/Q1 almost reached 40 billion Mexican pesos (around 1,700 million USD⁸), growing 1.21% when compared to the same period of 2019.



In the moving year ending in March, sales exceeded 124.4 billion Mexican pesos in 2020 (aprox. U\$S 5,200 billion²), implying an annual growth of more than 5.1%, which means a substantial growth and makes evident an increase in the demand. In parallel, the value of production was 127.8 billion MXN, with a growth of only 1.55%, which means that there has been a substantial difference between the growth in sales and production, which allows us to assume that orders in recent months have exceeded production. Therefore, there is pressure on production that will certainly continue to grow in the coming months as long as the health emergency is a favourable factor.



The installed capacity is close to 5,138 million pieces, with a growth greater than 2%. This means that companies have opted to increase production in some of its lines, to the extent that its used capacity went from 73.3% in 2019 to 73.4% in 2020.

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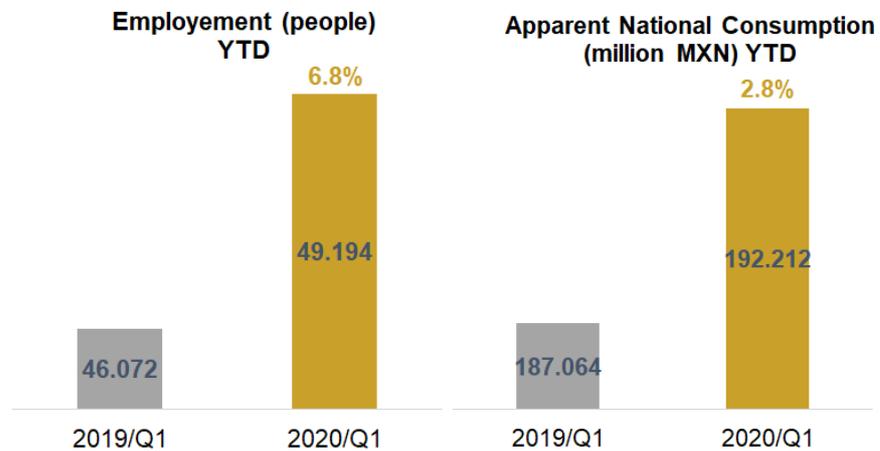
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⁷ INEFAM-LATAM: "Evolución de la Industria Farmacéutica Mexicana al Primer Trimestre de 2020".

⁸ Currency rate as at 03/31/2020.



The employment generated among pharmaceutical manufacturing almost reaches 7% in April19-March20 when compared to April18/March19. In this sense, the effort to increase production is reflected in new jobs. The Apparent National Consumption (which is obtained by subtracting the value of exports from production, and adding the value of imports) indicates the total value of the Mexican market (including its segments private and public market). This value is more than 192.2 billion with a growth of 2.75%.



International Trade⁹

The pharmaceutical industry established in the country is integrated into global production chains, so its interaction in imports as in exports is intense and clearly reflects what happens in the local environment as well as abroad. Exports have registered a reduction of 1.9% in the moving-year finished in March 2020. Annual data shows that export remains below 30 billion MXN, while the first quarter of 2020 does not exceed 6.8 billion MXN. This situation is possibly associated with commercial limitations occurred with those main countries that are destination of Mexicans products, and therefore can be oriented to meet local demand.

In contrast, imports have grown almost 3%. In the last 12 months, imports have exceeded 93 billion pesos, which, despite trade restrictions, have complemented the requirements of local excess demand. Despite its significant role in the national economy, the pharmaceutical industry relies mostly on imports. As a consequence, the trade balance of the pharmaceutical industry (exports - imports) remains in a deficit of -64 billion Mexican pesos (more than 3 billion U.S. dollars).

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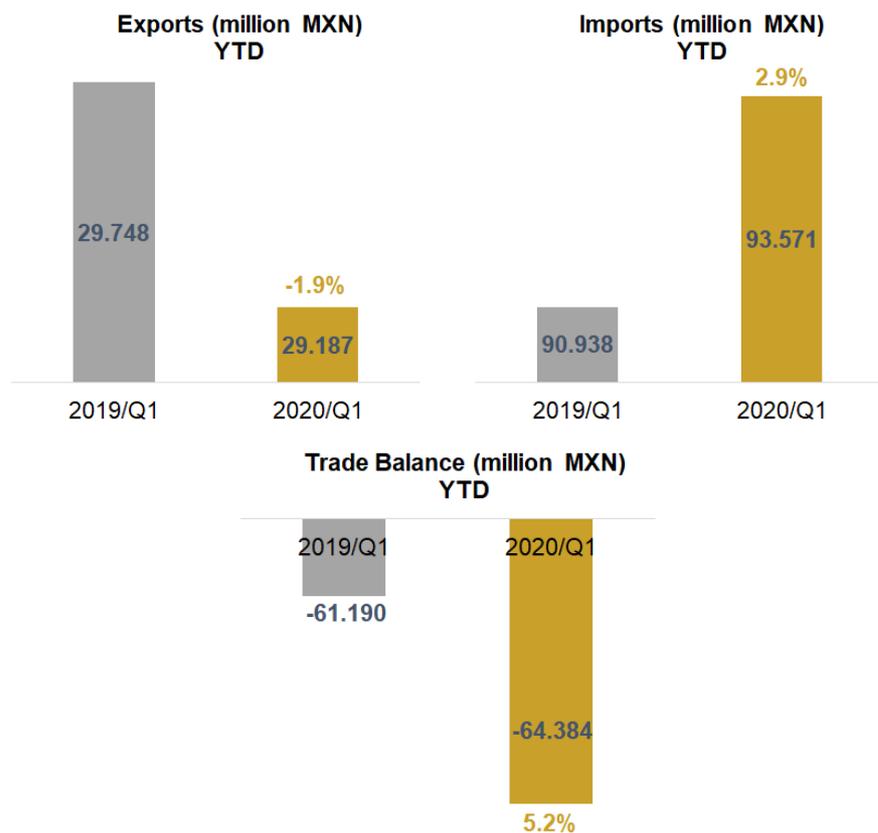
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⁹ INEFAM-LATAM: "Evolución de la Industria Farmacéutica Mexicana al Primer Trimestre de 2020".



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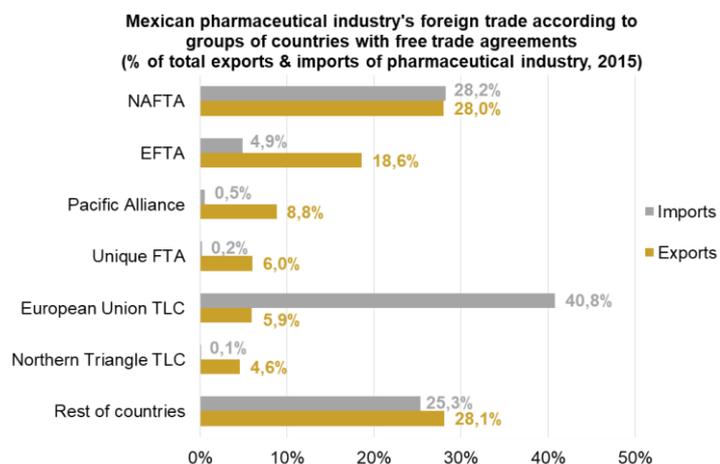
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In 2015, Mexico's exports represented 0.4% of the world's pharmaceutical products exports, ranking 24th. Almost 80% of foreign sales were allocated to 10 countries in 2015, mainly to the rest of America. Imports from the United States are highly relevant, and the ones from China showed increasingly importance over the years.

In addition to the Free Trade Agreement with USA and Canada, Mexico has also signed commercial treaties similar with other groups of countries. In this sense, in order to identify its importance, it is interesting to observe the foreign trade of the pharmaceutical industry with the countries with which Mexico has signed a treaty commercial. It stands out that, of the total exports of the pharmaceutical industry, 28.0% are foreign sales to countries from the Treaty North American Free Trade Agreement (NAFTA) and 18.6% to the countries that make up the European Free Trade Association (EFTA).



Source: Instituto Nacional de Estadística y Geografía

Main companies in Mexico¹⁰

Only four of the top 10 pharmaceutical companies are Mexican.

1. Sanofi

Sanofi has had a presence in Mexico for more than 90 years, with three industrial plants and 120 products on the Mexican market. Its focus in Mexico is on osteoarthritis, diabetes, cardiovascular disease and oncology.

2. Bayer

Bayer's overall focus is developing specialty-focused innovative medicines in the therapeutic areas of cardiology, oncology, gynecology, haematology and ophthalmology. Mexico is an important market for Bayer, making up more than 20% of total sales in the Latin America region, and the affiliate has seen strong growth in its oncology treatments.

3. PiSA

Pisa Farmacéutica Mexicana provides drugs, products, and services to the public and private sectors in the most important health markets of Mexico and Latin America.

4. Pfizer

Pfizer, one of the world's largest pharmaceutical companies, has been active in Mexico since 1951.

5. Sanfer

Sanfer, founded in Mexico in 1941 with the aim of targeting infectious diseases, now finds itself ranked in the top four in Mexico's national pharmaceutical industry, touting more than 400 brands and products. In recent years the company has pivoted to focus on chronic and non-communicable diseases as well as oncology to meet growing patient needs. Sanfer has expanded and now has a presence in 10 Latin American countries.

6. Novartis

Mexico hosts one of Novartis's Global Service Centers and is one of the top 15 markets for Novartis globally. Novartis focuses its business in three areas. Its oncology division is a pioneer in cell and gene therapy, visual health, and generics and biosimilars.

7. Senosiain

Senosiain is a 100% percent Mexican pharmaceutical company, dedicated to the development, manufacture and marketing of quality pharmaceutical products and is the leading Mexican pharmaceutical company in sales to the private sector.

8. Siegfried Rhein

For more than four decades, Siegfried Rhein –a subsidiary of the Argentine Laboratorios Roemmers– has been developing, producing, and marketing generic drugs. The company, which has a plant in Querétaro, also distributes other health and nutritional products for human use.



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¹⁰ Pharma Boardroom (05/14/2020): *Top 10 Pharma Companies in Mexico*.
<https://pharmaboardroom.com/articles/top-10-pharma-companies-in-mexico/>



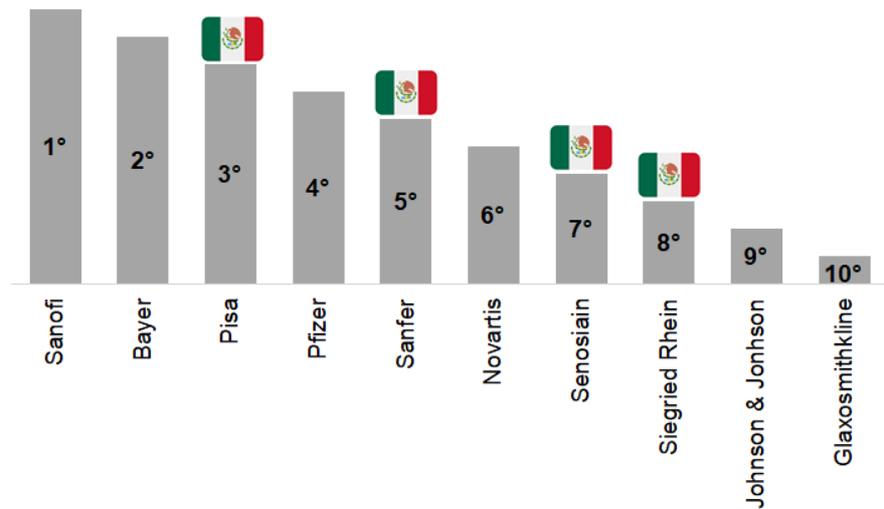
9. Johnson & Johnson

Johnson & Johnson has been present in the Mexican market for over seven decades. Three separate companies exist in Mexico: Johnson & Johnson Consumer, Johnson & Johnson Medical and Diagnostic Devices, and Janssen Pharmaceutical.

10. GSK

GlaxoSmithKline –one of the world’s leading research-based pharmaceutical and healthcare companies– is committed to improving the quality of human life by enabling people to do more, feel better and live longer.

Top 10 Pharma companies in Mexico (Feb-2020)



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The pharma industry in URUGUAY

Growing industry

According to Uruguay XXI, Uruguay has a very long path in the pharmaceutical industry, and that is why entrepreneurs and human resources are usually recognized due to their huge experience and expertise. In this sense, Uruguay not only works as a "regional logistic hub" but also as a "talent hub".

REGIONAL LOGISTIC HUB

The country has developed as regional hub as it provides significant advantages for the location of regional distribution centre: geographical location, legal frame, among others, local talent.

TALENT HUB

The Uruguayan pharmaceutical industry has a great availability of local competitive workforce oriented to Research and Development, as well as technology parks with leading infrastructure, in Free Zone schemes.

Uruguay counts with 150 research groups and more than 800 researchers associated to the pharmaceutical areas, as well as with international quality standards.



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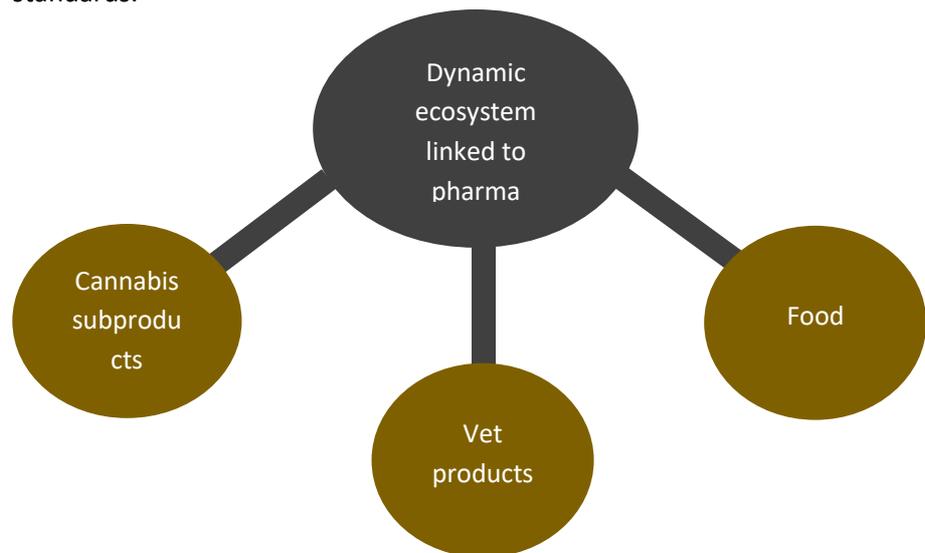
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The industry's GDP reached USD 306 million in 2018, showing 10% annual increase in relation to 2017. In real terms, the industry grew 5% in the same period.

Regarding Uruguayan pharmaceutical exports, it is important to state that they showed a significant development in the last 10 years, mainly due to the arrival of a great number of companies to uruguayan Free Zones. In numbers, while in 2008 pharma exports were equivalent to almost USD 110 million, in 2018 they reached USD 227 million, 2.3 times the figure of a decade ago. This was aligned to the evolution of the local production.

Main pharmaceutical companies in Uruguay



Merck	GBT: Grupo Biotoscana	Roche
Megalabs	Adium Pharma	AstraZeneca
Abbott	Shimadzu	Clausen
Roemmers	LIBRA	Eriochem S.A
Urufarma	Fármaco uruguayo	Integer

They have different activities related to: logistics, commercial activity, innovation and production. Uruguay has a lot of competitive advantages and offers a wide set of services and investment opportunities that complement each other, involving activities from the origin of the medicine to the distribution and logistic services in the supply chain, as well as back office services. This means that a cluster has been built focused in FDI.

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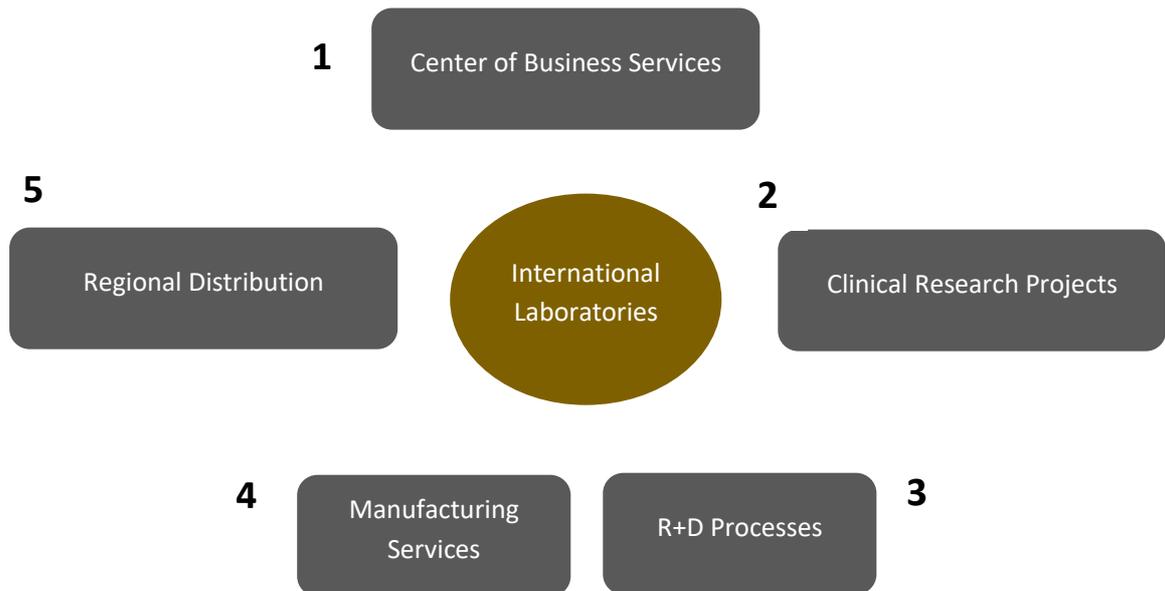
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Business Opportunities linked to the Pharmaceutical sector in Uruguay¹¹



¹¹ Uruguay XXI (2014).



1- Regional headquarters from where to work in commercial needs and requirements, or in coordination of supply chains.

2- There are Private and Public research institutions developing their research activities and capacities for their expansion.

3- These types of services based on the quality of human resources and in the development of several research Institutes, Infrastructure and equipment.

4- More than 30 production and infrastructure plants.

5- Regional distribution centers with wide competitive advantages for transportation, fractioning, packaging and adding value to products, with are without cold requirements. The free zones regimes, free ports and airports, build that favorable scenario for these kinds of operations.

According to the National Institute of Logistic (INALOG), Ministry of Industry and Energy (MIEM), National Agency of Innovation and Research (ANII), Ministry of Public Health (MSP) and Uruguay XXI (Exports and Investment Agency), this would be the uruguayan ecosystem of services for the international pharmaceutical industry:

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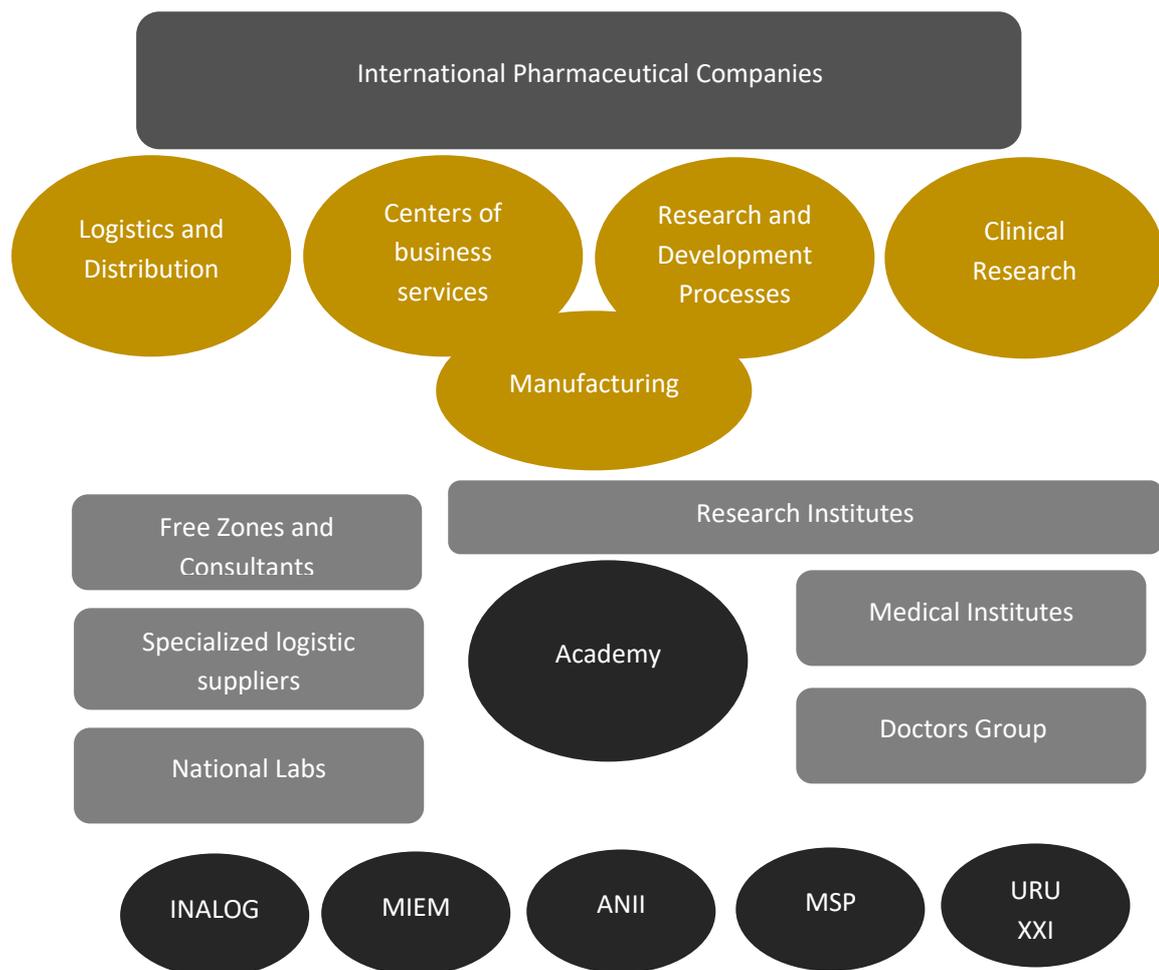
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In terms of manufacturing, Uruguay has (until 2014) more than 30 pharmaceutical plants that are accepted by the Ministry of Public Health, some of them with certification of "Good Practices in Manufacturing".

Pharmaceutical Industry in Uruguay, in numbers

Total supply of pharmaceutical products: USD 730 million in 2013.

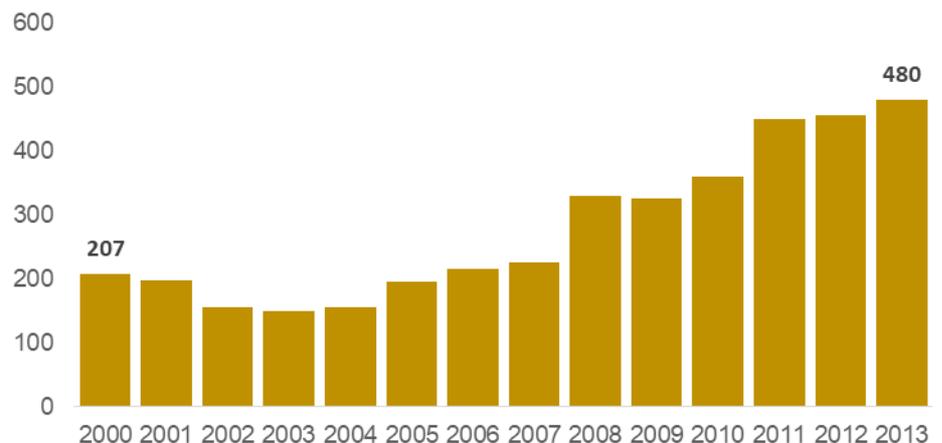
The sector employs directly more than 4,700 people (high proportion of technicians and professionals).

The annual GDP of the pharmaceutical industry in Uruguay was estimated in USD 480 million (It almost tripled in relation to 2004).

The pharmaceutical industry In Uruguay exhibited a recovery process after the 2002-2003 crisis.



GDP of Pharmaceutical Industry in Uruguay
(in USD million)



Source: Uruguay XXI (2014)

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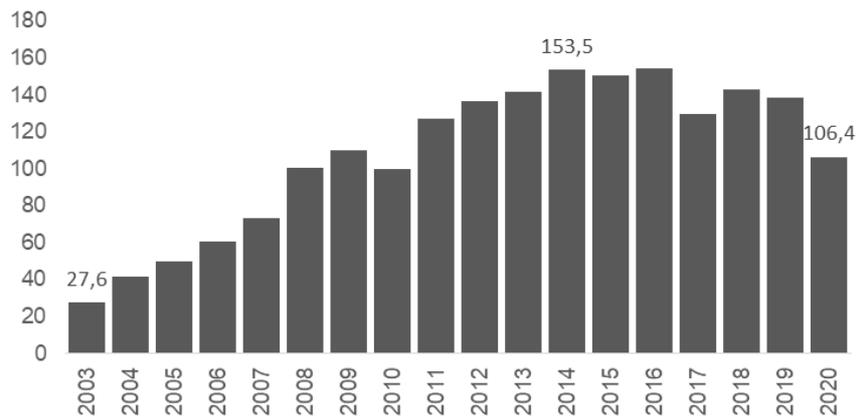
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International trade

The pharmaceutical exports in Uruguay have shown an increasing trend from 2003 onwards, reaching a level close to USD 200 million in 2013. This was partly explained by the fact that many of the local labs started using Asian Inputs and raw materials and that meant production costs reduction, leading to more competitive prices when exporting and competing with international labs. The main exporting product was conditioned medicine for retail sale, followed by vaccines and serum.



Exports of Uruguayan Pharmaceutical Industry (in USD million)



Source: INFONECTA (NCM: 3004,3002,3006,2396,2937)

TOP 10 OF EXPORTERS FROM URUGUAY (2003-2020):

1	Roemmers	19,6%
2	Laboratorios Microsules	13,2%
3	Urufarma	11,3%
4	Iclos Uruguay	7,6%
5	Farmaco Uruguayo	6,4%
6	Laboratorio LIBRA	5,0%
7	Syntex	4,1%
8	Virbac Uruguay	4,0%
9	Roche International	3,7%
10	Prondil	3,7%

Source: INFONECTA

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TOP 10 OF EXPORTS DESTINATIONS (2003-2020):

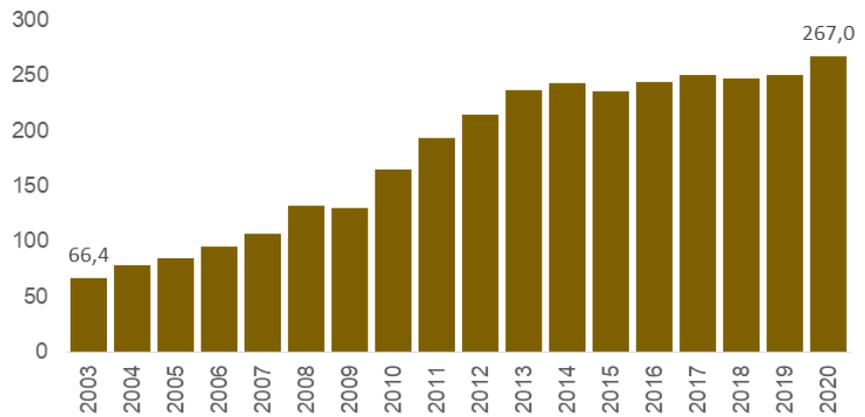


Source: INFONECTA

Imports of Uruguayan pharmaceutical industry shows an increasing trend between 2003 and 2020. In 2020, Uruguayan imports reached almost USD 270 million.



Imports of Uruguayan Pharmaceutical Industry
(in USD million)



Source: INFONECTA (NCM: 3004,3002,3006,2396,2937)

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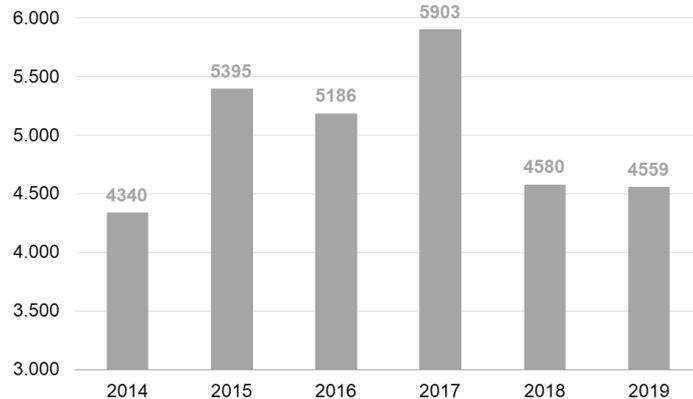
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Market size

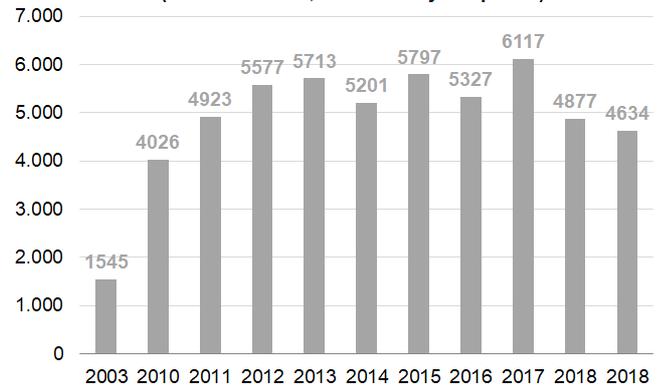
The pharmaceutical industry is one of the main industries in Argentina, with a turnover of almost 4,560 million dollars in 2019. The sector occupies 4,9% of the Industrial GDP of the country and, specifically, Argentina represents 10,3% of the total market for Latin America and occupies the 39rd position in the ranking of the main pharmaceutical industries of the world in 2019.



Billing evolution of Argentinean pharmaceutical industry (USD million)



Sales of the pharmaceutical industry in Argentina (millions of USD, at laboratory exit prices)



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Internal sales in Argentina valued in USD grew significantly until 2013. In particular, sales' growth between the 2010 and 2019 was 15%. In constant Argentinean pesos as of 2019, internal sales rose 11% between 2010 and 2019.

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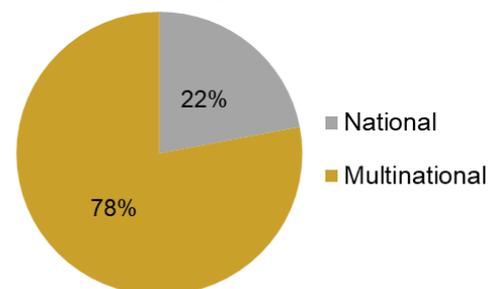
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Most of the local market is supplied by national laboratories, representing almost 70% of internal sales.

Internal market supply internal, by origin of capital



¹² All data was extracted from:

- Oficina Económica y Comercial de la Embajada de España en Buenos Aires (2019): "Estudio de mercado: El mercado farmacéutico en Argentina".

- Cámara Industrial de Laboratorios Farmacéuticos Argentinos (2020): "La industria farmacéutica Argentina: su carácter estratégico y sus perspectivas".



Sales in the local market grew 14% in units between 2010 and 2019. However, a drop of 9.6% in units between 2017 and 2019 is observed.



The pharma sector directly employs 43,000 people and creates more than 120,000 indirect jobs, of which a high percentage is highly qualified personnel, a fact that makes the industry one of the sectors with the highest percentage of technicians and university graduates in their ranks.

In 2017, the contribution of the sector to the Treasury was USD 31.36 billion for the main local taxes. This amount implied a 27.3% variation in the year comparison, and reached 1.22% of the national tax revenues.

Pricing and distribution chain

The pharmaceutical sector has a pricing strategy in accordance with the country's needs and is aligned with the national socioeconomic situation and that facilitates access to medicines. During the years 2016 and 2017, prices of medicines had a lower evolution than the official price indices of the economy. During 2018 and 2019, prices recovered but without neglecting the most vulnerable groups.

The final sale price of the drugs is set by the laboratory, as well as the discounts that apply to pharmacies and drugstores (distributors). The consumer pays a part of this price and the rest is paid by the pharmacies and the Social Work.

The commercial margins of each of the actors in the product value chain (pharmacies and drugstores) are decided by the producing laboratory. In the case of drugstores, they buy the products from the laboratories with a fixed discount of 31% on the sale price to the public, which constitutes the drugstore price. On the other hand, pharmacies obtain an initial discount of 20% on the retail price plus additional discounts that reach 11%, so they get a total discount of 31%.

In the final stage of the chain, the customer affiliated with a Social Work or a prepaid company buys the drug with a 40% discount for coverage. Later, and on a weekly basis, the pharmacies present the prescriptions for the drugs to the mandates and obtain a percentage of the total that was discounted from the consumer. It should be noted, therefore, that pharmacies support a percentage of coverage, which depends and varies depending on the volume and whether it is from PAMI, prepaid medicine companies or other social work.

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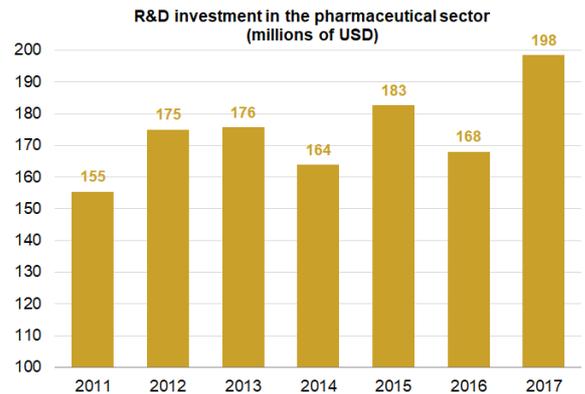


R&D

The pharmaceutical industry has maintained a positive evolution of investment in R&D, reaching in 2017 almost 200 million USD, 18% more than its previous year.

R&D investment carried out in the sector is noteworthy, being the one that

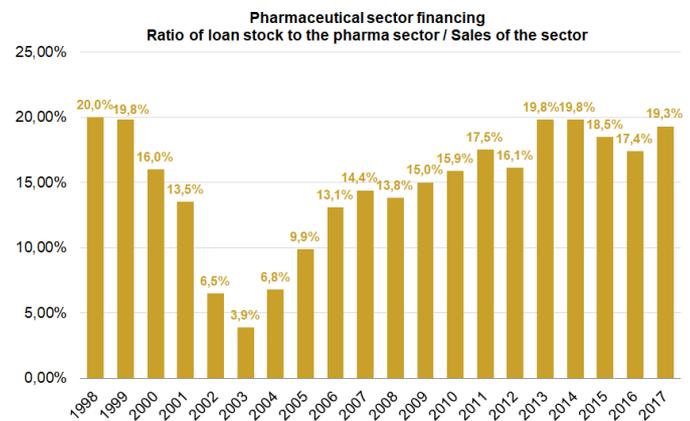
contributes the most in the country, with an incidence of 27% on total private R&D in the country (followed by technology services and the seed industry). Despite this, investment figures are still very far from those of most developed countries; mainly due to lack of public investment and that the cost of this investment can only be borne by large national companies. On the contrary, foreign capital companies focus their resources on innovating in quality control and adapting the innovations carried out by their parent companies in the countries of origin.



Finally, the prospects for investment in R&D are positive, since public programs are being carried out that promote research and the creation of biotechnological start-ups, as well as public-private collaborations with institutions such as the University from Buenos Aires or the Universidad de la Plata. It is expected that by 2021, the number of companies will increase by 15-25%, which will boost innovation in the Argentine pharmaceutical sector.

In this sense, one of the weaknesses of the sector consists in the fact that a significant part of the supplies and capital assets must be imported. The strong influence of scale economies on the manufacturing of active ingredients has led to their manufacture being centred on Asian countries, in particular, China and India. This phenomenon has contributed to the growing need of importing raw material. Also, the availability of loans for production and investment development is a factor that limits the chances of expansion, particularly in the international markets.

In 2017, the loan stock granted to the pharmaceutical sector grew at a slower pace in comparison with the loans granted to the overall industry, with a year-to-year fluctuation of around 49%, while the manufacturing total grew by 55%.



Regarding turnover in 2017, the loan stock averaged 19.3%, higher than the previous year. This good performance allowed the loans to the pharmaceutical industry, in terms of sales, to return to the levels existing in 2013/2014. This reflects the investment efforts carried out by local firms, which will then be

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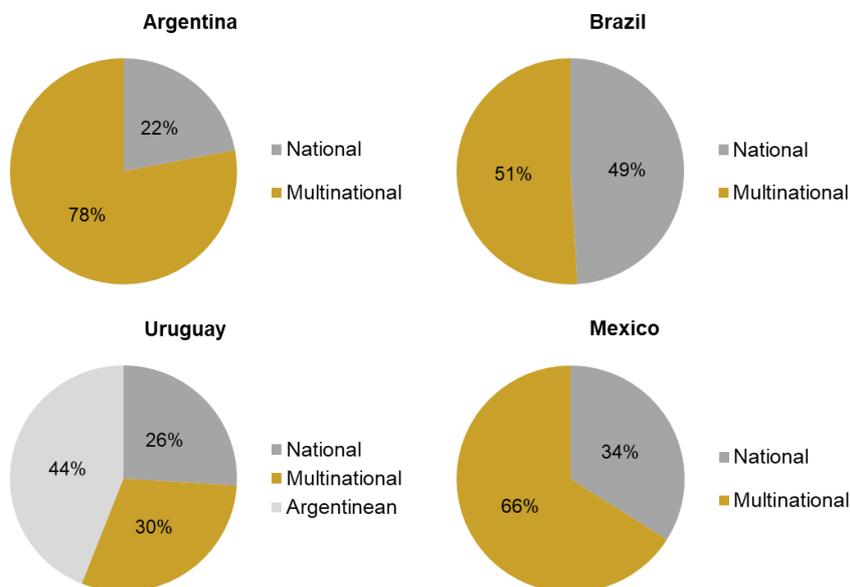
able to increase employment opportunities and the offer of medicines for the domestic market and exports.

Market composition

In 2019, there were 354 laboratories and 230 manufacturing plants, of which 182 were of Argentine capital and 28 of multinational capital. More than 71% of the total turnover corresponds to local manufacturing and, in 2020, the pharma industry produced 670 million units per year, of which 68.4% was produced by national laboratories.

Unlike other Latin American countries, Argentina has a significant structure of laboratories of national capital.

NATIONAL AND INTERNATIONAL LABORATORIES PER COUNTRY



This data is not only explained by the strong investment that occurs in the sector but also because, in recent years, due to the situation in the country, multinational companies abandoned their activities in Argentina and its plants were absorbed by national industry. Some of the most recent examples are: acquisition of the Penn Pharmaceuticals plants (United Kingdom) by Richmond (2012), German Fresenius Kabi by GP Pharma in 2016 and Phoenix plant by Laboratorios Elea in 2016.

In terms of turnover, the most important laboratory is Roemmers, an Argentine firm that has around 10% of the market. From the top 10 companies by turnover (which have almost 50% of the billing), only 2 are of foreign capital.

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TURNOVER OF MAIN LABORATORIES IN ARGENTINA
(millions of USD at wholesale prices in 2019):

LABORATORIES	ORIGIN	BILLING
1. ROEMMERS	National	459
2. ELEA PHOENIX	National	334
3. CASASCO	National	275
4. GADOR	National	273
5. MONTPELLIER	National	243
6. BAGO	National	241
7. BALIARDA	National	233
8. RAFFO	National	221
9. SANOFI AVENTIS	Foreign	187
10. GSK	Foreign	167
11. BAYER	Foreign	160
12. NOVO-NORDISK	Foreign	133
13. PFIZER	National	126
14. INVESTI	National	122
15. BERNABO	National	112
16. BOEHRINGER ING	Foreign	107
17. NOVARTIS	Foreign	101
18. TEVA	National	99
19. ANDROMACO	National	98
20. ASTRAZENECA	Foreign	83

TOP 10
47% of total billing

TOP 20
69% of total billing

TURNOVER OF MAIN LABORATORIES IN ARGENTINA
(millions of units of 2019)

LABORATORIES	ORIGIN	UNITS
1. ROEMMERS	National	34,43
2. ELEA PHOENIX	National	27,94
3. GADOR	National	22,85
4. CASASCO	National	22,18
5. BAGO	National	20,31
6. MONTPELLIER	National	18,71
7. BALIARDA	National	18,49
8. RAFFO	National	18,30
9. SANOFI AVENTIS	Foreign	15,64
10. GSK	Foreign	13,15
11. NOVO-NORDISK	Foreign	11,66
12. BAYER	Foreign	11,47
13. PFIZER	Foreign	10,05
14. INVESTI	National	8,71
15. BOEHRINGER ING	National	8,56
16. ANDROMACO	Foreign	8,46
17. NOVARTIS	Foreign	8,07
18. BERNABO	National	8,06
19. TEVA	National	7,53
20. FINADIET	Foreign	6,84

TOP 10
49% of total units

TOP 20
70% of total units

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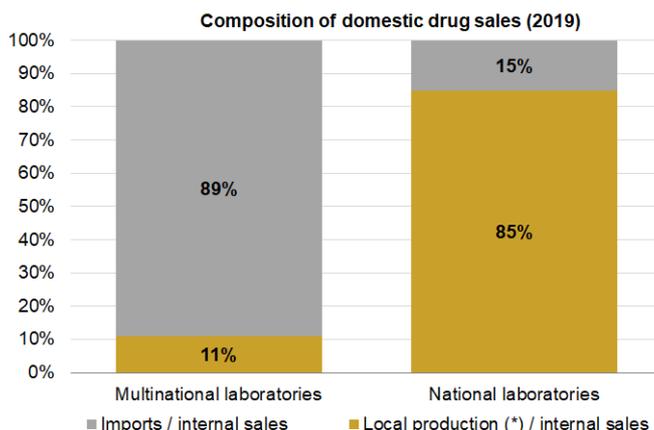
International Trade

Despite the strength of the national industry, the sector has a deficit of its trade balance, since it is dependent on imports, especially of inputs and active ingredients. In 2019, imports reached 2,090 million dollars. The most important product imported by Argentinean companies are drugs with enzymes, contraceptive preparations, drugs with insulin, and blood fractions such as plasma or platelets. Regarding the main suppliers in Argentina, the United States stands out, followed by Germany and China. Spain occupies the



twelfth position in this list, with a participation that has been reduced in the last five years.

In recent years, the weight of imports has increased in all sales to the domestic market. Indeed, in 2019, 38% of the consumption of medicines in the country was of imported origin, while in 1994 this proportion was



estimated at 6.9%. However, among national laboratories, almost all internal sales are explained by local production, while among multinational laboratories 89% of their sales correspond to imported drugs.

Argentinean exports of medicines reached USD 729 million in 2019, falling 0.3% compared to 2018. This is explained, among other causes, by the exchange rate and by the high inflation that plagues the country and which has a direct impact on the cost. However, the main cause is the Venezuelan crisis. Venezuela was one of the main destinations for Argentine exports and, due to the serious crisis that the country suffers, these have collapsed, going from 121 million dollars in 2015 to 1 million in 2017.

In turn, this value of exports is 67% higher than registered in 2006. Imports reached USD 2,090 million in 2019, registering a 12% drop compared to the year previous.

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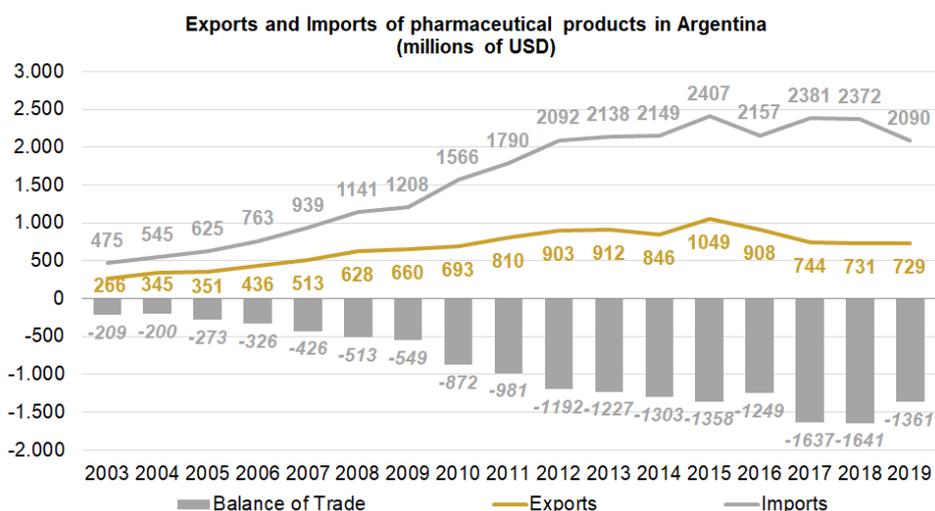
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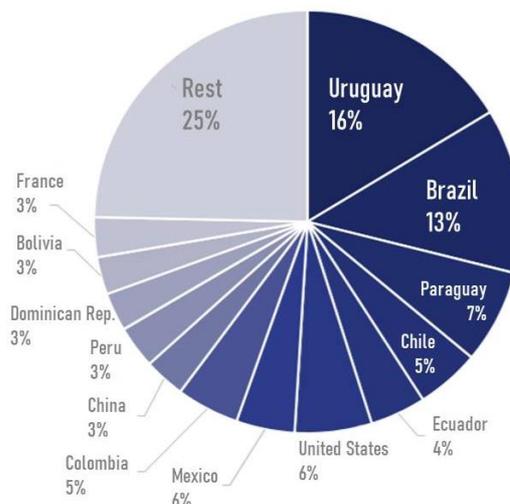


The consolidation of the export output allows reaffirming the concept of "Argentine brand", through international recognition of the quality of Argentine products. In 2019 exports to MERCOSUR accounted for 36.7% of the total. Meanwhile, total sold in Latin America accounted for 63.7%. Thus, the main focus of exports continues to be the LATAM countries. Since 2016, the

United States (6%) and France (3%) have been among the most prominent buyers but lost their share in the last year, especially France.

MAIN DESTINATIONS OF ARGENTINIAN PHARMACEUTICAL EXPORTS

2019



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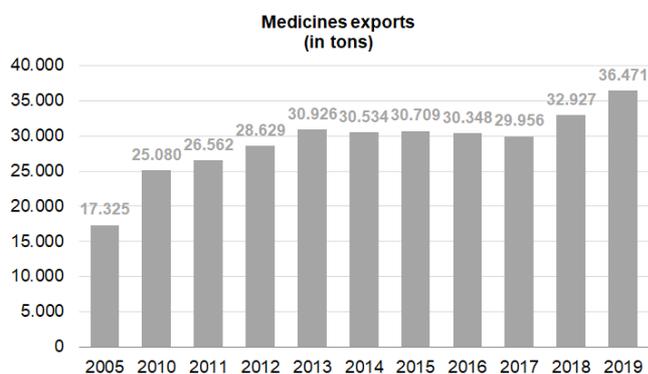
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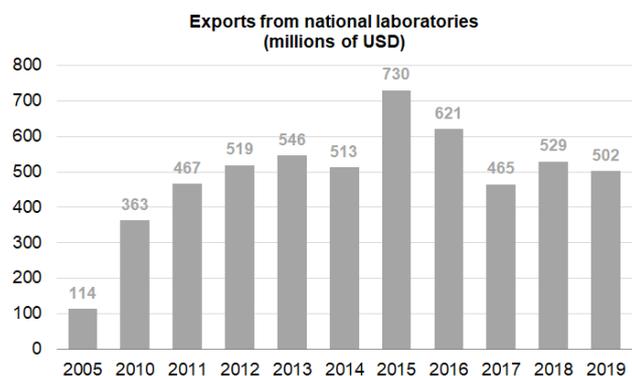
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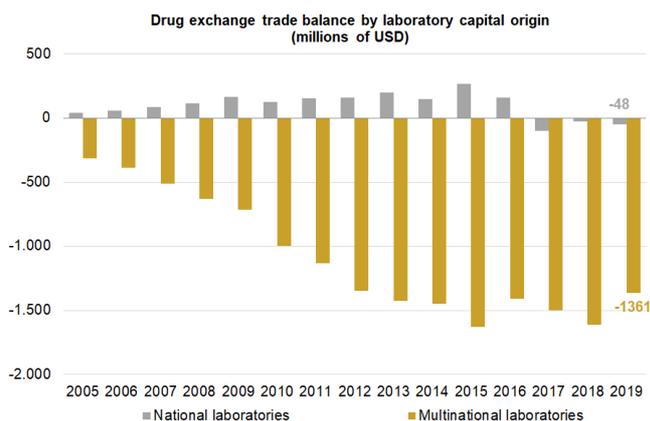
Exports of pharmaceutical products in tons have maintained a stable trend during the last years. From 2005 to 2019, the quantities of medicines sold abroad in tons increased 110%.



There is a notable drop in the exports of national laboratories. However, these exports more than quadrupled their value between 2005 and 2019.



Another way of analyzing the trade evolution of the sector consists in differentiating imports and exports as per the laboratories' capital origin. Such analysis evidences that, except for the last three years, throughout the





period analysed, national laboratories always maintained a positive trade balance, while multinational corporations show a strong deficit, with a growing trend. In 2019, multinational laboratories' deficit reached almost USD 1.4 bn., while local laboratories generated a slight deficit of USD 46 million.

Health expenditure

In 2017 Argentines spent 50,151 million dollars on health, representing a per capita expenditure of USD 1,138. The Argentine health system is financed by contributions from workers affiliated with Provincial Social Works (6.8 million), those affiliated with National Social Works (15.1 million), retirees affiliated to PAMI (5 million) and finally six million private beneficiaries, item which includes the expenditure made by households, companies and non-profit institutions. Likewise, of the expenditure, 5,214 million dollars were invested in hospitals and public centres and 4,903 million in clinics and private services.

Market expectations for 2025

Expectations for 2025 point to growth in production, domestic sales, exports and employment.

VARIABLE	UNIT	2019	2025 OBJECTIVE	EXPECTED RISE	COMMENTS
TOTAL BILLING	USD millions (laboratory outlet prices)	5,363	6,150	14,7%	+ 14,7% Improve productivity rates by investing in capital goods
DOMESTIC SALES	USD millions	4,634	5,200	12,2%	Consolidation of the domestic market
EXPORTS	USD millions	729	950	30,3%	+ 30,3% Greater number of destinations and product diversification improval
EMPLOYMENT	Occupied people	43,000	44,000	2,3%	Increase of 1,000 jobs in the industry

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Main drivers of the global pharmaceutical Industry

According to Eamon Shehee (2012), there are different drivers that promote the pharmaceutical industry's growth and development:

- Global population will grow from 7 million to 9 million in 2050.
- China's significant investment in the health system
- The importance of "generics" allowing companies to generate savings in relation to the "brand products", making medicine and products more available for people, particularly in developing countries.
- Population's aging boosts demand for medicine, pharmaceutical products and new technologies.
- The higher life expectancy mean that there is more demand for medical assistance and products.
- Increasing demand for specialized treatments in complex and more expensive illnesses.
- Governments promoting and making easier research and development in this area, offering fiscal and financial incentives.
- Adapted medicine for each patient according to their DNA, has increasing impact in the health and pharmaceutical industry.
- There are growing opportunities adding value to "generics", in which companies can offer innovation in processes, productivity improvement and quality controls.
- More opportunities for biotechnology producers.

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