

# Bay Area drugmakers telling Greeks to pay upfront

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The European debt crisis is hitting close to home for Bay Area pharmaceutical companies, with unpaid bills from Greece, Spain and Portugal piling so high that some drugmakers are now insisting on payment upfront.

Genentech Inc., Gilead Sciences Inc., BioMarin Pharmaceutical Inc. and Bio-Rad Laboratories Inc. are among the companies waiting for millions of dollars from cash-strapped southern European countries, according to recent Securities and Exchange Commission filings.

At BioMarin, Greece's inability to pay for its products has the company requiring that the Greek government pay for all drug purchases upfront, said Stephen Aselage, the Novato-based company's chief business officer.

"Greece pays us in advance, more than a year in advance," Aselage said. "It's fairly rare that we would set that up." Due to the centralized health care system in Greece, most BioMarin products are bought directly by the Greek government.

"We are being paid more rapidly than most of the industry," Aselage said. "Some of the larger pharmacies decided to stop selling all their products in Greece."

Southern European operations account for less than 4 percent of BioMarin's annual revenue, but approximately 12 percent of outstanding accounts receivable, totaling \$5.28 million past due from



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Greece and Spain, according to the company's quarterly SEC report.

BioMarin isn't the only pharmaceutical company to take preventive measures with its southern European accounts.

International companies, such as Roche Holding AG in Switzerland, the parent company of South San Francisco-based Genentech Inc., are tightening their credit policies to southern European hospitals with poor payment histories, said Roche spokeswoman Silvia Dobry.

Dobry said that Roche won't extend further credit to hospitals in Greece, Spain and Portugal that have not paid their bills

for two to three years. Patients can get their treatment from public hospitals that have paid debts, from private pharmacies, or from other hospitals and clinics.

As of Dec. 31, 2011, Roche's combined gross trade accounts receivable with public customers in those countries plus Italy was equivalent to \$2.23 billion, representing 21 percent of Roche's consolidated gross trade accounts receivables.

Gilead Sciences in Foster City has also reported financial risk resulting from unpaid accounts in southern Europe.

"Our accounts receivable in southern Europe, specifically Greece, Italy,

Portugal and Spain, totaled approximately \$1.25 billion," its SEC filing read. That's up from \$1.06 billion in 2011 and \$806.7 million in 2010. Of the approximately \$1.25 billion account receivables in the region, \$719.5 million was greater than 120 days past due and \$313.3 million was greater than 365 days past due. Gilead did not respond to calls seeking further comment.

Bio-Rad Laboratories in Hercules has also reported potential negative impacts on their company from slow economic growth internationally.

"Demand for our products and services could change more dramatically than in previous years. ... The need for certain sovereign nations with large annual deficits to curtail spending could lead to slower growth of, or even a decline in our business," read its SEC filing. Its officials too did not return calls seeking comment.

However, the declining value of the Euro has a silver lining for companies with costs in the struggling currency.

Sunesis Pharmaceuticals of South San Francisco, is in the process of running multinational trials for a leukemia drug that includes some European nations.

"The weakness of the Euro and the European currencies in general tends to lower the cost of our trial," said Eric Bjerkholt, Sunesis' chief financial officer and executive vice president of corporate development and finance. "The weaker the Euro, the lower the cost, so from that standpoint it is helpful."