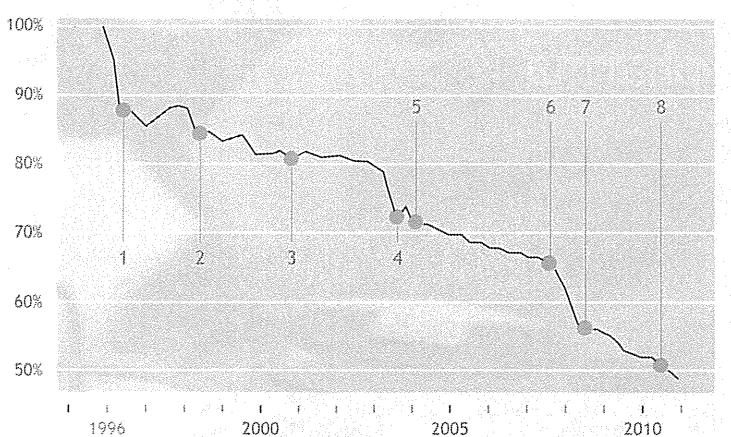
There are various causes for the falling prices of prescription medicines

The decrease in the price of medicines started in the mid 1990s. In recent years several successful covenants between government, the Dutch pharmacists organization (KNMP), The Dutch association of health care insurers (Zorgverzekeraars Nederland), Association of the Dutch Generic Medicines Industry (Bogin) and Nefarma have contributed substantially to the price decrease. In addition to this, the introduction and subsequent expansion of the preferential policy of health insurers has, in recent years, resulted in further price reductions of a number of medicines with expired patents.

Price of prescription medicines and causes of falling prices



1. Introduction of the Medicines Pricing Act (WGP)
2. Introduction of claw back
3. Claw back increase in the agreement between VWS-KNMP (ministry of health welfare and sport-Dutch pharmacists organization)
4. Introduction of a governmental measure
5. Start of contract period
6. So-called "Transition agreement" (covenant on moderate price development)
7. (Individual) preference policy
8. Extension of preference policy

Source: Stichting Farmaceutische Kengetallen (Foundation for Pharmaceutical Statistics), 2011


No other sector invests as much in research & development as pharma

3

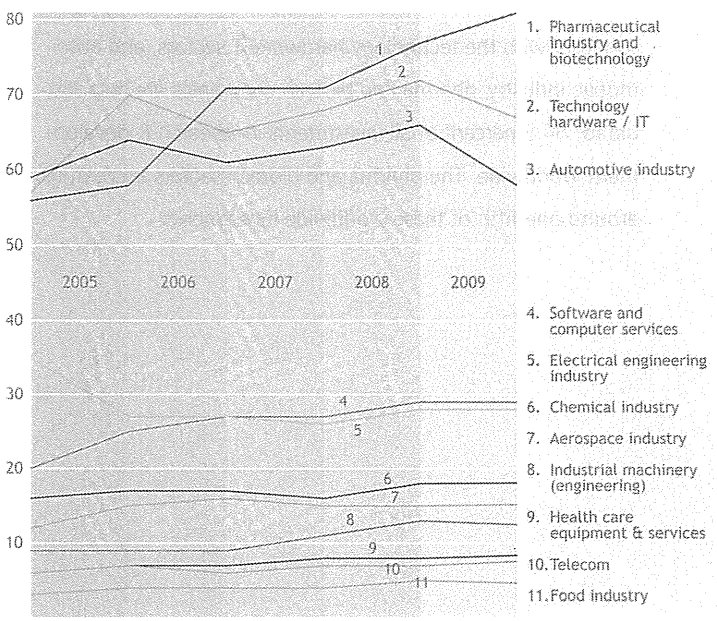
Pharmaceutical companies spend more on research & development than companies in any other sector. Every year, pharmaceutical companies in the Netherlands spend hundreds of millions of euros on research for the various stages of drug development. Pharma and biotech companies make up more than 10 percent of all research & development expenditure in The Netherlands.

Pharma is number one worldwide when it comes to investing in R&D

In 2008 the pharmaceutical industry invested 27 billion euros in R&D in Europe. That is more than a threefold increase since 1990 (7.8 billion euros). Within the EU the pharmaceutical industry is responsible for about 17 percent of the total investment in R&D.[1] Worldwide the pharmaceutical and biotechnology companies spent roughly 80 billion euros on research & development in 2009. Since 2004 investments have increased by more than 20 billion euros. In 2009 when the automotive industry and the technology/IT sector decreased their investments in R&D by 11.6 percent and 6.4 percent respectively, the pharma sector increased its investments by more than 5 percent. Of the 50 companies that invest the most in R&D globally, 15 are active in the pharmaceutical or biotechnology sector. Of the top 10, 5 are pharma companies.[2]

[1] Source: Efpia, The Pharmaceutical Industry Figures 2010
[2] Source: 2009 EU Industrial R&D Investment Scoreboard

Worldwide expenditure on R&D per sector over the years (2005-2009)

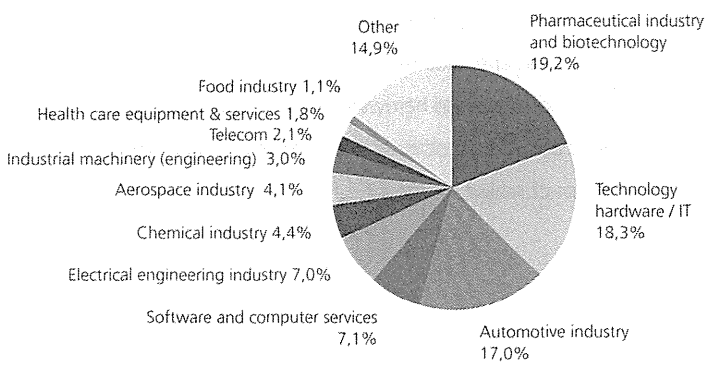


Source: European Commission, EU Industrial R&D Investment Scoreboard 2010

Three sectors are responsible for more than half of all R&D investments

Together with the technology hardware/IT sectors, and automotive industry, pharma and biotech companies are responsible for 54.5 percent of all investments in research & development worldwide. The pharma and biotech sectors account for around one fifth of these worldwide investments.

Share of total worldwide R&D investments per sector (in percentages)

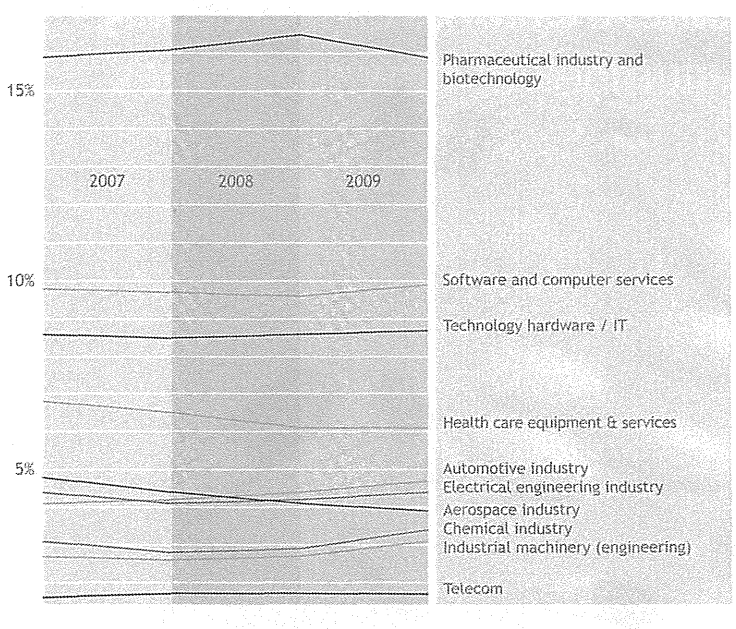


Source: European Commission, 2008 EU Industrial R&D Investment Scoreboard

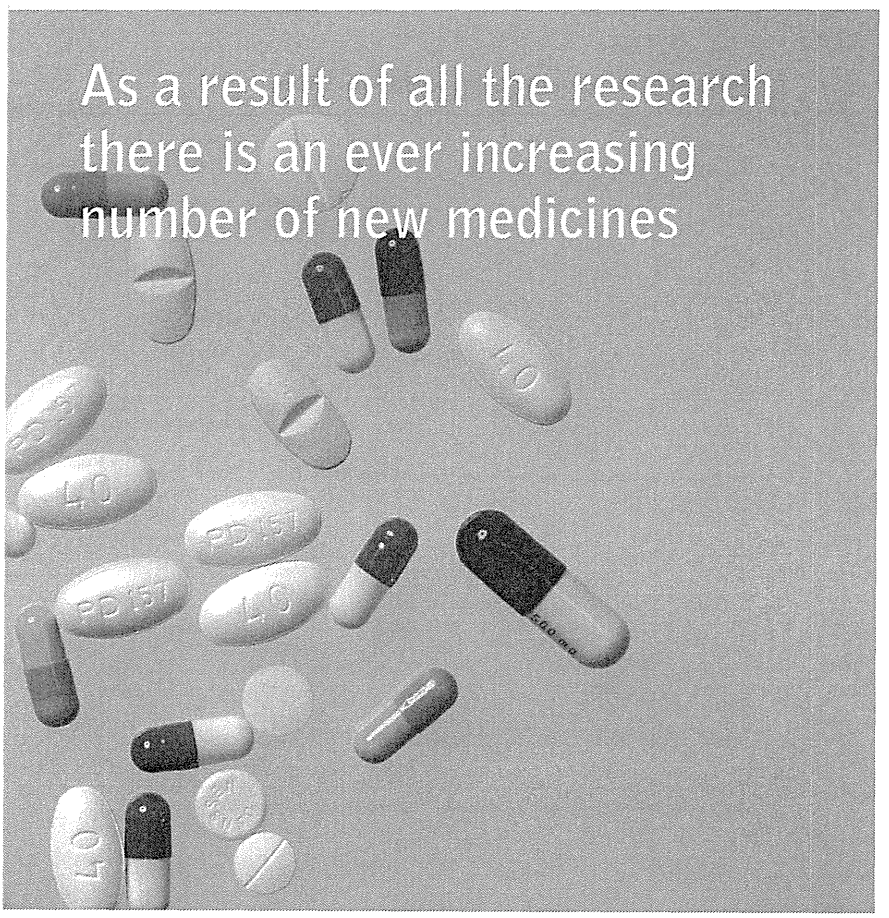
Of all sectors pharma spends the highest percentage of its turnover on R&D

If we look at total investment in R&D relative to realised turnover, then it is evident that no other branch reinvests as much in research & development as pharma. At 15.9 percent the sector is head and shoulders above the rest. Only the computer industry (software and hardware) comes close at nearly 10 percent, but in most other sectors investment is between 3 and 6 percent of realised turnover.

Percentage of turnover spent on R&D per sector



Source: European Commission, EU Industrial R&D Investment Scoreboard, 2007-2009


As a result of all the research
there is an ever increasing
number of new medicines

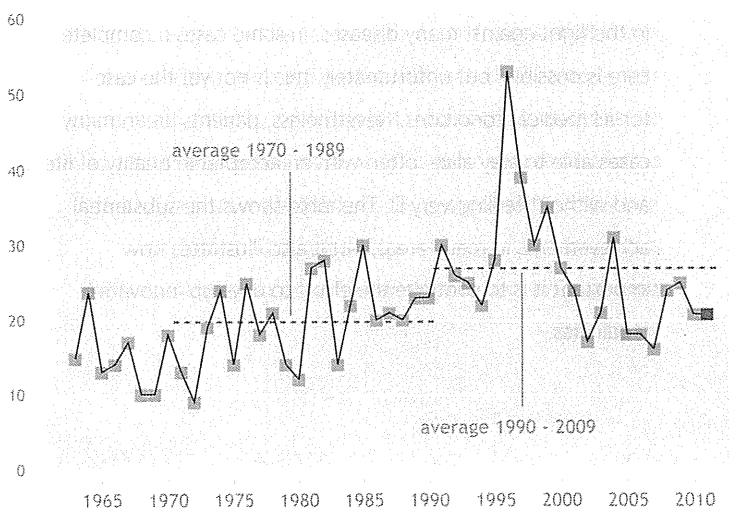
4

Investing a lot of money and manpower in search of innovative medicines is one thing; the important question is whether it is all worth it. This is especially relevant for drug research, because the vast majority of the substances studied do not lead to new medicines. On average only one in 10,000 researched substances leads to a new medicine. As small a number as this may seem, the research steadily adds to our ability to combat diseases and disorders.

Rising trend in the number of new medicines

There has been an increasing trend in the number of registrations of medicines with new active compounds over the last 50 years. This is evident from the registration figures of the second half of the last century. Whereas the American Food and Drug Administration (FDA) registered on average about 20 medicines with new active compounds per year between 1970 and 1989, in the following two decades this increased to 27 per year. This is partly attributable to a very productive period in the mid 90s (in the peak year 1996 the FDA registered 53 medicines with new active compounds), but even without this peak, the positive trend continued. The first half of 2011 looks very promising: 21 medicines with new active compounds have already been registered in the US in this period.

FDA Registered medicines with a new active compound (1963-2011)

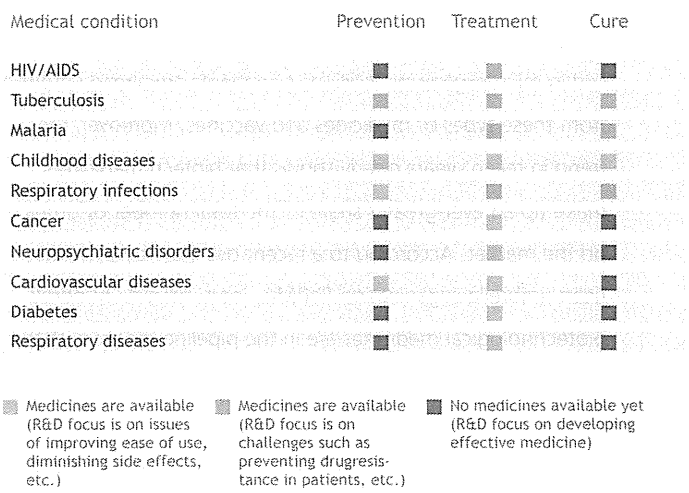


Sources: DiMasi, Tufts Center for the study of drug development, FDA
The number of registrations in 2011 is for the first six months only.

We are getting better and better, in more and more areas

With the help of medicines we continue to improve our odds in the fight against many diseases. In some cases a complete cure is possible, but unfortunately, this is not yet the case for all medical conditions. Nevertheless, patients are in many cases able to stay alive, often with an acceptable quality of life and without feeling very ill. The table shows the substantial achievements in many areas, but it also illustrates how important it is to continue the effort to develop innovative medicines.

Status of medicine development for various conditions



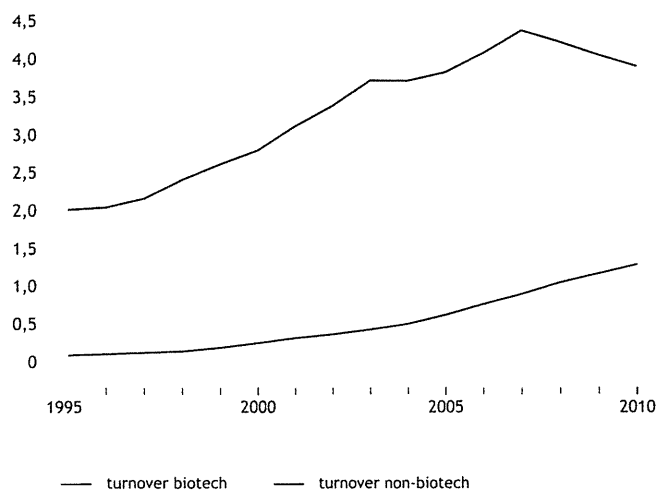
Source: IFPMA, 2008

There are more and more biotechnological medicines

Many new medicines are the result of biotechnology. These drugs are based on human (or animal) proteins that are produced in microorganisms. Millions of patients are already profiting from these types of medicines and vaccines. Moreover, the trend in recent years clearly shows that biotech medicines make up an ever-greater share of the total number of drugs on the market. According to a recent overview by the American umbrella organization PhRMA, more than six hundred biotechnological medicines are in the pipeline for more than one hundred diseases.

When you compare the development of turnover figures for 'traditional' medicines with biotech medicines, it is evident that the latter are on the rise in The Netherlands as well.

Development of turnover of biotech and non-biotech medicines in The Netherlands (in billions of euros)



Source: Axon Pharius, 2011


Innovative pharmaceutical companies have to contend with unnecessary obstacles

5

Before a new medicine becomes available to patients it will have gone through a long process of research, registration and market introduction. Most of the procedures have a statutory maximum term, however, in The Netherlands these terms are at times substantially exceeded. This has a negative impact on the climate for innovation. It is less attractive for businesses to invest, as the delays reduce the time period for a profitable return on investment. This period is already limited because of patent laws. Other factors, such as administrative burden, are additional obstacles to innovation.