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I. Pharmaceutical Sector Overview
Pharmaceutical Sector Highlights

**Importance**
The Brazilian pharmaceutical market was sixth-largest in the world in 2012. The sector posted gross revenues of BRL 49.6 billion (USD 24.8 billion) in 2012, up by 15.8% from the previous year, while the total pharmaceutical sales rose by 10.6% y/y to 2.6 billion units. In 2010, Brazil was home to some 70,000 pharmaceutical companies, comprising producers, wholesalers and retailers.

**Taxes**
Taxes on drugs in Brazil are among the highest in the world. This translates into high prices, which weigh heavily on household expenditure, as more than 70% of the drugs Brazilians need to buy are not reimbursed by the state. The government subsidises about one-fifth of the drugs used and private health plans rarely include free medicines. In 2012, taxes accounted for 33.9% of the retail price of medicines, compared to a global average of 6.3%. Drugs partially exempt from taxes are grouped in a special list.

**Generic Drugs**
Brazil introduced generic drugs in 1999. Some 90% of the generic drugs used in Brazil are produced locally. Around 85% of the raw materials used in the production of generic drugs in Brazil are imported with India accounting for more than half of the imports. Generic drugs claim the top 15 of the 20 most prescribed drugs in the country. Generics are on average some 55% cheaper than branded medicines. Generic drug sales accounted for USD 5.7 billion and 680.9 million units in 2012. Brazil is home to some 100 laboratories producing generics.

**Forecast**
By 2016, Brazil is expected to be the fourth-largest pharmaceutical market in the world after the United States, China and Japan. The drugs market in the country is expected to reach sales of BRL 87 billion by 2017. The main growth drivers include rising household incomes, growing middle class, aging population and robust sales of generic drugs. The generic drugs subsector will continue to expand and is seen to reach a 30% market share in the short term, and between 35% and 45% in the long term.

**Demand**
In 2012, the prescription drugs segment accounted for some 52% of the total market, up by 12% in value and 7% in volume compared to the previous year. The OTC segment grew some 16% y/y in value and 11% y/y in volume, to a 26% market share. Generic drugs claimed 23% of the market, rising by 27% in value and 17% in volume compared to 2011. Pharmaceuticals were the 9th most imported product in Brazil in 2012.
### Healthcare Statistics

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (mn)</td>
<td>190</td>
<td>192</td>
<td>194</td>
<td>195</td>
<td>197</td>
<td>199</td>
</tr>
<tr>
<td>Population under 15 (%)</td>
<td>26.77</td>
<td>26.36</td>
<td>25.93</td>
<td>25.49</td>
<td>25.04</td>
<td>24.56</td>
</tr>
<tr>
<td>Population over 60 (%)</td>
<td>9.34</td>
<td>9.59</td>
<td>9.87</td>
<td>10.17</td>
<td>10.48</td>
<td>10.81</td>
</tr>
<tr>
<td>GDP (USD mn)*</td>
<td>1,366,544</td>
<td>1,650,897</td>
<td>1,625,636</td>
<td>2,143,921</td>
<td>2,475,066</td>
<td>2,252,628</td>
</tr>
<tr>
<td>GDP per capita (USD)*</td>
<td>7,282.7</td>
<td>8,706.7</td>
<td>8,489.8</td>
<td>11,094</td>
<td>12,696</td>
<td>11,462</td>
</tr>
<tr>
<td>GDP (annual change%)*</td>
<td>6.09</td>
<td>5.17</td>
<td>(0.33)</td>
<td>7.53</td>
<td>2.73</td>
<td>0.87</td>
</tr>
<tr>
<td>Total expenditure on health (% of GDP)</td>
<td>8.5</td>
<td>8.3</td>
<td>9.0</td>
<td>8.9</td>
<td>8.5</td>
<td>n/a</td>
</tr>
<tr>
<td>Government expenditure on health per capita (PPP int. USD)</td>
<td>346</td>
<td>368.5</td>
<td>396.2</td>
<td>474.9</td>
<td>477.00</td>
<td>n/a</td>
</tr>
<tr>
<td>Total expenditure on health per capita (PPP int. USD)</td>
<td>827.4</td>
<td>861.9</td>
<td>909.4</td>
<td>1,009.1</td>
<td>1,042.7</td>
<td>n/a</td>
</tr>
<tr>
<td>General government expenditure on health (% of total government expenditure)</td>
<td>5.4</td>
<td>5.7</td>
<td>5.9</td>
<td>10.7</td>
<td>8.7</td>
<td>n/a</td>
</tr>
<tr>
<td>Out- of – pocket expenditure (% of private expenditure on health)</td>
<td>58.5</td>
<td>56</td>
<td>57.2</td>
<td>57.8</td>
<td>57.8</td>
<td>n/a</td>
</tr>
<tr>
<td>Private expenditure on health (% of total expenditure on health)</td>
<td>58.2</td>
<td>57.2</td>
<td>56.4</td>
<td>53</td>
<td>54.3</td>
<td>n/a</td>
</tr>
<tr>
<td>General government expenditure on health (% of total health expenditure)</td>
<td>41.8</td>
<td>42.8</td>
<td>43.6</td>
<td>47</td>
<td>45.7</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: World Health Organization, * CEIC
Important Factors

The increase in the average household income and the number of Brazilians in the labor market, as well as the expansion of the social class C all have a positive effect on the local pharmaceutical sector.

According to the Economic Classification, disclosed by the Brazilian Association of Research Companies (ABEP), the new middle class accounts for 48.8% of the country’s population and has a monthly household income between BRL 1,024 and BRL 1,541.

Source: *IPEA, CEIC, Interfarma, Brazilian Association of distributors of National Laboratories (Abradilan)
Pharmaceutical production in Brazil more than tripled in value from 2007 to 2009 but dropped significantly in 2011.

Brazil produces mainly medicines for human use.
Market Sales

The Brazilian pharmaceutical market continues to grow albeit at a decelerating pace. The slowdown of the Brazilian economy in 2012 affected the sector and led to a slight drop in sales in value and to the modest expansion of the sale volumes in 2013.

Source: Association of Pharmaceutical Industries in San Paolo (Sindusfarma)
Market Segments

Prescription drugs account for more than half of the Brazilian pharmaceutical market. Over-the-counter medicines (OTC) followed the pace of the overall pharmaceutical market and in 2012 registered an increase in both in value and volume by 15.5% and 10.7% respectively. The generic drug segment has been expanding quickly and is now one of the main growth drivers of the local pharmaceutical sector. In 2012, the generics segment grew by 26.8% in value and 16.7% in volume. The Brazilian Association of Generic Drug Industries expects that the market share of generic drugs will reach 30% by the first quarter of 2014.

Source: Hypermarcas, IMS Health, ABIHPEC, Brazilian Association of Generic Drug Industries (Pro-Genericos)
Market Growth

Total Pharmaceutical Market Growth

Generic Medicines Market Growth

OTC Medicines Market Growth

Prescription Medicines Market Growth

Source: Hypermarcas, IMS Health, Brazilian Association of the Cosmetic, Toiletry and Perfumery Industry (ABIHPEC)

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Imports of pharmaceutical inputs have an important role in Brazilian pharmaceutical industry and contribute to the negative trade balance of the sector.

In 2012, exports of pharmaceutical input and medicines remained stable. There was a small drop (5.2%) in the exports of pharmaceutical inputs, but the exports of medicines rose by 4.8%, which led to no visible changes in the overall export value.
Imports of Pharmaceutical Input and Drugs (USD mn FOB)

Main Imported Products in Brazil in 2012 (USD mn)

Comments

- In 2012, there was a 3.7% increase in imports of pharmaceutical inputs and medicines. The value of pharmaceutical input imports totalled USD 2.61bn, up by 1.9% from the previous year.

- In 2012, imports of medicines increased by 4.4% in value terms.

- In 2012, pharmaceuticals were the 9th most imported item in Brazil.

- Drugs imports rose by 10.9% in value in 2013 and moved to 8th place in the ranking.

- Concerning origin of imports, according to a study released by Abiquifi, in 2012 20.51% of imported pharmachemicals, 6.05% of the adjutants and 0.47% of the drugs come from China. The participation of India in the imports of these products is 9.82%, 3.01% and 2.46%, respectively.
The pharmaceutical sector is very dependent on imports which results in a negative trade balance of the sector. The trade deficit of the Brazilian pharmaceutical productive chain increased by 4.8% in 2012 from the previous year.
High prices of the medicines are a major problem as more than 70% of the drugs Brazilians need are not reimbursed by the state. The government provides for free or partially subsidises only about 20% of the drugs. Private health plans rarely include free medicines. According to the Brazilian Institute for Geography and Statistics, 55% of Brazilians cannot afford to buy the medicines they need and health expenses account for more than 60% of the spending of lower income families.

**High tax burden**

The main reason for the high prices of drugs are the high taxation rates. In 2012, the tax burden on medicines accounted for 33.9% of the end-price, while the global average was 6.3%. The main taxes levied on medicine are – ICMS (Tax on the Circulation of Goods and Services), II (Import Tax), and PIS/COFINS (Social Security Tax). Several federal and state taxes are added as well. ICMS is a state tax and its level depends on the state as well as the destination of the drugs.

**Centralised price formation**

The Brazilian government exercises direct control over medicine prices. They are regulated by the CMED (Medication Market Regulation Chamber), which defines the prices and their annual adjustment. The adjustment is calculated, using the Amplified Consumer Price Index. In March 2013, CMED approved a 6.31% average rise of drug prices, which was set in three different ranges according to the type of drug and the level of competition of medicines on the market and the share of generics in sales. Only OTC drugs are not subject to mandatory price adjustment.

**Tax exemption and reduction**

There are some drugs that are exempt from some of the taxes. They are included in the so called "positive list" but their number is limited. Taxes on medicines for human and veterinarian use are not the same, with the taxes on former being higher. Only one Brazilian state has initiated a tax reform in this field. In 2009, the state of Parana cut the ICMS tax to 12% from 18%.
Prices (cont'd)

Taxes applied to medicines in Brazil are among the highest in the world. The local government collects over USD 1bn in taxes from the pharmaceutical sector.

Source: Interfarma, Export.gov
The sector also involves a considerable number of indirectly employed people. According to the president of Sindusfarma, there are another 500 thousand people, employed indirectly.

- The data in the chart represents the enterprises in pharmaceutical production and the distribution channels.
- The sector has recently registered a robust level of M&A activity as multinational players search for partnerships and acquisitions in the local market.
- The largest number of sector companies are based in the state of São Paulo. It is followed by the states of Rio de Janeiro and Mato Grosso.
The Brazilian Health Supervision Agency (Anvisa) is in charge of the sanitary control of the production and commercialisation of products and services that are subject to sanitary inspection. In the pharmaceutical industry, Anvisa is responsible for the registration of medicines, it authorises the operations of the pharmaceutical laboratories and the other companies in the pharmaceutical productive chain. It also monitors the prices of medicines and facilitates the definition of prices of drugs that enter the Brazilian market.

Medication Market Regulation Chamber (CMED) controls the market and defines the prices of the medicines and the criteria for their adjustment. PM 2.138 -3/ 2001 defines the regulation standards of the Brazilian pharmaceutical market and the formula for the price adjustments.

Law 9787 from 1996 regulates the Brazilian generic drugs market. Anvisa defines the interchangeability among the generic drugs in Resolution № 319 from 1999, which was later republished as Resolution RDC 135.

In 2004, the Brazilian government launched a programme called Farmácias Populares (Popular Pharmacy) in an attempt to broaden the access to medications. The programme provides the population with essential medicines, such as analgetics, drugs for treatment of diabetes, hypertension and cholesterol among others, at reduced prices.

Source: Anvisa, Pro-Genéricos, Brazilian Ministry of Health
II. Generics Drugs Subsector
Generic Drugs Subsector Highlights

Evolution
Since the appearance of generic drugs on the Brazilian pharmaceutical market, their market share has been steadily growing. In 2012, generic medicines accounted for 27.3% of the total pharmaceutical market.

Challenges
Despite the successful performance since their introduction on the market, the generic drugs in Brazil face a number of challenges. The major one is the high tax rate on medicines in Brazil that exceeds 33%. Another challenge is the rigorous criteria for registration of generic drugs required under the local legislation.

Government Incentives
The Brazilian government is trying to broaden the access of the local population to medicines. Generic drugs play an important role in these efforts. A total of 76% of the drugs included in the Farmácia Popular programmes are generic.
Global Generic Drugs Market

- Global generic drugs market registers approximately 10.8% annual growth.
- Generic drugs account for a considerable participation in total sales of the pharmaceutical market, especially in the total volume of sales. In the leading pharmaceutical markets their participation is above 60%.
- In the United States, generic drugs account for 80% of the volume of the sales on the pharmaceutical market and 60% of all prescriptions. The sales of generic drugs in the United States has reached nearly USD 56bn.
- The cost of generic drugs is 30% to 80% cheaper compared to branded medicines.

### Generic Drugs’ Participation in Pharmaceutical Market (%)

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>21</td>
<td>80</td>
</tr>
<tr>
<td>Germany</td>
<td>19</td>
<td>66</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>23</td>
<td>60</td>
</tr>
<tr>
<td>Canada</td>
<td>22</td>
<td>45</td>
</tr>
<tr>
<td>France</td>
<td>18</td>
<td>42</td>
</tr>
<tr>
<td>Spain</td>
<td>13</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: Brazilian Association of Generic Drug Industries, Brazilian Association of Distributors of National Laboratories
The generic drugs on the Brazilian market are mainly locally produced. Only less than 10% are imported and most of them come from India.

The leaders on the local generics market are EMS and Medley, which was acquired by France's Sanofi-Aventis in 2010.
Generic Drugs Market (cont'd)

Generic drugs were introduced to the Brazilian pharmaceutical market as a type of medicine under Law 9. 787 from 1999.

Leading position

According to a study by the Brazilian Association of Generic Drug Industries (Pró Genericôs), 15 out of the 20 most prescribed drugs in Brazil are generic. The study took place between July 2012 and July 2013, a period during which 63 million prescriptions were issued. A total of 63.4% of the prescriptions were for generic drugs, 23.1% for branded medicines and only 0.7% for similar drugs.

Lower prices

The prices of generic drugs are the key driver for their quick expansion on the market. According to the local legislation, they must be at least 35% cheaper than the branded medicines but in some states they are even cheaper. A survey by the Foundation for Consumer Protection and Defence (Procon) in the state of Sao Paulo shows that generic drugs are on average 56.63% cheaper than branded medicines.

Forecast

In 2013, generic drugs reached a 27.2% share of the total market. According to Pró Genericôs forecasts, generics will reach a 35%-45% market share by 2020.
A total of 373.2 million boxes of generic drugs were sold in the first half of 2013, a 17% growth in volume compared to the same period in 2012. The revenue of the subsector in the first half of 2013 amounted to BRL 6.3bn, a 23.5% increase on the year.

Source: Sindusfarma
Generic Drug Sales Dynamics

The growth of the generics segment is almost double that of the total pharmaceutical market. Without the participation of the generics segment, the pharmaceutical market registered an 8.4% increase in sold units and a 2.8% decrease in sales in the first half of 2013.

Source: Sindusfarma, Abradilan

Comments
Since the beginning of the production of generic drugs in Brazil in 2000, the number of registered generics has increased almost 25 times.

In the first year of manufacturing of generics in Brazil, the number of registered generic drugs was only 142, representing 63 active ingredients in 702 presentations. Currently they are sold in 19,327 presentations.

In 2014, 10 new generic drugs could be launched on the Brazilian pharmaceutical market as 10 patents of branded medicines expired at the end of 2013.
Generic Drug Laboratories

The number of laboratories producing generic drugs in Brazil rose from 8 in 2000 to 102 in 2012.
The generics subsector attracted USD 800mn in investments between 1999 and 2012. By 2014, the investments in the subsector are expected to reach nearly USD 1.5bn, with 63% of them being for bioequivalence tests, 24% for adapting Good Manufacturing Practices (GMP), 9% for the development of new generic drugs and 4% for the expansion of production capacity.

Comments

Source: Anvisa, Abradilan

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## Generic Drugs Market Forecast

Executives from major Brazilian pharmaceutical companies have expressed varying opinions on the future prospects of generic drugs in the country.

<table>
<thead>
<tr>
<th>Continued growth</th>
<th>According to Brazilian disposable goods and drug maker Hypermarcas, the generic drugs sector will continue to fuel the expansion of the total pharmaceutical market in the medium to long term because it registers the greatest growth.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slower expansion</td>
<td>In the past, there were better conditions for expansion of the generics sector because there was a plenty of innovative medicines with expiring patents, according to pharmaceutical company Eurofarma. In the future, there will be less generic drugs released on the market due to the decreasing number of expiring patents.</td>
</tr>
<tr>
<td>Decelerated growth</td>
<td>According to União Química, the generic drugs segment will continue to expand in the future but not at the same pace.</td>
</tr>
</tbody>
</table>

Source: Abiquif
III. Over-the-Counter Drugs Subsector
OTC Drug Subsector Highlights

Market evolution

The over-the-counter medicines (OTC) market in Brazil is expanding along the total pharmaceutical market. In 2012, the segment registered an increase both in value and units by 15.5% and 10.7% respectively.

Regulation

In 2009, Resolution RDC 44 prohibited the free sale of OTC drugs and they were removed from self-service areas in pharmacies. The restriction was designed to encourage rational use of drugs and eliminate self-medication.

According to a study by the Brazilian Association of OTC Manufactures (ABIMIP), this change did not lead to a drop in demand for OTC drugs. Moreover, the association registered an increase in revenues.

In 2012, a new directive - Resolution RDC 41 - enabled the sale of OTC drugs in self-service areas but added some requirements about their position in the pharmacy. They must be located separately from the other products in the self-service areas and put in order according to their active ingredients.
The OTC drugs subsector has consolidated position on the Brazilian pharmaceutical market and its sales are less influenced by generics competition.

Their demand is directly influenced by the increase in household income, especially when it comes to the social classes C, D and E.

Currently, there is a global discussion about the reclassification of medicines, technically called "switch". This process happens when a certain medicine no longer requires doctor's prescription and turns into OTC.

According to the president of ABIMIP, Brazil could follow the example of the United States, China and some European countries in the area of "switch" of medicines.
IV. Main Players
Aché Laboratórios Farmacêuticos was established in 1965 and is a company with 100% national capital.

Aché shares are distributed among three private equity funds, each holding a 33.3% stake.

The Group Aché consists of Biosintética Farmacêutica LTDA (99.9%), Labofarma Produtos Farmacêuticos LTDA (99.9%), Aché International LTD (100%), Industria Melcon do Brasil S.A. (50%) and Bionovis S.A. (25%).

Aché’s portfolio consists of 280 brands and 695 medical forms of prescription, over-the-counter (OTC) and generic medicines. The company is also presented in the segment of dermatologic products and nutraceuticals.

In 2012, Aché launched 33 new medicines, 13 of them prescription medicines, two dermo-cosmetics products, one OTC and 17 generic medicines.
The market of prescription medicines is strategic for Aché.

The prescription business unit of Aché accounts for 80% of company’s net revenue. In 2012, it generated net revenue of BRL 1.2 billion and sold 88 million units, an increase of 13.2% and 14.3%, respectively compared to 2011.

OTC medicines business unit accounts for 10.1% of Aché’s net revenue, reaching BRL 161.8 million in 2012. The unit increased its net revenue by 10.5% compared to 2011.

The generic medicines business unit accounted for 9.4% of the company’s net revenue in 2012, reaching BRL 149.7 million and registering a 30.9% increase compared to the previous year. Aché sold 42 million units of generic drugs in 2012; a 28.1% increase compared to 2011.

In 2012, the company launched 17 new formulations and focused on active promotion at points of sale. This helped Aché to establish itself as a competitive company in the generic drugs segment.
Aché Laboratótios Farmacêuticos

Share of Launches in Total Net Revenue by Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of Launches</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>22.7%</td>
</tr>
<tr>
<td>2009</td>
<td>15%</td>
</tr>
<tr>
<td>2010</td>
<td>17.1%</td>
</tr>
<tr>
<td>2011</td>
<td>17.7%</td>
</tr>
<tr>
<td>2012</td>
<td>16.2%</td>
</tr>
</tbody>
</table>

Source: Company data

Highlights

- Aché’s investments in research, development and innovation (RDI) accounted for BRL 43.4 Million. The company is developing 160 projects.
- In 2012, Aché obtained 45 product registrations from ANVISA, from which 20 were for prescription medicines, one for an OTC medicine, 22 for generic medicines and two for medicines for export.
- The company invested BRL 14.3 million in a new production unit and received BRL 22.5 million from BNDES through Profarma Program for the modernization of its manufacturing facilities.
- Aché exports 21 drugs and 32 pharmaceutical formulations to 12 countries in the Americas and Africa. In 2011, the company entered the pharmaceutical market in Mozambique, exporting nine drugs and 19 pharmaceutical formulations. Aché is present on the markets in Canada, the USA, Mexico, the Dominican Republic, Costa Rica, Venezuela, Colombia, Ecuador, Peru, Bolivia, Chile and the Republic of Cape Verde.
- In 2012 Aché entered the segment of bio-similar medicines with the participation in BioNovis S.A. – a joint venture between Aché, EMS, Hypermarcas and União Química, each holding a 25 % stake.
Hypermarcas

Financial Performance (BRL MM)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Net profit</th>
<th>EBIDTA (adjusted)</th>
<th>Cash flow from operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,792</td>
<td>262</td>
<td>204</td>
<td>68</td>
</tr>
<tr>
<td>2011</td>
<td>3,325</td>
<td>695</td>
<td>865</td>
<td>580</td>
</tr>
<tr>
<td>2012</td>
<td>3,874</td>
<td>857</td>
<td>714</td>
<td>493</td>
</tr>
</tbody>
</table>

Financial Performance by Division (BRL MM)

<table>
<thead>
<tr>
<th>Year</th>
<th>Pharma division</th>
<th>Consumer division</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,229</td>
<td>773</td>
</tr>
<tr>
<td>2011</td>
<td>1,640</td>
<td>1,207</td>
</tr>
<tr>
<td>2012</td>
<td>2,076</td>
<td>1,552</td>
</tr>
</tbody>
</table>

Source: Company data

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Highlights

- Hypermarcas was founded in 2001 and is the largest Brazilian company in the segments of production and commercialization of drugs and health, beauty and personal care products.
- Hypermarcas' portfolio consists of traditional brands with products that have well established demand on the Brazilian market. The company has a wide sales and distribution network with national coverage.
- Hypermarcas is organized in two business units: Pharma and Consumer.
- The Pharma division has solid presence in the main pharmaceutical segments. It is the leader in the OTC drugs market and is expanding its market share in the generics segment.
- The Consumer division owns well established brands on the Brazilian market, such as Bozzano, Jontex, Monange, Olla, Paixão, Risqué, Zero – Cal, among others.
- In 2008, Hypermarcas made an initial public offering on the Sao Paulo Stock exchange.
- Since the foundation of the company, its main focus was the acquisition of new companies and consolidation of the market. However, in 2011 Hypermarcas adopted a new strategy of sustainable profitable growth.
Hypermarcas

Source: Company data
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Highlights

- Hypermarcas started its operations on the home and personal care market and entered the pharmaceuticals market with the acquisition of a company with a solid OTC business in 2007.
- In 2009, Hypermarcas entered the generics segment with the acquisition of Neo Quimica. Currently, Hypermarcas sells 120 generics under the brand Neo Quimica and expects to expand its market share in the generics segment.
- In 2012, Hypermarcas obtained 33 new registrations for medicines and presented 81 additional filings for registrations to the national health market regulator ANVISA.
- In 2012, Hypermarcas' consumer division underwent several changes consisting in reduction of the number of brands and the number of manufacturing facilities. The purpose of these changes was to make the business less complex and more profitable.
- The Consumer division's net revenue was BRL 1.85bn in 2012, growing 6.7% compared to the previous year.
- In 2012, Hypermarcas' new Research and Development centre started operations. The investments in the construction of the R&D centre amounted to BRL 10 million.
- Currently, Hypermarcas is running 12 projects of incremental innovation in the pharmaceutical sector financed by the Brazilian National Development Bank (BNDES).
In 2012, Hypermarcas registered a double-digit growth of its net revenues with a gross margin gain and a record cash flow from operations.

The gross revenue registered a 20.2% increase, mainly because of the 28.6% growth of the company’s Pharma division.

The gross margin rose by 1.2% due to improvements that were made in the distribution system of the company. The 22 manufacturing and distribution facilities were reduced to only 17.

Hypermarcas’ Pharma division resumed its organic growth and achieved net revenues of BRL 2.1 billion, registering a 26.6% annual growth.

The cash conversion cycle was reduced from 138 to 82 days, compared to 2011.
União Química Farmacêutica Nacional

**Source:** União Química Farmacêutica Nacional started its operations in 1936, under the name Laboratório Prata. In 1971, it was renamed to União Química.

- The company has two business divisions: Human Division and Animal Health Division.
- The Human Division consists of 6 product lines – Hospital, OTC, Pharma Division, Generic Medicine, Genom Ophthalmology and Genom Pain/SNC.
- The Animal Health Division consists of large Animals Line and Pet Line.
- União Química’s industrial complex consists of three manufacturing units in Brasília and Pouso Alegre, which service the Human Division, and another facility in Guaçu, which produces medicines for the Animal Health Division.
- The company’s industrial complex has annual production capacity of:
  - Hormonal pills - 3.8 billion pills;
  - Injections - 22 million ampoules;
  - Ophthalmological - 22 million flasks;
  - Semi – solids - 24.5 million creams and ointments;
  - Oral Liquids - 43.2 million flasks;
  - Oral Solids - 2.6 billion tablets and coated tablets.
- In 2007, União Química entered international markets and currently exports its products to countries in Latin America and Africa.
Uniao Quimica Farmacêutica Nacional

**Highlights**

- In 2012, União Química launched 34 new products and formulations. The newly launched medicines accounted for 9.7% of the company’s gross revenue in 2012.

- In 2012, União Química’s financial results registered a growth in gross revenue and net profit of respectively 21% and 11% compared to the previous year.

- The net profit didn’t follow the pace of gross revenue’s growth because the company has decided to make solid investments in bioequivalence tests and clinical trials which increased its operational expenses in 2012.

- Between 2009 and 2012 União Química's EBITDA reached a compound annual growth rate (CAGR) of 44%. In 2012, EBITDA increased only by 4%, being lower than the increase of the gross revenue for the same year.

- In the field of research, development and innovation, in 2012 the company focused on projects for the development of new products which required approximately BRL 102 million of investments, which would be partly covered by FINEP and BNDES.

- In 2012, União Química entered the market of bio-similar medicines, participating with a 25% stake in the BioNovis joint venture.

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**Source:** Company data

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EMS is a privately-held company founded in 1964 in the state of São Paulo. The firm operates in the area of production, commercialization, import and export of pharmaceutical ingredients and pharmaceutical products, homeopathic, alimentary and domestic and personal care products.

The company has two industrial parks – one in Hortolândia and another one in Bernardo do Campo, São Paulo.

The Group EMS consists of one controlling company and four subsidiaries: EMS Sigma Farma, Germed, Legrand, Nature’s Plus and Sigma Pharma EMS, located in Puerto Rico. In 2011, EMS formed a joint venture, BioNovis, with three other Brazilian firms and received a 25% stake in the project.

EMS’ portfolio consists of over 2000 product forms. Generic and similar drugs account for the largest part of the company’s revenues. However, EMS plans to expand the share of innovative drugs in its revenue in the near future.

The company produces over 480 million units per year. EMS expects its production capacity to increase by 60% after the construction of three new manufacturing facilities in Manuas, Brasilia and Jaguariuna. The expansion of the EMS’ industrial park will require investments of BRL 600 million.
EMS

**Source:** Company data

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**EMS**

**Earnings per Share (BRL)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>19.45</td>
</tr>
<tr>
<td>2012</td>
<td>13.47</td>
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</table>

**Companies in the Group EMS**

<table>
<thead>
<tr>
<th>Company</th>
<th>Participation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germed Farmacêutica Ltda</td>
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</tr>
<tr>
<td>EMS Sigma Pharma Ltd</td>
<td>99</td>
</tr>
<tr>
<td>Legrand Pharma Indústria Farmacêutica Ltda</td>
<td>99</td>
</tr>
<tr>
<td>Nature’s Plus Farmacêutica Ltda</td>
<td>99</td>
</tr>
<tr>
<td>Sigma Pharma EMS, LLC</td>
<td>100</td>
</tr>
</tbody>
</table>

**Highlights**

- EMS’ strength is due to constant investments in technology, infrastructure, R&D and expansion of the company’s product line.
- EMS is the first Brazilian laboratory to produce generic drugs in 2000. The firm is also the first Brazilian pharmaceutical laboratory that obtained a permission to export medicines to Europe, approved by INFARMED (Portuguese National Authority of Medicines and Health Products) and owns all the certifications affirming the quality of its products, including a certification from the European Medical Agency (EMA). Since 2005, EMS is exporting drugs to Europe, including generics which are sold in Portugal and Italy.
- EMS’ products are present in 40 countries. The firm exports to Latin America, Africa, Asia and the Middle East and plans to expand its exports to North America.
- In 2006, EMS signed a technical agreement with the Italian research and development laboratory MonteResearch. The goal of the partnership is to exchange knowledge in the area of development of new pharmaceutical formulas and forms.
- The company has also establishes partnerships with Asian laboratories - with the Chinese lab Shanghai Biomabs, since 2009, and with South Korean ISU ABXIS, since 2012, which marked the entrance of EMS in the area of biotechnology.
Apsen Farmacêutica

**Financial Performance (BRL th)**

- **2009**: 221,761
- **2010**: 259,991
- **2011**: 291,789
- **2012**: 303,553

- **Net Operational Revenues**
- **Gross Profit**
- **Net profit**
- **Earnings before income tax and social security tax**

**Earnings per Share (BRL)**

- **2009**: 48.52
- **2010**: 68.69
- **2011**: 75.09
- **2012**: 79.95

- **Earning per share**

### Highlights

- **Apsen** is a privately-held company founded in 1969 in the city of São Paulo.

- The company operates in the area of production, commercialization, import and export, marketing, transportation and storage of pharmaceutical ingredients and products, alimentary products, cosmetics and perfumes.

- Apsen’s portfolio consists of 35 products. The production capacity of the company is of 18.5 million units per year.

- Between 1999 and 2009, Apsen registered a growth of 635%.

- The company allocated BRL 55 million between 2011 and 2013 for the construction of a R&D facility and expansion of its manufacturing facilities.

- Each year, Apsen allocates 20% of its revenues for research and development.
Apsen Farmacêutica

Balance Sheet (BRL th)

- Over the past five years, Apsen registered an 85% increase in revenues.
- In 2013, the company was ranked third in the general ranking of the pharmaceutical sector in the yearbook released by Época Negócios 360° magazine, which awards the best companies in Brazil.
- According to the yearbook, Apsen was ranked the first place in finance, third in innovation and fourth – in corporate governance and HR categories.

Net Assets (BRL th)

Source: Company data

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