

THE PHARMA AND FOOD SUPPLEMENTS MARKET IN ROMANIA

DEMO REPORT

by

**FRD CENTER MARKET ENTRY SERVICES
ROMANIA**

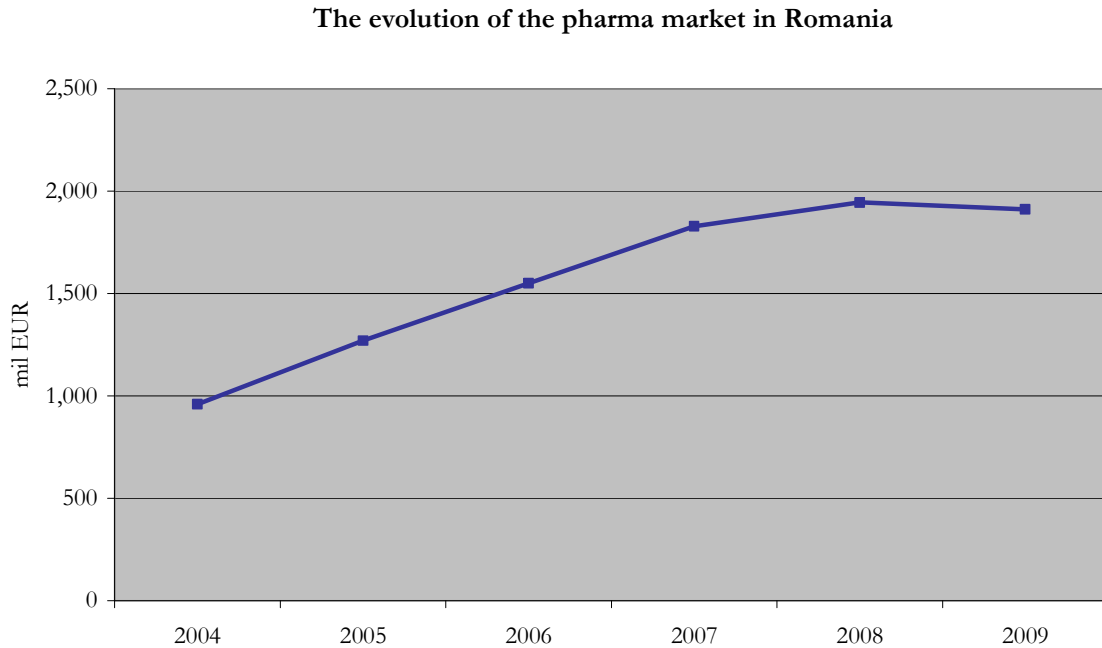
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1. Pharma market in Romania

1.1 Situation of the pharma market in Romania

The evolution of the pharma market in Romania, during the period 2004 – 2009, is presented below.



Source: Cegedim, Ziarul Financiar

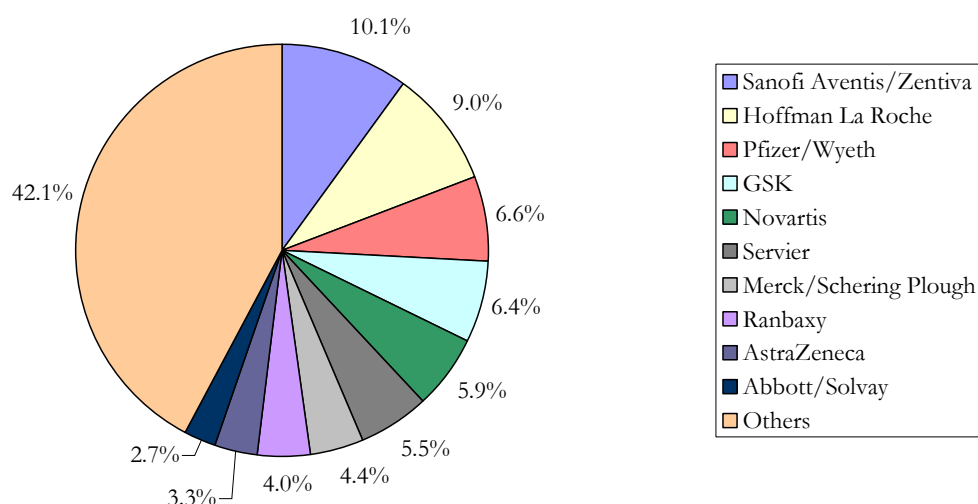
The international mergers and acquisitions during the past period impacted on the Romanian market (e.g. the takeover of Zentiva by Sanofi Aventis, the takeover of Wyeth by Pfizer).

According to Cegedim Romania, the top 20 largest companies on the domestic pharma market control almost 80% of the sales at present, compared to some 70% in 2009, with the industry witnessing a strong concentration trend. The top 20 companies recorded cumulated sales of 1.5 billion EUR in 2009, up 22.4% from 2008.

The market share of the main players on the pharma market in Romania in 2009 is presented in the chart below.

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The market share of the main pharma players in Romania in 2009



Source: Cegedim, Ziarul Financiar

According to Cegedim, the percentage of the drugs with prices of over 50 EUR increased in 2009 to 34.2% in terms of value, compared to 28.5% in 2008, while the percentage of the products with prices below 5 EUR declined considerably. Although the Ministry of Health imposed a price decrease, this decision was not felt on the market due to the fact that the producers promoted their expensive products, which were attractive both for distributors and pharmacies.

In 2009, 791 new products (both prescription and non-prescription drugs) were launched, while 547 drugs exited the domestic market. The new products generated sales worth 34 million EUR in 2009, while the products that exited the market in 2009 generated sales of 13.21 million EUR in 2008.

According to market estimations, the pharma market in Romania could reach 2.3 billion EUR in 2015.

1.1. Non-prescription drugs

According to Cegedim, in the first ten months of 2009, the domestic market of non-prescription drugs (OTCs) decreased by 15.5% (in volume) and by 11.2% (in value, in EUR) compared to the similar period of the previous year. This is the first decline on this market in the last few years, as a result of the purchasing power decrease.

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The Romanian market of the OTCs is estimated at over 320 million EUR per year. These drugs are not regulated by the legislation in force, in terms of limiting the maximum prices. Therefore, the non-prescription drugs are a very attractive segment for the pharma players due to the mark-ups they can add.

According to Cegecim, the best selling non-prescription drugs, in the first ten months of 2009 in Romania, were:

- Nurofen: 9 million of sold units (total sales value: 18.3 million EUR, at the acquisition price in pharmacies, without VAT and mark-up)
- Algocalmin: 10 million of sold units (total sales value: 11 million EUR)
- Aspenter: 4 million of sold units (total sales value: 6.5 million EUR)
- Paracetamol Sinus: 5 million of sold units (total sales value: 6 million EUR)
- Antinevralgic: 5 million of sold units (total sales value: 5.9 million EUR)
- Coldrex: 1.4 million of sold units (total sales value: 5.7 million EUR)
- Aspacardin: 1.7 million of sold units (total sales value: 4.7 million EUR)
- No-Spa: 2.5 million of sold units (total sales value: 4.3 million EUR)
- Olynth: 2 million of sold units (total sales value: 4 million EUR)
- Essentiale Forte: 0.88 million of sold units (total sales value: 3.9 million EUR)

Nurofen is the best selling non-prescription drug on the domestic market, this fact being determined by the drug's efficiency and the amounts invested in advertising, according to the Pharmacists Employers Association in Romania. According to market sources, 12.2 million EUR were invested in the Nurofen's advertising during the period January – August 2009.

In the first ten months of 2009, Coldrex recorded a sale decrease by 15% (in volume) and by 10% (in value) compared to the similar period of the previous year. Aspacardin and Essentiale Forte recorded increases by some 10%, both in terms of sales volume and value, in the first ten months of 2009 compared to the corresponding period in 2008.

1.2 Prescription drugs

The Ministry of Health intends to acquire software applications and IT equipment for the national system of the electronic prescription. The system will ensure the monitoring in due time of the necessary and the consumption of drugs in Romania, the elimination of the medication errors and frauds in the current prescription system. Also, the system will help the implementation of a control / supervising system of the prescription, the processing and the sharing of medical information and will allow the access of the citizens to quality health services.

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The contract value is estimated at some 20 million EUR (including VAT) and the financing will be ensured through granted funds, in a percentage of some 80%. The system's implementing period is of 20 months. The main beneficiaries of this system will be the 44 Health Insurance House, some 30,000 doctors, some 5,350 pharmacies that have contracts with the County Health Insurance House and around 12 million persons insured in the health insurance system in Romania.

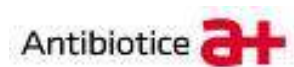
The legislation in force stipulates maximum prices for the prescription drugs in Romania. The Ministry of Health approved a methodology to calculate the maximum prices, which stipulates the maximum quota of the mark-up in pharmacies, the maximum distribution mark-up and the maximum mark-up for supplementary import services.

Some examples of prescription drugs in Romania are: Almacor, Cefalexina, Cefort, Kefungin, Nistatina, Simcor, Episindan, Folcasin, Calmepam, Metoprolol, Tramadol, Famotidina, Fevarin, Mononitron, Novosef etc.

2. Main pharma producers in Romania

2.1 Main Romanian pharma producers

2.1.1 Antibiotice



The company's shareholders are: the Ministry of Health (53.0173%), SIF Oltenia (10.0954%), others (36.8873%). Antibiotice is listed on the Bucharest Stock Exchange.

The company's best-selling drugs are Cefort, Ampicilina, Ranitidina, AmpiPlus and Oxacilina, these generating some 40% of the company's sales. Other company's products are: Piafen, Amoxicilina, Clafen, Ceftamil, Eficef, Paracetamol, Hemorzon, Ampiplus, Bisotens, Nidoflor, Triamcinolon, Tetraciclina, Clotrimazol, Neopreol, Indometacin, Clafen, Piroxicam etc.

Antibiotice is one of the world's biggest producers of nystatin (a raw material used in the pharmaceutical industry), which the company exports to several markets.

The main therapeutic areas developed by Antibiotice are: anti-infection (60% in TO), cardiovascular (5% in TO), digestive tract (12% in TO), anti-inflammatory (6% in TO), dermatological products (8% in TO) etc.

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One of the producer's plans for 2010 is the internal reorganization. In the next three years, Antibiotice intends to invest 8 – 9 million EUR in a new production line, out of which 4.5 million EUR from structural funds and the rest from own sources. Also, the company intends to invest some 2.5 million EUR in an integrated IT system.

Financial data of Antibiotice SA in 2008:

- Turnover: 58.6 million EUR
- Net profit: 2.9 million EUR
- No of employees: 1,523

2.1.2 Biofarm



The company's shareholders are: SIF Oltenia (approx. 17.5%), SIF Banat Crisana (approx. 15%), SIF Moldova (approx. 11.5%), Authority for State Assets Recovery (approx. 1%), others (approx. 55%). Biofarm is listed on the Bucharest Stock Exchange.

Biofarm has a portfolio of some 120 products. The company intends to expand its product range with 12 – 15 new products per year.

Financial data of Biofarm SA in 2008:

- Turnover: 17.7 million EUR
- Net loss: 5.8 million EUR
- No of employees: 335

2.1.3 LaborMed Pharma



LaborMed Pharma is owned by the Advent International investment fund.

The company produces drugs for cardiovascular, central nervous system, metabolism diseases etc., which are distributed to some 3,500 pharmacies and some 400 hospitals.

In 2009, LaborMed took over the Ozone brands and a portfolio of 12 products from PlantExtrakt in Cluj county. Following these two transactions, LaborMed structured its

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activity in three divisions: LaborMed (for prescription drugs), Ozone (for OTCs) and Ozone Natural (for natural drugs).

Following the acquiring of Ozone brands with an estimated amount of some 20 million EUR, LaborMed consolidated its presence on the foreign markets, currently operating in Poland, Bulgaria, Hungary, the Czech Republic or Slovakia.

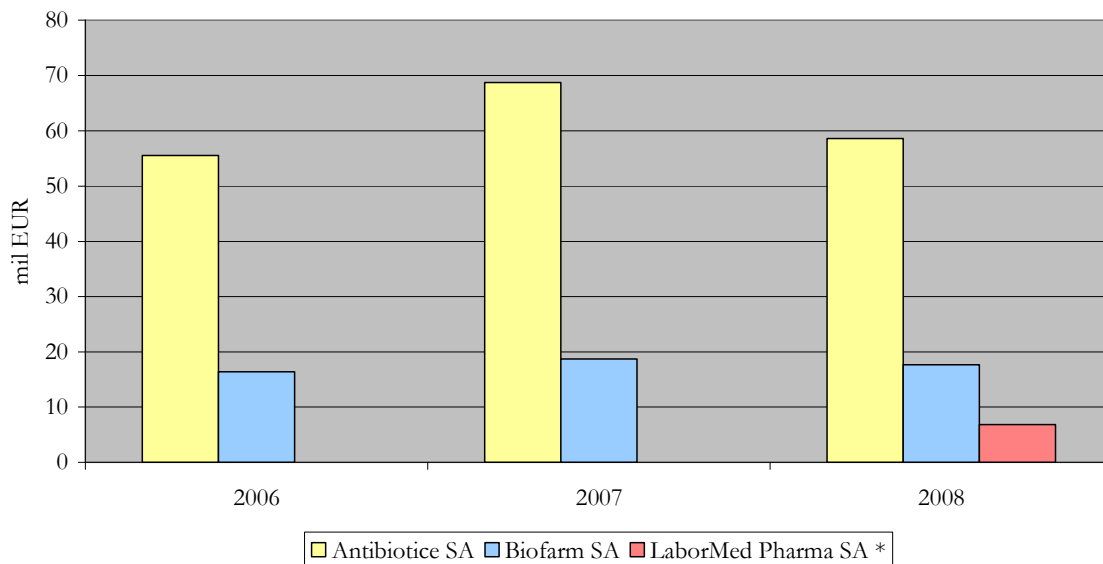
LaborMed intends to develop its regional presence during the next years and to focus mainly on the Polish market. At present, some 10% of the company's sales are represented by exports and the percentage is expected to reach 30% in the next years.

Financial data of LaborMed Pharma SA in 2008:

- Turnover: 6.8 million EUR
- Net loss: 10.1 million EUR
- No of employees: 68

The turnover dynamics of these three main Romanian pharma producers, during the period 2006 - 2008, is presented below.

The turnover dynamics of three main Romanian pharma producers



*The turnover of LaborMed Pharma SA in 2006 and 2007 is not available.

Source: Ministry of Public Finances

2.2 Main foreign pharma producers with production capacities in Romania

2.2.1 Sandoz



Sandoz, the generic pharmaceuticals division of the Novartis Group, owns two production facilities in Romania, located in Targu Mures, Mures county.

The exports represented in 2009 some 95% in the company's turnover, compared to some 50% in the previous years. Sandoz Romania exports its products in Europe, the United States and other areas. While almost the company's entire production in the Targu Mures plants is exported, the sales in Romania are ensured through imports from other plants of the Group.

Financial data of Sandoz SRL in 2008:

- Turnover: 68.9 million EUR
- Net loss: 8.5 million EUR
- No of employees: 203

2.2.2 Zentiva



In 2009, Sanofi Aventis became the majority shareholder of Zentiva (the owner of the domestic pharma producer Sicomed Bucharest). Zentiva is listed on the Bucharest Stock Exchange.

During the next period, Sanofi Aventis intends to transfer into the Zentiva plant in Bucharest the production of some drugs, in the antibiotic, antihypertensive or urology therapeutic areas.

Zentiva produces in Romania the Gerovital non-prescription drugs, used in the anti-aging treatments. Sanofi Aventis intends to re-launch the Gerovital brand and to export it on markets in Asia, Latin America or Germany.

The investments in the plant in Bucharest accounted some two million EUR in 2009.

Financial data of Zentiva SA in 2008:

- Turnover: 59.3 million EUR

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- Net profit: 6.3 million EUR
- No of employees: 738

2.2.3 Europharm



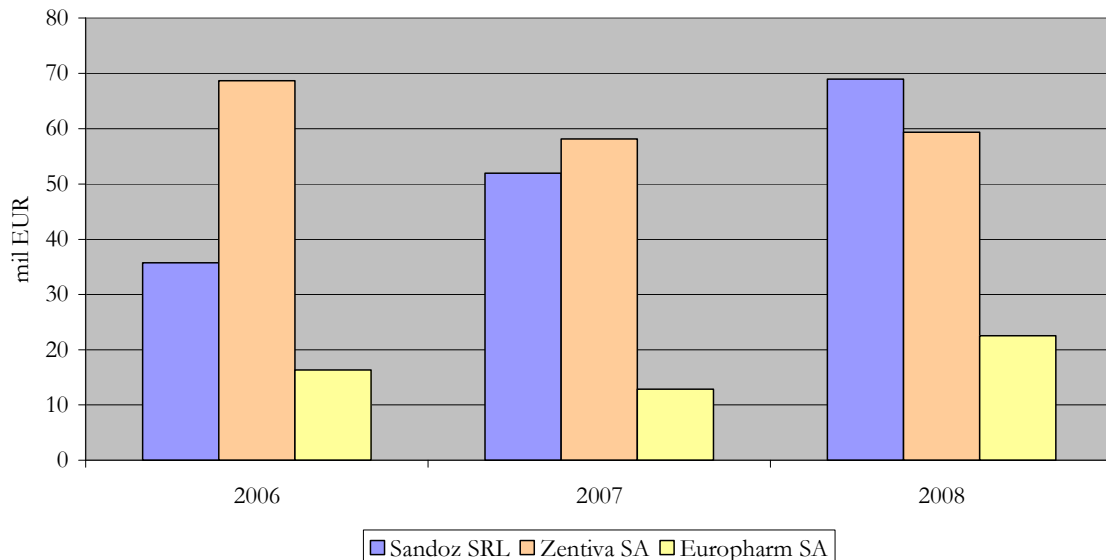
In 1998, GlaxoSmithKline (GSK) acquired the domestic pharma producer Europharm in Brasov. Following significant investments, GSK estimates annual exports of some 300 million EUR from the plant in Brasov during the next years.

Financial data of Europharm SA in 2008:

- Turnover: 22.5 million EUR
- Net loss: 2.6 million EUR
- No of employees: 246

The turnover dynamics of these three main foreign pharma producers with production capacities in Romania, during the period 2006 - 2008, is presented below.

The turnover dynamics of three main foreign pharma producers with production capacities in Romania



Source: Ministry of Public Finances

3. Main pharma representatives in Romania

3.1 Roche Romania



The company's best-selling drugs, Neorecormon, Pagasys and Avastin, cumulated sales of around 108 million EUR in 2009, this representing some 5% of the Romanian pharmaceutical market, according to IMS Health company. These three drugs are included in the national programmes, their cost being entirely covered by the Health Insurance House.

Financial data of Roche Romania SRL in 2008:

- Turnover: 162.6 million EUR
- Net profit: 1.9 million EUR
- No of employees: 152

3.2 Pfizer Romania



Some of the company's drugs are: Accupro, Norvasc, Sortis, Glucotrol XL, Fragmin, Aricept, Neurontin, Sermion, Zeldox, Zolofit, Xanax, Diflucan, Dynastat, Unasyn, Zyvoxid, Vfend, Viagra, Cardura XL, Aromasin, Xalatan, Sutent.

The company's best selling drug on the domestic market is Sortis.

Financial data of Pfizer Romania SRL in 2008:

- Turnover: 25.9 million EUR
- Net profit: 0.5 million EUR
- No of employees: 191

3.3 Servier Pharma



Some of the company's products are: Procoralan, Diamicron MR, Muphoran, Protelos etc. The company targets neurosciences, cardiovascular, endocrinology, oncology, rheumatology, asthenia therapeutic areas etc.

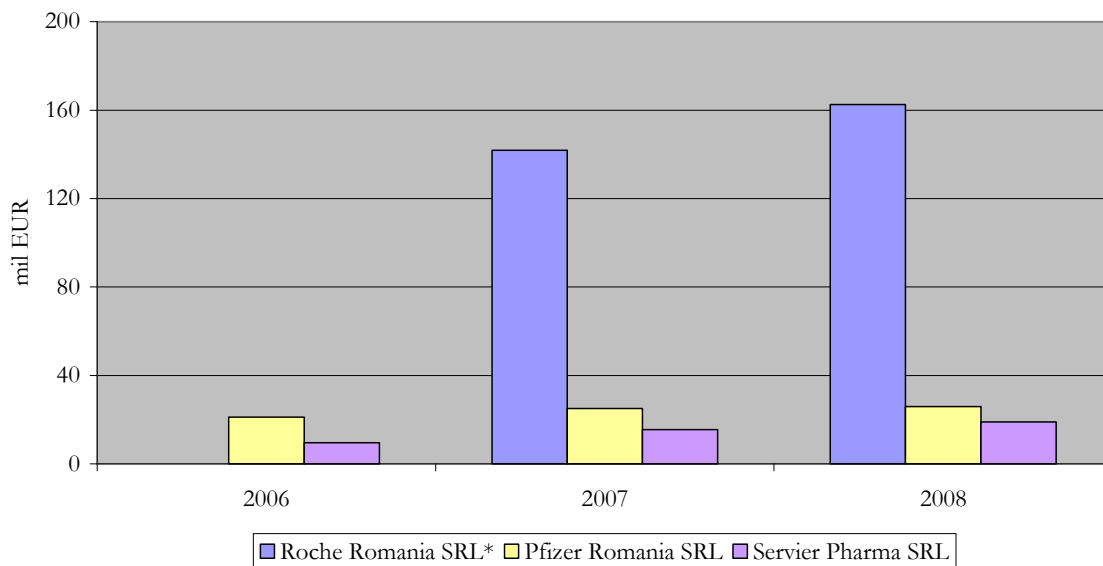
Financial data of Servier Pharma SRL in 2008:

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- Turnover: 18.9 million EUR
- Net profit: 0.5 million EUR
- No of employees: 266

The turnover dynamics of these three main pharma representatives in Romania, during the period 2006 - 2008, is presented below.

The turnover dynamics of three main pharma representatives in Romania



*The turnover of Roche Romania SRL in 2006 is not available

Source: Ministry of Public Finances

4. Main pharma distributors in Romania

4.1 Mediplus Exim



Mediplus Exim is part of the Dutch A&D Pharma Holding N.V. The Group also includes the Sensiblu pharmacies.

The Mediplus Exim logistics network includes one logistic centre in Mogosoaia, near Bucharest and warehouses and local offices all over the country. The logistics centre near

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Bucharest was opened in 2007, on an area of 23,000 sqm, out of which 17,500 sqm for the storage spaces.

Mediplus Exim collaborates with various foreign and domestic producers and has over 2,800 clients, pharmacies and hospital pharmacies.

The financial data of Mediplus Exim SA in 2008:

- Turnover: 474.8 million EUR
- Net profit: 3.1 million EUR
- No of employees: 978

4.2 Relad Group



The Relad Group includes two companies specialised in the import and distribution of the pharmaceutical products: Relad International and Relad Pharma.

Some of the Group's suppliers are: Hoffmann La Roche, GSK, Pfizer, Sanofi Aventis, Schering Plough, Eli Lilly, Novartis, Merck, Boehringer Ingelheim, Abbott Laboratories, Zentiva, Laropharm, Antibiotice etc. Relad distributes its products to over 3,500 pharmacies and 450 hospitals.

The financial data of Relad Group (including Relad International SRL and Relad International Pharma SA) in 2008:

- Turnover: 402.3 million EUR
- Net loss: 11.5 million EUR
- No of employees: 617

4.3 Fildas Trading



Fildas Trading is part of the Fildas Group. The Group also includes the Catena pharmacies network and is owned by Mrs. Anca Vlad.

Some of the company's suppliers are: Abbott Laboratories, Actavis, Alcon Pharmaceuticals, Antibiotice, Arena, Biofarm, Boehringer Ingelheim, Boiron, Egis Pharmaceuticals, Eli Lilly,

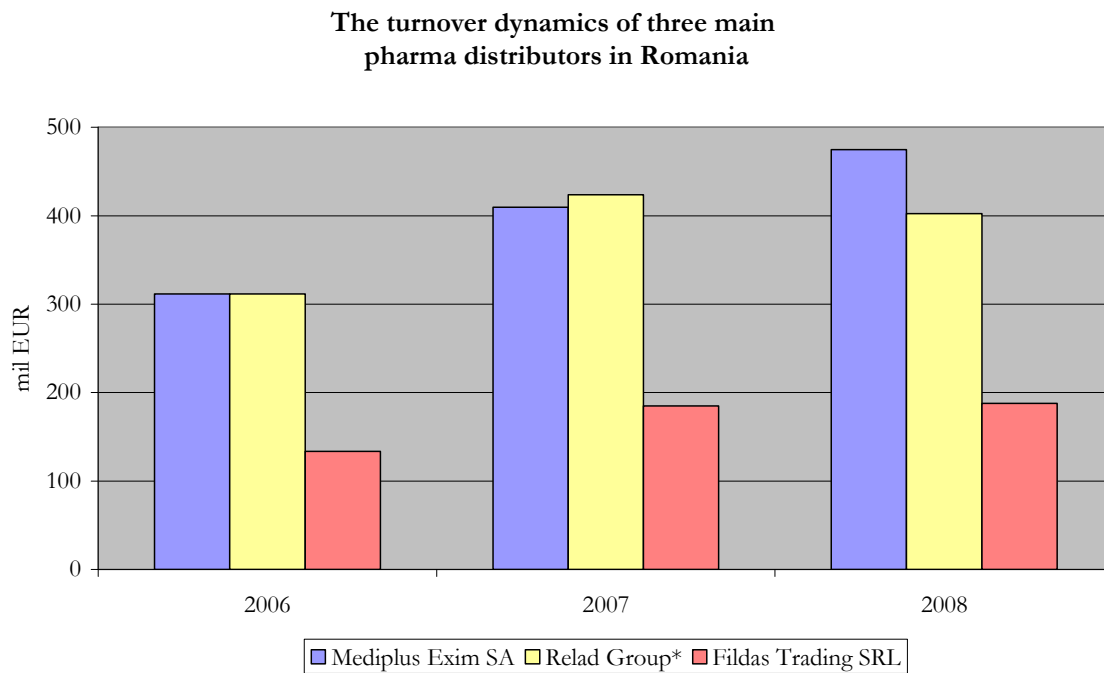
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GSK, Hoffman La Roche, Laboratoires Fournier, Laropharm, Novartis, Ranbaxy, Remedica, Sandoz, Sanofi Aventis, Sintofarm, Solvay Pharmaceuticals, Walmark, Zentiva etc.

The financial data of Fildas Trading SRL in 2008:

- Turnover: 187.8 million EUR
- Net loss: 12.4 million EUR
- No of employees: 578

The turnover dynamics of these three main pharma distributors in Romania, during the period 2006 – 2008, is presented below.



*The turnover of Relad Group includes the turnover of Relad International SRL and Relad International Pharma SA

Source: Ministry of Public Finances

5. Market of natural drugs and food supplements in Romania

5.1 Situation of the market of natural drugs and food supplements in Romania

In Romania, the natural drugs and food supplements are sold in a percentage of over 90% in pharmacies and specialised stores. Other commercial channels for the selling of the natural drugs and food supplements on the domestic market are the internet and the supermarkets.

According to Walmark Romania, the domestic market of food supplements sold in pharmacies was of some 110 million EUR in 2008 (at the consumer price).

According to Walmark Romania, the decrease of the population's purchasing power influenced the domestic market of the food supplements. If during the previous years, the y/y market increases recorded 20 - 30%, in the first nine months of 2009, the domestic market of food supplements recorded an increase by 7.1% compared to the similar period of 2008. This market growth in the first nine months of 2009 was registered due to the price increase, taking into account the fact that the sold units decreased by 11% compared to the first nine months of 2008.

The mainly health segments represented on the Romanian market of natural drugs and food supplements are: arthrosis, urinary infections, weight lose, omega 3, hepato-protectors etc.

5.2 Main Romanian producers of natural drugs and food supplements

5.2.1 Hofigal Export Import



Hofigal Export Import produces natural drugs, food supplements, teas, gemoderivates, tinctures, hydro-alcoholic extracts, cosmetics etc.

The company's products are distributed all over the country, through own distribution network or authorised distributors. The company's best selling products are Redigest and Mag-Anghinar.

Hofigal exports some 2 – 3% of its production, the main export markets being Italy and Azerbaijan.

Hofigal intends to implement the ecologic agriculture system on its area of 35 hectares located near Bucharest.

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Financial data of Hofigal Export Import SA in 2008:

- Turnover: 6.9 million EUR
- Net profit: 0.8 million EUR
- No of employees: 353

5.2.2 Laboratoarele Fares Bio Vital



The company produces natural drugs, teas, tinctures, oils, natural syrups, ointments, herbal supplements etc.

In 2009, Fares invested in launching of a new laboratory and modernising a building.

Financial data of Laboratoarele Fares Bio Vital SRL in 2008:

- Turnover: 6.7 million EUR
- Net profit: 1.8 million EUR
- No of employees: 164

5.2.3 Dacia Plant



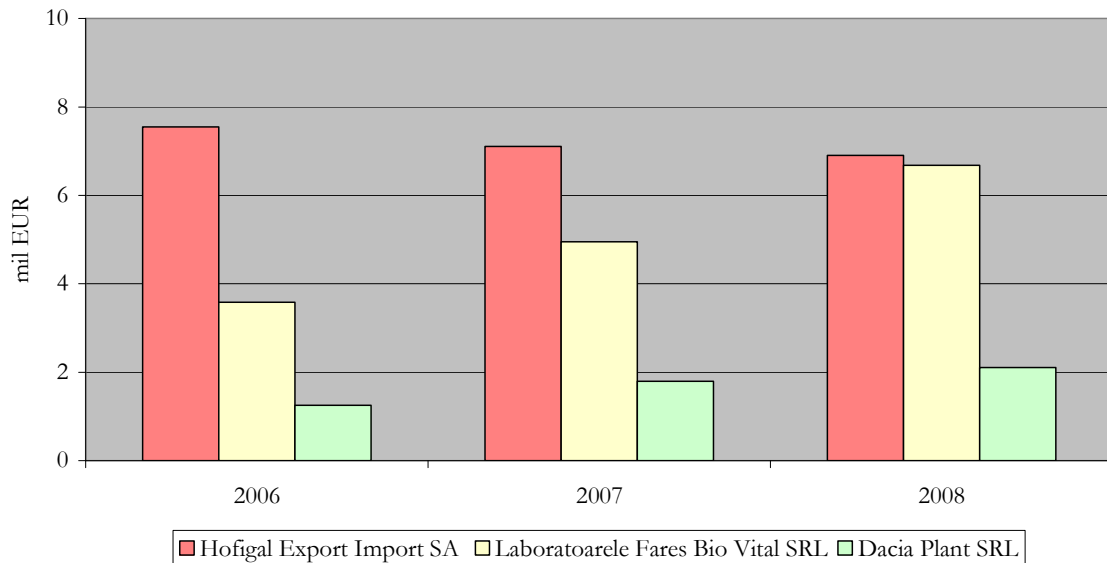
Dacia Plant produces natural drugs, tinctures, teas etc. At the end of 2009, the company launched new products: Antidepresiv, Antigrip, Antiviral, Antireumatic, Febrifug, Passiflora, Renostim, Xantoprostal, Gastrocalm, BioZhelyth, GanoZhelyth. Also, Dacia Plant intends to launch new products in 2010.

Financial data of Dacia Plant SRL in 2008:

- Turnover: 2.1 million EUR
- Net profit: 0.1 million EUR
- No of employees: 65

The turnover dynamics of these three main Romanian producers of natural drugs and food supplements, during the period 2006 – 2008, is presented below.

The turnover dynamics of three main Romanian producers of natural drugs and food supplements



Source: Ministry of Public Finances

5.3 Main representatives of foreign producers of natural drugs and food supplements in Romania

5.3.1 Forever Living Products Romania SRL



The company's portfolio includes Aloe Vera based drinks, bee products, food supplements, personal care products and cosmetics.

Forever Living Products Romania distributes its products using the multi-level marketing (MLM). The company has storage spaces in Bucharest, Cluj, Arad, Constanta, Iasi, Brasov.

Financial data of Forever Living Products Romania SRL in 2008:

- Turnover: 24.2 million EUR
- Net profit: 0.6 million EUR
- No of employees: 65

5.3.2 Walmark Romania



The Czech producer Walmark, entered the domestic market in 1997. Some of the best selling products of Walmark Romania are: ArthroStop, Prostenal, Minimartieni, Varixinal, Spektrum, Viaderm, Urinal, GinkoPrim.

On the domestic market, Walmark performs some 5% of its business through internet, some 1% through supermarkets and over 90% through pharmacies and specialised stores. In 2010, the company intends to sell its products also in oil stations, these commercial channels being less exploited by the active companies on the market of natural drugs and food supplements.

In the first nine months of 2009, the company's products with the highest increases were: vitamin C (+33%), Ministelari - omega 3 for children (+15%), ArtroStop (+5%), Urinal (+13%).

According to the representatives of Walmark Romania, the company has a market share of some 22% on the domestic market of food supplements and invests some 20 - 22% from its turnover in the promotion activities.

Financial data of Walmark Romania SRL in 2008:

- Turnover: 17.0 million EUR
- Net profit: 3.3 million EUR
- No of employees: 63

5.3.3 Sprint Pharma



The company is the local representative of Sprint Pharma Switzerland. Some of the company's products are: Kellagon, Hepa Control, Carminex, Cartilage Repair, Digest Control, Prosta Repair Plus, Stress Away etc.

The company's products are sold in pharmacies in Bucharest, Cluj Napoca, Braila, Constanta, Pitesti, Galati, Satu Mare, Targoviste etc.

Financial data of Sprint Pharma SRL in 2008:

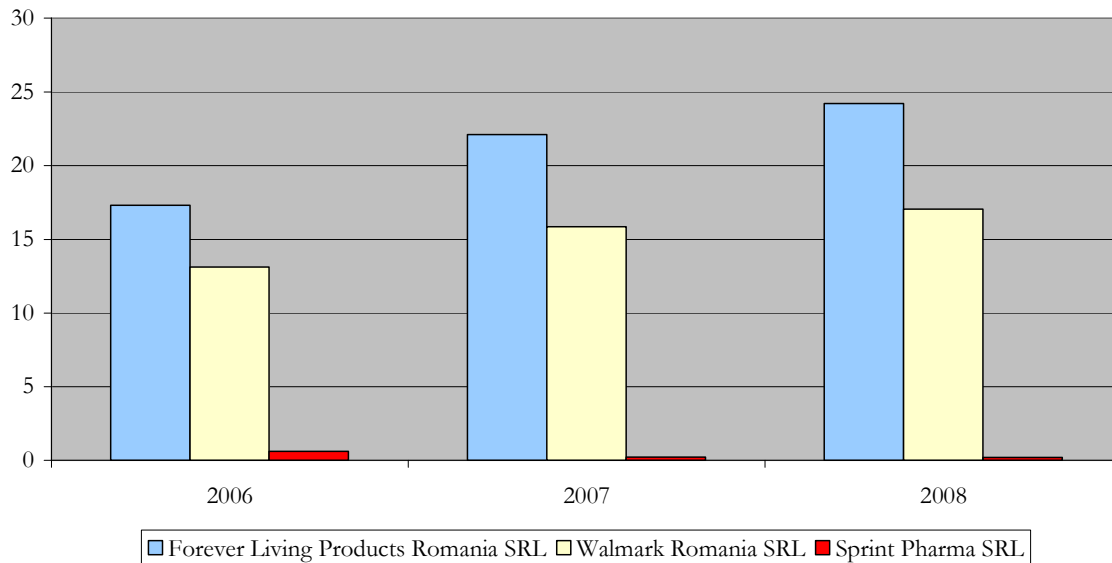
- Turnover: 0.2 million EUR
- Net loss: 0.6 million EUR

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- No of employees: 23

The turnover dynamics of these three main representatives of foreign producers of natural drugs and food supplements in Romania, during the period 2006 – 2008, is presented below.

The turnover dynamics of three main representatives of foreign producers of natural drugs and food supplements in Romania



Source: Ministry of Public Finances

5.4 Main distributors of natural drugs and food supplements in Romania

5.4.1 Radix



Radix distributes natural drugs, food supplements, teas, dry fruits, apiarian products and honey-based energisers, integral cereals, soy products, non-refined and cold-pressed oils, inverted sugar syrups, essential oils, cosmetic products etc.

Some of the brands distributed by Radix are: Solaris Plant, Berko Pharma, Elzin Plant, Quantum Pharm, Vitalia K, Apiland, Bioremed, Chemomed etc.

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Financial data of Radix SRL in 2008:

- Turnover: 9.8 million EUR
- Net profit: 0.1 million EUR
- No of employees: 118

5.4.2 Secom Productie Servicii



Some of the brands distributed by Secom are: Nature's Way, Solaray, Jarrow Formulas, Childlife Essentials, Maitake Products etc.

Secom distributes natural drugs for brain, cardiovascular, gastrointestinal, kidney or bone health, allergies, anti-aging, anxiety - panic attack, depression, stress, insomnia, diabetes, endocrine system, poor peripheral circulation etc.

Secom distributes its products in pharmacies and stores specialised in the selling of the natural drugs, located all over the country.

In the first semester of 2009, Secom recorded sales of 1.3 million EUR.

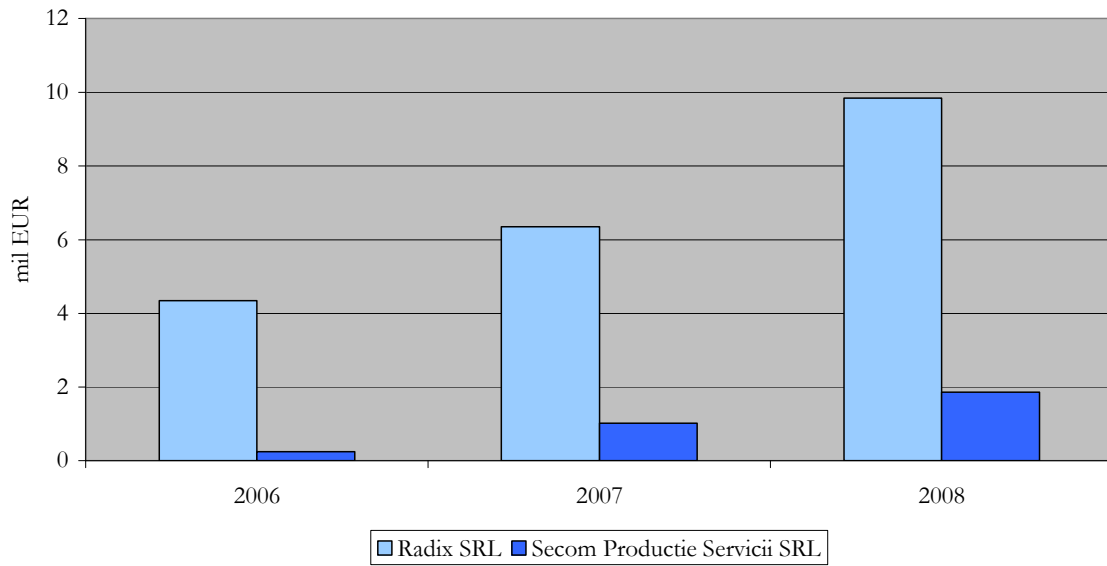
Financial data of Secom Productie Servicii SRL in 2008:

- Turnover: 1.9 million EUR
- Net profit: 0.3 million EUR
- No of employees: 5

The turnover dynamics of these two main Romanian distributors of natural drugs and food supplements, during the period 2006 – 2008, is presented below.

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The turnover dynamics of two main distributors of natural drugs and food supplements in Romania



Source: Ministry of Public Finances

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