

Subject: Strategic Partner for Serbian State-owned Galenika Pharmaceuticals

Dear Sir /Madam

This is in continuation of my previous messages on privatization of 'Galenika Pharmaceuticals' of Serbia.

2. Serbian Minister of Economy has recently announced that the privatization of state-owned 'Galenika Pharmaceuticals' (www.galenika.rs) will be carried out through strategic partnership by means of recapitalization. He also informed that interested companies are already negotiating with privatization Consultant 'Deloitte'. Public tender is expected in early April 2016. The Serbian Government is looking for a foreign partner that will manage and recapitalize Galenika and once the company reaches its full manufacturing capacities, then the Government will look to sell 85% of the state capital in the pharmaceutical company. Galenika is the one of the largest pharma manufacturers in Serbia and figures among the largest suppliers of the state-owned public health insurance sector. The Serbian Government is looking for a foreign investor which can bring fresh capital, know-how and development possibilities for Galenika.

3. The pharmaceutical sector is the largest segment of India-Serbia bilateral trade, where Indian export of Pharmaceuticals & chemical products was USD 38.4 million in 2015. Pharmaceutical products account for one fourth of total Indian exports to Serbia. Indian pharma companies Ranbaxy (Medico Uno, Belgrade), Panacea Biotec (UTI Ltd. Co., Belgrade) and Himalaya Herbal Co. (A-Lek, Belgrade) have their representative offices in Serbia. Other major pharma companies such as Cipla, Jubilant Life Science, Biocon Ltd, Dr Reddy's, Glenmark Generics, Lupin, Torrent Pharma, Orchid Chemicals and other are exporting readymade products and pharma formulation to Serbia. All major Serbian manufacturers of medicines are importing raw materials and formulation from India.

4. By implementing reforms on its EU accession path, Serbia is becoming more and more attractive to foreign investors and has grown into one of the important investment locations in Central and Eastern Europe. Serbia enjoys preferred trade status because of FTAs with the EU, Russia, EFTA & CEFTA countries, Turkey, Belarus, Kazakhstan etc. By investing in a Serbian manufacturing facility, Indian pharma companies would gain preferential access to these markets. It is worth noting that Serbia is the only country outside the CIS that enjoys preferential trade access to Russia. This provides an advantage as the goods produced in Serbia with prevailing value added in Serbia are considered of Serbian origin and can therefore be exported with 1% custom duty to Russia. Thus Serbia should be seen both as a local market of about 7.2 million inhabitants and as a regional hub for access to a number of lucrative markets in Europe.

5 For more information on the privatisation of Galenika, following officials may be contacted:

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6. I strongly recommend that Indian companies consider investing in Galenika Pharmaceuticals, as this presents a timely opportunity to enter the larger EU, Russian and CIS markets.

With best wishes.

Yours sincerely

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