



**BIOSIMILARS: A GLOBAL
PERSPECTIVE OF A NEW MARKET
OPPORTUNITIES, THREATS AND CRITICAL STRATEGIES 2014**

A BIOWORLD™ PUBLICATION

BioWORLD BIOSIMILARS: A GLOBAL PERSPECTIVE OF A NEW MARKET:
OPPORTUNITIES, THREATS AND CRITICAL STRATEGIES 2014

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TABLE OF CONTENTS

ABOUT THE AUTHOR: MARI SEREBROV	5
VITAL STATISTICS	15
ABBREVIATIONS USED IN THIS REPORT	16
THE BIOSIMILARS ARMAMENTARIUM: CRITICAL TOOLS TO COMPETE AND SUCCEED	17
A MARKET IN FORMATION	19
BIOLOGIC PRICE, LACK OF ACCESS BUILD THE CASE FOR BIOSIMILARS.....	20
THE SCIENCE OF BIOSIMILARS.....	30
IP ISSUES IN U.S. AN UNKNOWN DANCE IN BIOSIMILAR DEVELOPMENT.....	33
THE REGULATORY FRONT	36
UNCERTAINTY, LACK OF HARMONIZATION ARE COSTLY DELAYS FOR BIOSIMILARS	37
WHO PROPOSES MIDDLE GROUND FOR BIOSIMILAR NAMING SCHEME	40
SUBSTITUTION BATTLE CONTINUES ON MULTIPLE FRONTS	42
ASIA PACIFIC REGION	45
AUSTRALIA	45
CHINA	46
INDIA	47
INDONESIA	48
JAPAN	49
MALAYSIA	50
SINGAPORE	51
SOUTH KOREA	51
TAIWAN	52
LINKS TO BIOSIMILAR GUIDELINES FOR THE ASIA PACIFIC REGION	53
EUROPE.....	54
THE EU	54
RUSSIA	57
TURKEY	59
LINKS TO EUROPEAN BIOSIMILAR GUIDELINES	59
LATIN AMERICA	60
ARGENTINA	61
BRAZIL	62
COLOMBIA	63
MEXICO	63
PERU.....	64
VENEZUELA.....	64
MIDDLE EAST AND AFRICA	65
EGYPT.....	67
ISRAEL.....	67
JORDAN.....	67
SAUDI ARABIA.....	68
SOUTH AFRICA	68
LINKS TO BIOSIMILAR GUIDELINES IN THE MIDDLE EAST AND AFRICA	69

NORTH AMERICA.....	70
CANADA	70
U.S.....	71
LINKS TO NORTH AMERICAN BIOSIMILAR GUIDELINES	74
BIOSIMILAR REGULATORY CHECKLIST.....	75
COMPETITION & STRATEGIES	76
BIOSIMILARS GAINING A FOOTHOLD AGAINST A HANDFUL OF INNOVATORS	77
KEY STRATEGIES FOR MAKERS OF BIOSIMILARS	81
U.S. BREWING A MARKET MORE RECEPTIVE TO BIOSIMILARS.....	83
COMMUNICATION IS KEY IN MARKETING BIOSIMILARS.....	84
KEY STRATEGIES FOR THE MAKERS OF REFERENCE DRUGS.....	87
BIOSIMILAR IP BATTLE PLAYS OUT IN COURTS ACROSS THE WORLD	88
FEDERAL CIRCUIT RULING WEAKENS DRUGMAKERS' LIFE CYCLE STRATEGY	90
DEFENSIVE STRATEGIES: BE INNOVATIVE, NAIL THE ADVANTAGE OF EXPERIENCE AND KNOW-HOW, AND LEVERAGE ALLIANCES	93
ADDITIONAL COMMONSENSE CONSIDERATIONS FOR A BIOSIMILARS STRATEGY	96
PLAYERS & PIPELINES.....	123
POTENTIAL PAYDAY PROVIDES AN ATTRACTIVE INDUCEMENT	124
AMGEN RUNNING TO WIN IN BOTH LANES OF BIOSIMILAR RACE.....	127
EPIRUS' APPROACH TO BIOSIMILARS IS PORTABLE, SIMPLE	128
PLAYERS & THEIR PIPELINES	129
ACADEMIA SINICA	129
ACCORD HEALTHCARE LTD.....	129
ACHÉ LABORATÓRIOS FARMACÊUTICOS S.A.....	129
ACTAVIS PLC	130
AEQUUS BIOPHARMA INC.....	131
AET BIOTECH LTD.	131
AFRIVAX INC.	131
SUZHOU ALPHAMAB CO. LTD.	132
ALTEOGEN INC.	132
ALVOGEN	133
ALVOTECH.....	133
AMEGA BIOTECH S.A.....	134
AMERICAN BIOSOURCES INC.	134
AMGEN INC.....	135
XIAMEN AMOYTOP BIOTECH CO. LTD.	136
AMPHASTAR PHARMACEUTICALS INC.....	136
ANHUI ANKE BIOTECHNOLOGY CO. LTD.	137
API CO. INC.	137
APOLIFE INC.	137
APOTEX GROUP.....	138
APROGEN INC.	138
ARA HEALTHCARE PVT. LTD.....	139
ASKA PHARMACEUTICAL CO. LTD.....	139
ASPEN PHARMACARE AUSTRALIA PTY LTD.	139

AUROBINDO PHARMA LTD.....	140
AVESTHAGEN PHARMA AG.....	140
AXXO GMBH	141
BAXTER INTERNATIONAL INC.....	141
BHARAT BIOTECH INTERNATIONAL LTD.	142
BHARAT SERUMS & VACCINES LTD. (BSV).....	142
BIOCAD	143
BIOCEROS BV	144
BIOCEUTICALS ARZNEIMITTEL AG	144
BIOCND INC.....	144
BIOCON LTD.....	145
BIOGENERIX AG	146
BIOGEN IDEC INC.....	146
BIOGENOMICS LTD.	146
BIOINTEGRATOR LTD.	147
BIOLAB SANUS FARMACEUTICA LTDA.	147
BIOLOTUS BIOTECH.....	147
BIOMAB HOLDINGS LTD.	148
BIO-MANGUINHOS	148
BIONATURIS	149
BIONOVIS S.A.	149
BIOPARTNERS GMBH	150
BIOSAVITA	150
BIOSIDUS SA	151
BIO-THERA SOLUTIONS LTD.	151
BIOTON SA.....	152
BIOXPRESS THERAPEUTICS SA.....	152
BLAU FARMACEUTICA S/A	153
BOEHRINGER INGELHEIM GMBH	153
BOSTON ONCOLOGY LLC	154
CADILA PHARMACEUTICALS LTD.....	154
CATALENT PHARMA SOLUTIONS INC.	154
CCM DUOPHARMA BIOTECH BERHAD (CCMD)	155
CCM PHARMACEUTICALS.....	155
CELERION	155
SHANGHAI CELGEN BIO-PHARMACEUTICAL CO. LTD.	156
CELLECTIS PLANT SCIENCES.....	156
CELLTRION INC.	157
CENTER FOR GENETIC ENGINEERING AND BIOTECHNOLOGY (CIGB), CENTER FOR MOLECULAR IMMUNOLOGY (CIM)	158
CERBIOS-PHARMA SA	158
CFR PHARMACEUTICALS S.A.....	159
CHIA-TAI TIANQING PHARMACEUTICAL GROUP CO. LTD. (CTTQ).....	159
CHONG KUN DANG PHARMACEUTICAL CORP.	159
CINNAGEN CO.	160
CIPLA LTD.....	160
CJ HEALTHCARE CORP.....	161

CLARIS LIFESCIENCES LTD.	161
COHERUS BIOSCIENCES INC.	162
SHANGHAI CP GUOJIAN PHARMACEUTICAL CO. LTD. (CPGJ)	162
CPL BIOLOGICALS PVT. LTD.	163
CRISTALIA CHEMICALS PHARMACEUTICALS LTDA.....	163
CT ARZNEIMITTEL GMBH.....	164
CURAXYS S.L.	164
DAIICHI SANKYO CO. LTD.	164
DM CORP. PVT. LTD.	165
DR. REDDY'S LABORATORIES LTD.	165
DONG-A SOCIO HOLDINGS CO. LTD.	166
DONGBAO ENTERPRISE GROUP CO. LTD.	166
SHANDONG E-HUA BIOCHEMICAL CO. LTD.	167
EIRGENIX INC.	167
ELI LILLY AND CO.	167
ELPEN PHARMACEUTICAL CO. INC.	168
EMCURE PHARMACEUTICALS LTD.	168
EMS S.A.	168
EPIRUS BIOPHARMACEUTICALS INC.	169
EUROFARMA LABORATORIOS S.A.	169
FARMAK JSC	170
FINOX BIOTECH AG.....	170
FORMOSA LABORATORIES INC.	170
FORMYCON AG.....	171
SHANGHAI FOSUN PHARMACEUTICAL GROUP CO. LTD.	171
FOUNTAIN BIOPHARMA INC.	172
BEIJING FOUR RINGS BIO-PHARMACEUTICAL CO. LTD.	172
THE FRAUNHOFER USA CENTER FOR MOLECULAR BIOLOGY	173
FRAUNHOFER-GESELLSCHAFT	173
SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO. LTD. (FDZJ)	173
FUJIFILM KYOWA KIRIN BIOLOGICS CO. LTD.	174
FUJI PHARMA CO. LTD.....	174
GEDEON RICHTER PLC.....	175
GENESCIENCE PHARMACEUTICALS CO. LTD. (GENSCI).....	175
GENE TECHNO SCIENCE CO. LTD.	176
GENEXINE LTD.	176
GENIUS BIOTHERAPEUTICS PTY LTD.....	177
GENOR BIOPHARMA CO. LTD.....	177
GLAXOSMITHKLINE PLC (GSK).....	178
GREEN CROSS CORP.....	178
HANWHA CHEMICAL CORP.	178
HARVEST MOON PHARMACEUTICALS USA INC.....	179
SHANGHAI HENLIUS BIOTECH CO. LTD.	179
HETERO DRUGS LTD.	180
HEXAL AG	180
HIKMA PHARMACEUTICALS PLC	181
ZHEJIANG HISUN PHARMACEUTICALS CO. LTD.....	181

HOSPIRA INC.	182
ZHEJIANG HUAHAI PHARMACEUTICAL CO. LTD.	183
HYPERMARCAS S.A.	183
IBC GENERIUM	183
IBIO INC.	184
INNO BIO VENTURES SDN BHD	184
INNOVENT BIOLOGICS INC.	184
INSIGHT BIOPHARMACEUTICALS LTD.	185
INSTITUTO BUTANTAN	185
INSTITUTO VITAL BRAZIL	185
INTAS PHARMACEUTICALS LTD.	186
INVENTIV HEALTH INC.	186
IPCA LABORATORIES INC.	187
ISU ABXIS CO. LTD.	187
JCR PHARMACEUTICALS CO. LTD.	188
JHL BIOTECH CO. LTD.	188
HANGZHOU JIUYUAN GENE ENGINEERING CO. LTD.	189
JOINCARE PHARMACEUTICAL INDUSTRY GROUP CO. LTD.	189
JULPHAR.	190
KALBE GROUP	190
SHANDONG KEXING BIOPRODUCTS CO. LTD.	191
KISSEI PHARMACEUTICAL CO. LTD.	191
KYOWA HAKKO KIRIN CO. LTD.	191
LABORATORIA ELEA.	192
LABORATORIOS LIOMONT S.A. DE C.V.	192
LENTIGEN CORP.	192
LG LIFE SCIENCES LTD. (LGLS)	193
LIBBS FARMACÊUTICA LTDA.	193
LIGACEPT LLC.	194
ZHUHAI LIVZON MAB BIOLOGICAL TECHNOLOGY CO. LTD.	194
LIVZON PHARMACEUTICAL GROUP INC.	194
LONN RYONN PHARMA LTD.	195
LONZA GROUP AG	195
LUPIN LTD.	196
MABION SA.	196
MABPHARM PVT LTD.	197
MABXIENCE S.A.	197
MEDICAGO INC.	198
MEDICE ARZNEIMITTEL PÜTTER GMBH & CO. KG.	198
MEDIMMUNE LLC.	198
MEIJI SEIKI PHARMA CO. LTD.	199
MERCK & CO. INC.	199
MERCK SERONO SA.	200
MERIDIAN BIOPHARMACEUTICALS GMBH	200
MN PHARMACEUTICALS.	200
MOCHIDA PHARMACEUTICAL CO. LTD.	201
MOMENTA PHARMACEUTICALS INC.	201

MYCENAX BIOTECH INC.....	202
MYLAN INC.	202
NANOGEN BIOPHARMACEUTICAL CO.	203
NEUCLONE PTY LTD.	203
NICHI-IKO PHARMACEUTICAL CO. LTD.	204
NIPPON KAYAKU CO. LTD.....	204
NIPRO PHARMA CORP.	204
NOMAD BIOSCIENCE GMBH.....	205
NORTH CHINA PHARMACEUTICAL GROUP CORP. (NCPC)	205
NOVAQUEST CAPITAL MANAGEMENT LLC.....	206
NOVARTIS AG	206
NOVAVAX INC.	206
ONCOBIOLOGICS INC.	207
ONKO-KOCSEL PHARMACEUTICALS	207
ORF GENETICS LTD.....	208
ORYGEN BIOTECNOLOGIA.....	208
PANACEA BIOTEC LTD.	208
PANGEN BIOTECH INC.	209
PANPHARMACEUTICALS USA INC.....	210
PARAS BIOPHARMACEUTICALS FINLAND OY	211
PAREXEL INTERNATIONAL CORP.	211
PFENEX INC.	212
PFIZER INC.....	213
PHARMACLON LLC	213
PHARMAESSENTIA CORP.	213
PHARMAPRAXIS	214
PHARMSTANDARD JSC.....	214
PLANTFORM CORP.....	215
PROBIOMED SA DE CV.....	215
PROFARMA JSC.....	216
PROTALIX BIOTHERAPEUTICS INC.	216
PROTEK GROUP.....	216
QILU PHARMACEUTICAL CO. LTD.	217
QUINTILES INC.	217
RANBAXY LABORATORIES LTD.....	217
RATIOPHARM GMBH	218
RECPHARMA BIOPHARMACEUTICAL CO.	218
RELIANCE GENEMEDIX PLC	219
RELIANCE LIFE SCIENCES PVT. LTD.....	219
RHEIN-MINAPHARM.....	220
RICERCA BIOSCIENCES LLC	220
RICHTER-HELM BIOLOGICS/RICHTER-HELM BIOTEC GMBH & CO. KG.....	220
SAMSUNG BIOEPIS CO. LTD.	221
SAMSUNG BIOLOGICS CO. LTD.....	221
SANDOZ INTERNATIONAL GMBH.....	222
SANOFI S.A.	223
SANTO HOLDING GMBH.....	223

SCIGEN LTD.....	223
SELEXIS SA	224
SERUM INSTITUTE OF INDIA LTD.....	224
SHANTHA BIOTECHNICS LTD.....	224
SIMCERE PHARMACEUTICAL GROUP	225
BEIJING SHUANGLU (SL) PHARMACEUTICAL CO. LTD.....	225
SOTHEMA SA.....	225
SPECTRUM PHARMACEUTICALS INC.....	226
STADA ARZNEIMITTEL AG.....	226
STELIS BIOPHARMA PVT. LTD.	227
STRIDES ARCOLAB LTD.	228
SUN PHARMACEUTICAL INDUSTRIES LTD.....	228
SWEDISH ORPHAN BIOVITRUM AB (SOBI)	228
SYNTHON BV	228
TANVEX BIOLOGICS LLC.....	229
TEVA PHARMACEUTICAL INDUSTRIES LTD.....	229
THERAPEUTIC PROTEINS INTERNATIONAL LLC (TPI).....	230
3SBIO INC.....	230
JIANGSU T-MAB BIOPHARMA	231
TTY BIOPHARM CO. LTD.....	231
UMN PHARMA INC.....	231
UNIÃO QUÍMICA	232
UNI-BIO SCIENCE GROUP LTD.	232
VIRCHOW GROUP	233
VIROPRO INC.....	233
WALVAX BIOTECHNOLOGY CO.....	234
WOCKHARDT LTD.	234
XBIOTECH INC.	234
YAKULT HONSHA CO. LTD.....	235
YL BIOLOGICS LTD. (YLB)	235
YOSHINDO INC.....	235
ZENOTECH LABORATORIES LTD.	236
ZYDUS CADILA HEALTHCARE LTD.	236
PARTNERSHIPS & OTHER BIOSIMILAR DEALS	237
BIOSIMILAR DEALS.....	237
INDICES.....	255
COMPANY NAME INDEX	255
DRUG NAME INDEX.....	261

TABLE OF CHARTS

A MARKET IN FORMATION	19
THE DAILY COST OF DRUGS IN THE U.S.	20
TOP-SELLING BIOLOGICS 2013	22
TOTAL GLOBAL BIOLOGIC SALES FOR 2013: \$143B	23
PROJECTED TOTAL GLOBAL SALES FOR 2018: \$190B	23
PROJECTED INCREASE IN BIOLOGIC SALES	24
FIRST WAVE OF BLOCKBUSTER BIOLOGIC TARGETS.....	25
SECOND WAVE OF BLOCKBUSTER BIOLOGIC TARGETS	26
MARKET BREAKUP BY PRODUCT TYPE IN EU + NORWAY + SWITZERLAND	27
BRANDED BIOLOGIC COMPETITION IN THE G-CSF MARKET.....	28
R&D COST COMPARISON	28
MABS VS. ASPIRIN.....	30
CORE DRIVERS THAT WILL IMPACT BIOSIMILAR GROWTH	31
TIMELINE OF BIOSIMILAR APPROVALS IN THE EU AND U.S.	32
THE REGULATORY FRONT	36
OVERARCHING GOALS OF COUNTRIES AND POLICYMAKERS.....	38
ASIA PACIFIC	44
ASIA PACIFIC COUNTRIES WITH A BIOSIMILAR PATH	44
ASIA PACIFIC REGION	45
BIOSIMILARS APPROVED IN AUSTRALIA.....	45
RECENT FOBS APPROVED IN INDIA.....	48
BIOSIMILARS APPROVED IN JAPAN	49
BIOSIMILAR APPROVALS IN SOUTH KOREA	51
BIOSIMILARS APPROVED IN TAIWAN.....	52
EUROPE	54
EUROPEAN BIOSIMILAR PATHS.....	54
BIOSIMILARS APPROVED IN THE EUROPEAN UNION	55
FOLLOW-ON MABS APPROVED IN RUSSIA.....	58
LATIN AMERICA	60
LATIN AMERICAN COUNTRIES WITH BIOSIMILAR PATHS	60
REGULAR BIOLOGICS APPROVED IN BRAZIL	62
SAMPLING OF FOBS APPROVED IN MEXICO	63
COUNTRIES IN THE MIDDLE EAST AND AFRICA WITH BIOSIMILAR PATHS	65
MIDDLE EAST AND AFRICA	65
COUNTRIES IN NORTH AMERICA WITH BIOSIMILAR PATHS.....	70
NORTH AMERICA	70
SUBSEQUENT ENTRY BIOLOGICS APPROVED IN CANADA	71
BIOSIMILAR ACTIVITY AT THE FDA	72
351(K) PATHWAY	73

COMPETITION & STRATEGIES	76
OVERARCHING GOALS.....	77
EXAMPLES OF FAILED OR WITHDRAWN BIOSIMILARS.....	78
DRUG FAILURE RATES	79
SHARE OF 2011 BIOSIMILAR SALES IN HIGHLY REGULATED MARKETS.....	80
PRICING OF BIOSIMILARS TO RECOUP DEVELOPMENT COSTS.....	86
ANNUAL NUMBER OF BIOSIMILAR-RELATED TWEETS.....	97
FOLLOW-ON COMPETITION FACING MABS AND OTHER BIOLOGICS.....	98
COMPANIES DEVELOPING FOLLOW-ON INSULIN PRODUCTS.....	121
PLAYERS & PIPELINES.....	123
BIOSIMILAR DEALS.....	237

A MARKET IN FORMATION

A MARKET IN FORMATION

BIOLOGIC PRICE, LACK OF ACCESS BUILD THE CASE FOR BIOSIMILARS

With their ability to treat many unmet needs, there's no denying the importance of biologics in improving the future of health care across the world. Often viewed as miracle drugs, they offer hope where once there was only despair. They transform patients' lives and provide cures and treatments for diseases that used to be a death sentence or a diagnosis of chronic misery.

All that hope and promise comes at a price – a high price that accounts for much of the revenue biologics produce and that can turn orphan drugs into blockbusters. With some per-patient price tags hitting hundreds of thousands of dollars per year, well above the average cost of small molecule drugs and generics, many biologics are off limits in emerging markets that are facing large, aging populations and an increase in chronic diseases such as diabetes. (See *The Daily Cost of Drugs in the U.S.*, below)

In Peru, for instance, where breast cancer is the leading cause of death for women, the most effective treatments are out of reach

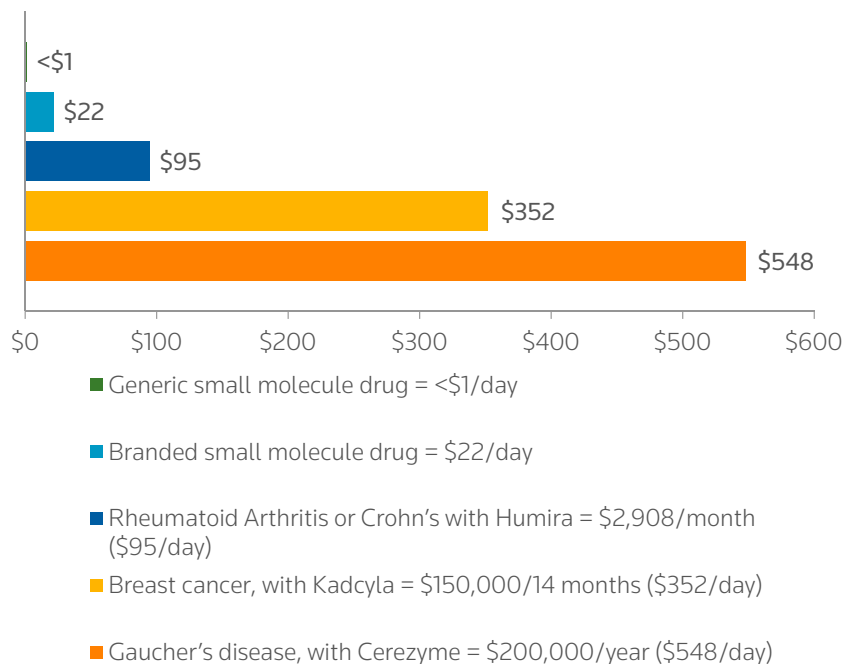
for most patients. Genentech Inc.'s Herceptin (trastuzumab) costs about \$47,500, nearly eight times Peru's gross national income per capita of \$5,880, Public Citizen said.

In China, hemophilia A is a serious health care challenge, given the size of the population. As a result, China accounts for a quarter of the world's hemophiliac A patients who are underserved by existing treatments that are either insufficient or too costly. The two approved recombinant versions available on the market – Kogenate from Bayer Healthcare and Pfizer Inc.'s Xyntha – can cost from nearly \$1,000 up to \$10,000 per month depending on a patient's bleeding episodes. In more developed markets, Factor VIII is often used as a prophylactic. But due to the price and the patient population, that's not an option in China.

The impact on governments, and the inequities, will mount as more biologics enter the field and existing biologics demand higher prices. Prescription drug sales worldwide are expected to increase 3.8 percent annually between 2012 and 2018, with biologics accounting for a larger portion of those sales. Over the current decade, the global biologics market is expected to grow more than 80 percent – from \$138 billion in 2010 to \$253 billion by 2020, according to Sandoz International GmbH.

While biologics only make up about a quarter of drug sales, they're more likely to be top sellers. Ten of the world's 25 top-selling drugs in 2012 were biologics. By 2018, four of the top five drugs are expected to be biologics, including Humira (adalimumab, Abbvie Inc.), which is predicted to top the chart at nearly \$13 billion in sales due to a 5 percent annual growth rate, according to Evaluatepharma. Of the other potential top sellers, sales of Enbrel (etanercept, Amgen Inc.) will likely remain flat, while sales of Lantus (insulin glargine, Sanofi SA) and Avastin (bevacizumab, Genentech Inc.) are expected to grow 4 percent annually. Broadening the scope to the top 100 drugs, Evaluatepharma predicts 45 will be biologics in 2018, but they'll account for more than half of total sales from that group.

THE DAILY COST OF DRUGS IN THE U.S.



Source: FDA, NHS, Avalere Health, pharmacy pricing

CAUSE FOR ANGST

The numbers are going to get worse for payers as the cost of biologics, both old and new, continues to rise and more biologics come to market. In the U.S. alone, national spending on biologics has increased 15 percent to 20 percent each year and is not expected to slow down any time soon, according to a coalition of 19 institutional investors led by the UAW Retiree Medical Benefits Trust. “These costs could, we believe, impede access for patients and acceptance by providers and insurance companies,” the coalition said.

The number of biologics coming to market also is set to climb in the years ahead. While biologics accounted for about a fourth of biopharma sales in 2012, they made up nearly a third of the pipeline. In 2014, 150 biologics were being marketed worldwide and more than 370 were under development. That’s good news on the medical front, but it’s cause for angst among government and third-party payers already struggling to keep up with the cost of biologics. Some of them are balking at the escalating prices, going so far as to deny or restrict access to specific new therapies.

The UK’s National Institute for Health and Clinical Excellence (NICE) refused in August 2014 to approve payment for Roche AG’s breakthrough breast cancer drug Kadcyła (trastuzumab emtansine), which at £90,831 (US\$152,533) per patient is the most expensive treatment available for breast cancer. While Roche was willing to discount its price, it wouldn’t give the 60 percent discount NICE said it would need to recommend Kadcyła, which was developed by Genentech, a Roche subsidiary. NICE based its assessment on interim trial results showing median overall survival was 5.8 months longer in patients treated with Kadcyła than in patients treated with standard-of-care lapatinib and capecitabine. As part of its lifecycle approach to drug development, Roche is positioning Kadcyła as a next-generation biologic for blockbuster breast cancer drug Herceptin (trastuzumab), which is set to lose patent protection in the EU in 2014 and in the U.S. in 2019.

The price of biologics also has affected policy in the U.S. in some instances. The FDA looks the other way when compounding pharmacies market diluted versions of Genentech’s Avastin (bevacizumab) for treating age-related macular degeneration (AMD), an off-label use, and Medicare encourages the use of Avastin over Genentech’s Lucentis (ranibizumab), which is approved for AMD. When diluted to the concentrations called for in ophthalmic indications, Avastin, at \$100 or less per injection, is one-twentieth the price of Lucentis, which sells for about \$2,000 per injection.

The price difference between Lucentis and Avastin is serving as a catalyst for some cash-strapped European governments to enact laws that would allow for off-label use even if on-label treatments are available. Italy passed a bill in June 2014, permitting Avastin to be used instead of Lucentis in AMD. A month later, France was following suit, raising fears that the governments were undermining the EU’s biologic regulatory standards.

Governments aren’t the only ones restricting access to high-priced biologics. In the U.S., third-party payers are kicking some drugs – biologics and small molecules – off their formularies because of the cost. Both CVS Caremark and Express Scripts have become more aggressive about excluding high-priced drugs when there are alternatives – even if the alternatives may not be as convenient for patients.

“Education and understanding are paramount to foster wider use of biosimilar medicines. While they are well understood by EMA regulators, there is significant work ahead of us in improving understanding amongst most other stakeholders.”

Joerg Windisch, chairman of the European Biosimilars Group, EGA sector group

PROMISE OF BIOSIMILARS

Rather than forgo the benefits of biologics, governments and payers are counting on biosimilars to revolutionize health care by reducing the cost of important biologics and increasing access to life-saving drugs. For that to happen, the follow-on biologics (FOBs) will have to deliver the power of the reference drugs at a price financially strapped countries can afford and gain the confidence of the marketplace.

Several FOBs are already competing in many parts of the world, but they differ greatly in terms of quality and price, depending on the regulatory scheme under which they were approved. Because the standards vary from country to country, not

all FOBs would be considered biosimilars in the regulated markets. As a result, several different terms are being used to describe various FOBs.

Alternatives are biologic copies that haven't demonstrated comparability to a reference product. These are often approved in emerging markets as new drugs or "noninnovators," but they are not considered biosimilars.

Biobetters are biologic copies that are safer, more effective or more convenient than the reference product. In regulated markets, they must be approved as new biologics. However, since they are based on an approved biologic, the risk of failure may be reduced significantly. Another benefit is that they can build on an already established market.

TOP-SELLING BIOLOGICS 2013

DRUG	BIOLOGIC	INNOVATOR	2013 GLOBAL SALES	2014 GLOBAL SALES*	PATENT EXPIRATION
Humira	adalimumab	Abbvie Inc.	\$10.7B	\$12.3B	EU – 2018 U.S. – 2016
Enbrel	etanercept	Amgen Inc./Pfizer Inc.	\$8.4B	\$5B	EU – 2015 U.S. – 2029
Rituxan/Mabthera	rituximab	Roche AG/Biogen Idec Inc.	\$7.7B	\$7.8B	EU – 2013 U.S. – 2018
Lantus	insulin glargine	Sanofi SA	\$7.6B	\$8.7B	EU – 2015 U.S. – 2015
Avastin	bevacizumab	Genentech Inc.	\$7B	\$7.2B	EU – 2022 U.S. – 2019
Herceptin	trastuzumab	Genentech Inc.	\$6.8B	\$6.8B	EU – 2014 U.S. – 2019
Remicade	infliximab	Johnson & Johnson	\$6.7B	\$9.9B	EU – 2015 U.S. – 2018
Novolog/Novorapid	insulin aspart	Novo Nordisk A/S	\$4.7B	\$5B	**EU – 2011 U.S. – 2014
Neulasta	pegfilgrastim	Amgen Inc.	\$4.4B	\$4.5B	EU – 2015 U.S. – 2015
Epogen/Procrit/Eporex	epoetin alfa	Amgen Inc./Janssen Pharmaceutica NV	\$3.3B	\$3.1B	EU – Off patent U.S. – 2015
* Cortellis forecast					
**Novo Nordisk expects other patents will continue to protect Novolog/Novorapid after the drug patents have expired					
Sources: Company annual reports, Cortellis Regulatory Intelligence					

Biologics are comprised of large (at least 5,000 atoms) molecules that are derived from living cells and manufactured through biological processes. Because of their complexity, the safety and effectiveness of biologics can be significantly impacted by minor differences in the manufacturing processes. Thus, even an innovator product has inherent lot-to-lot variability.

Biosimilars must be “highly similar” to the reference product. While there can be minor differences in clinically inactive components under U.S. law, there can be no “clinically meaningful differences” between the biosimilar and the reference drug in terms of safety, purity and potency. Since a biosimilar relies on prior findings of efficacy and safety for the reference product, it has to demonstrate comparability/similarity to that product in a head-to-head trial in highly regulated markets, where they are approved on a designated abbreviated path. The level of similarity required may differ from country to country. Biosimilars are known as *biocomparables* in Mexico, *regular biologics* in Brazil and *subsequent-entry biologics* in Canada.

Follow-on biologic (FOB) is a broad term used to describe any drug that copies an approved/ marketed biologic. Alternatives, biobetters, biosimilars and interchangeable biologics are all FOBs.

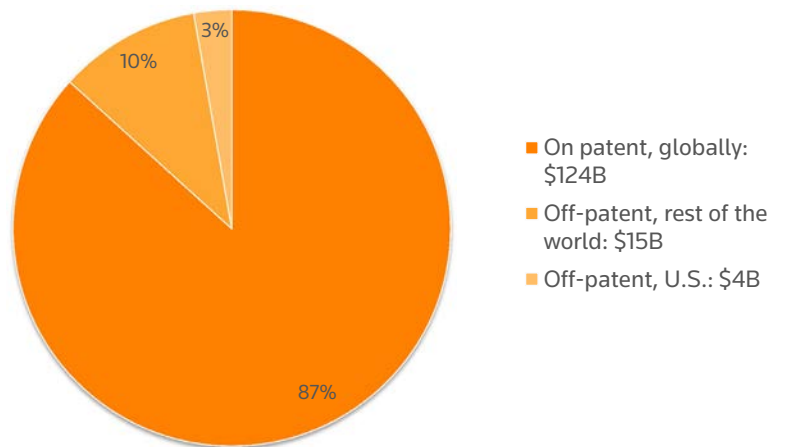
Interchangeable biologics are expected to produce the same clinical results as their reference drug in any given patient. The risk, in terms of safety or diminished efficacy, of switching between an interchangeable and reference biologic must not be greater than from consistent use of the reference product. The FDA anticipates drugmakers would have to demonstrate the sameness of a potential interchangeable through switching trials with the reference drug.

Reference biologics are approved/ marketed originator drugs that serve as the model for FOBs. Generally in regulated markets, the reference biologic would be off patent by time an FOB is launched.

Regardless of what they’re called, what all FOBs have in common is that they target the top-selling biologics, especially those that have lost patent protection in specific markets. (See Top-selling Biologics 2013)

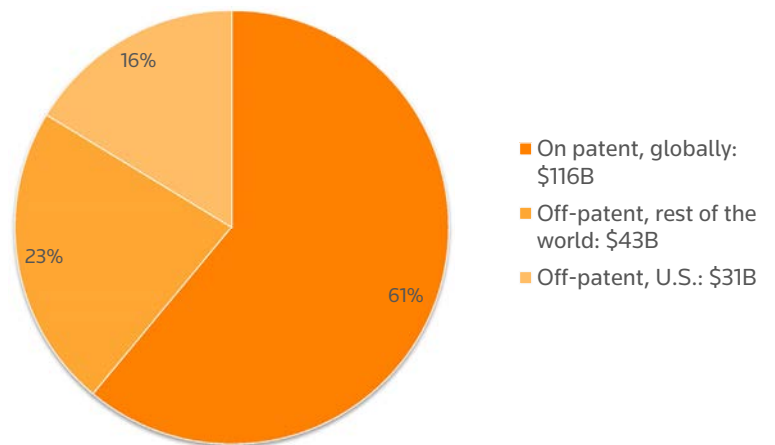
While alternatives may hit emerging markets long before the reference biologic loses patent protection elsewhere, biosimilar launches are expected to come in waves in highly regulated markets like Australia, Canada, the EU, Japan and the U.S., coinciding with patent expirations of the blockbuster biologics. The first wave began cresting in the EU last decade with approvals of filgrastim, somatropin and epoetin biosimilars, all of which fell off patent earlier there

TOTAL GLOBAL BIOLOGIC SALES FOR 2013: \$143B



Source: Sandoz International GmbH

PROJECTED TOTAL GLOBAL SALES FOR 2018: \$190B



Source: Sandoz International GmbH

than they did in the U.S. Because of the differences in intellectual property (IP) protection and the fact that the U.S. started forming its biosimilar path several years later than the EU, the FDA has yet to approve its first biosimilar.

But the first wave, which includes biosimilars referencing biologics with patent expiries before 2020, is about to hit the U.S. Sandoz filed the first biologic license application (BLA) for a biosimilar with the FDA in July 2014. Its Zarxio BLA references Amgen's Neupogen (filgrastim), which lost U.S. patent protection the previous year. Following Sandoz's filing by a few weeks, Celltrion Inc. submitted a 351(k) BLA with the FDA for Remsima, referencing Janssen Biotech Inc.'s Remicade (infliximab). Celltrion also is challenging Remicade's remaining U.S. patents, which won't expire until 2018. Under the biosimilar user fee agreement, the FDA has 10 months to review a biosimilar BLA before making an approval decision.

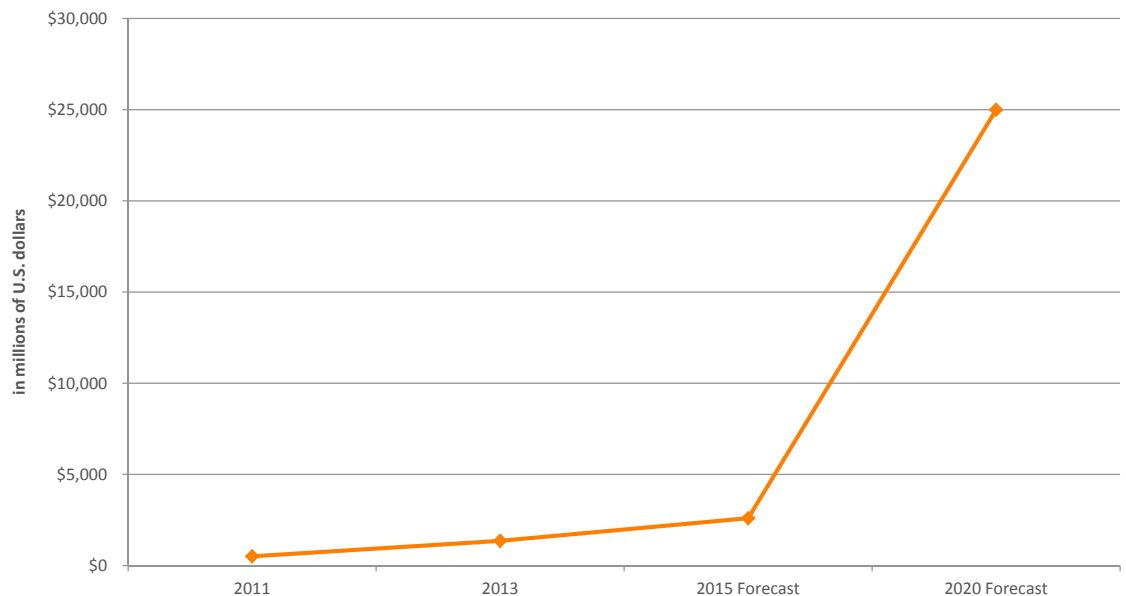
The second wave of biosimilars in regulated markets will be those referencing biologics that lose IP protection in 2020 or beyond. One thing to keep in mind, though, is that some of the FOBS in these waves will not be considered biosimilars in the U.S. (See Waves of Biologic Blockbuster Targets)

Several blockbuster biologics have lost IP protection in the EU and elsewhere. Of the \$143 billion in global biologic sales in 2013, \$4 billion stemmed from biologics that were off patent in the U.S. and \$15 billion from ones that were off patent in the rest of the world, according to Sandoz.

That number will escalate over the next few years. By 2018, \$31 billion worth of biologic sales are expected to come from off-patent drugs in the U.S. and \$43 billion from off-patent biologics in the rest of the world. And by the end of the decade, Sandoz said, patents will have expired for originator biologics accounting for about \$100 billion in global sales. (See Global Biologic Sales)

Although the market for biosimilars is predicted to rise rapidly as patents expire for blockbuster biologics, biosimilar sales are not expected to keep pace with the opportunity, largely due to the complexity of biologics, slow market uptake and regulatory issues. Total global sales of drugs approved as biosimilars in 2011 added up to about \$510 million. By 2013, those sales had more than doubled to nearly \$1.36 billion. IMS Health expects biosimilar sales to hit \$25 billion by 2020, accounting for about a quarter of the \$100 billion worth of sales stemming from off-patent biologics by the end of the decade. (See Projected Increase in Biologic Sales, below)

PROJECTED INCREASE IN BIOLOGIC SALES



Source: IMS Health