RUSSIAN Pharmaceutical Market

Issue: April 2007

Retail audit of Russian pharmaceutical market – February 2007

All information is based on retail audit

of Russian pharmaceutical market data by DSM Group,

QMS meets the requirements of **ISO 9001:2000**

Moscow, 2007

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SUMMARY

Drugs commercial market value in pharmacy purchase prices increased by 12.5% in February compared to January 2007 and amounted to 435 mln dollars (VAT included), which is 22% higher than in February 2006.

The weighted average **price per drug unit** on Russian commercial market slightly increased and amounted to 39 rubles ($1.48) in February 2007.

According to **Laspeyres index** prices almost did not change in comparison to January 2007: they **decreased by 0.1% in rubles and increased by 0.6% in dollars**.

Drugs consumption structure was almost the same in February 2007 as in January 2007. The highest increase was observed for the drugs segment priced at 50-150 rubles per unit (market share 37.6%). The average unit price in February 2007 was at the level of January 2007 for all price segments.

In February 2007, **domestic drugs market share** increased by 2% in value terms compared to January 2007 and amounted to 26% of commercial market.

Rx drugs market share decreased by 2% in February 2007 and amounted to 55% of total market value.

An incredible growth of Pharmstandard company (+48.5% to January 2007) became the event of month: it became the first among all pharmaceutical companies in February 2007 by sales value. Sanofi-Aventis and Berlin-Chemie /A.Menarini/ are the 2nd and the 3rd ones despite of their sales decrease.

Arbidol (2.07% market share) leads the **TOP drug trade names** by pharmacy sales value in Russia for February 2007, Theraflu (1.13%) is on the second place and Anaferon (0.82%) is on the third place.

In February 2007 **Russian NS (nutritional supplements) pharmacy market value** increased by 16% compared to January 2007 and amounted to $27.4 mln, as well as it increased by 4.3% compared to that of February 2006. Russian NS pharmacy market volume increased by 14.4% in February 2007 compared to January 2007 and amounted to 16 mln units.

The **weighted average cost per NS unit** amounted to $1.71 in February 2007.

I. Russian drugs commercial market in February 2007

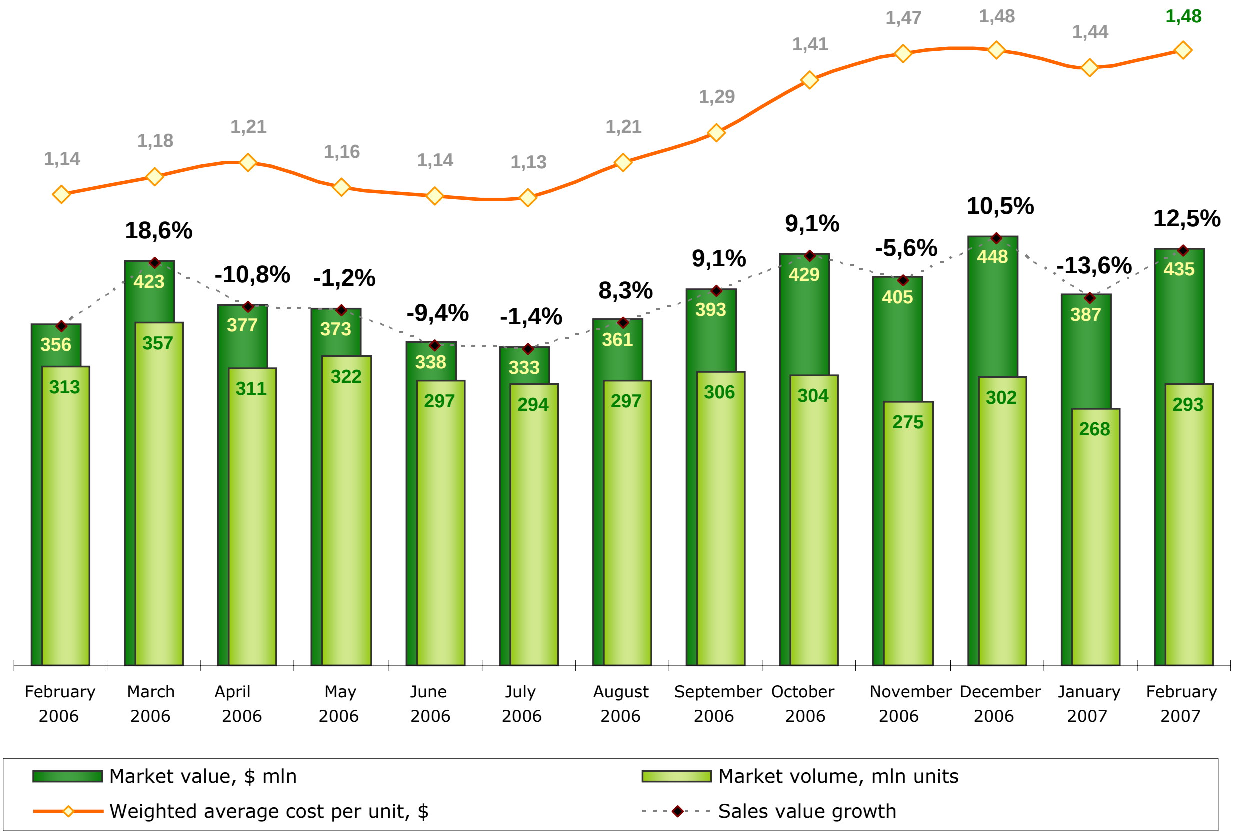
Commercial segment of the pharmaceutical market includes pharmacy sales of drugs and Parapharmaceutics, exclusive of sales under Drugs Reimbursement Program.

1. Drugs commercial market value

Diagram 1 shows dynamics in Russian commercial market volume of RTU drugs in wholesale prices from February 2006 to February 2007.

Diagram 1

Drugs commercial market value in February 2006 – February 2007, $ mln, VAT included



Source: Retail Audit of Russian Pharmaceutical Market by DSM Group, QMS meets **ISO 9001:2000** requirements.

According to the DSM Group's retail audit data, drugs commercial market value increased by 12.5% in February 2007 compared to January 2007 and amounted to $435 mln (in pharmacy purchase prices, VAT included). The market growth in ruble terms was 11.7% (from 10.3 to 11.5 billion rubles).

The market value increased significantly at the beginning of 2007 compared to that of 2006: in February 2007 it was 22% higher compared to February 2006.

The weighted average **cost per drug unit** on Russian commercial market in rubles increased and amounted to 39 rubles ($1.48). We can point out stabile level of the weighted average price per unit on drugs market for the period from October 2006 to February 2007. This means that consumption structure has been settled, however it was changing during the whole 2006.

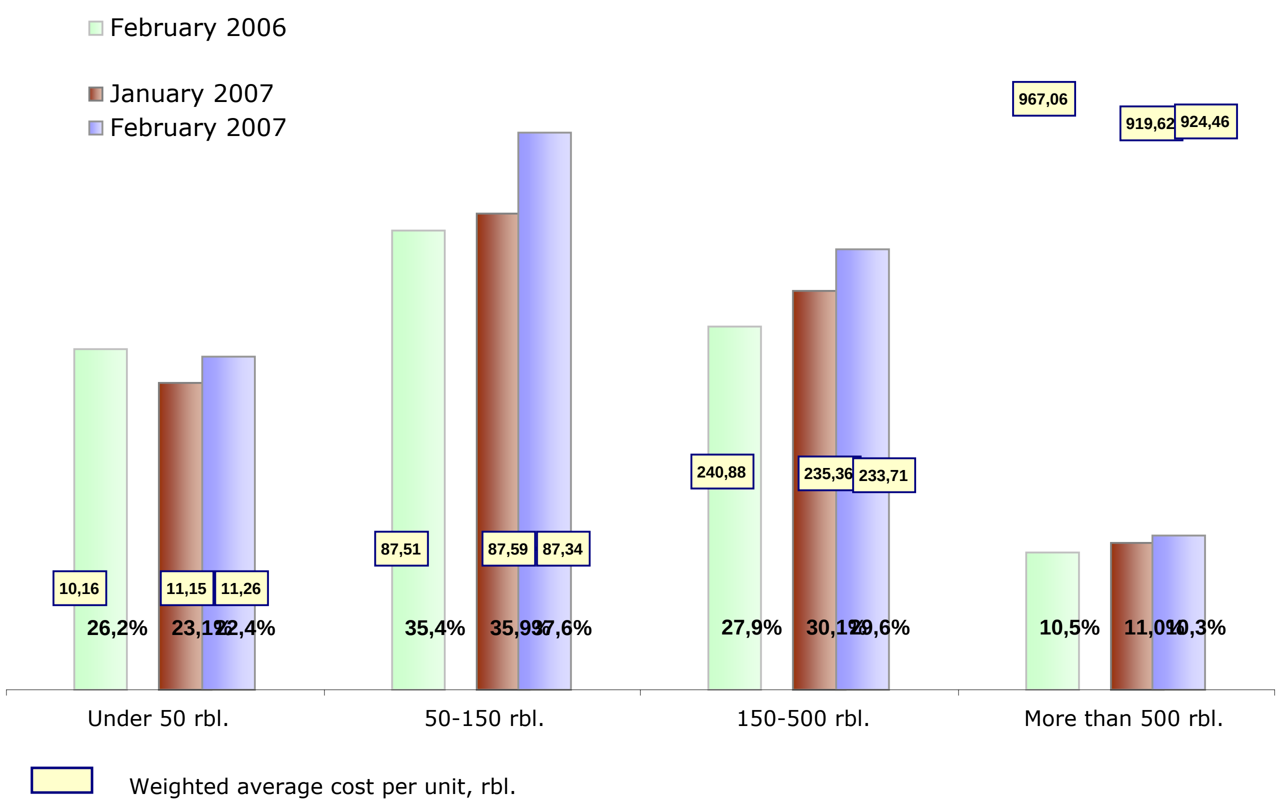
2. Structure of the Russian commercial market

2.1. Drugs consumption structure for different price categories

Diagram 2 shows dynamics in drug consumption structure (in value terms) with regard to various price categories.

Diagram 2

Dynamics of consumption of drugs from different price categories on commercial market in January 2007, %



Source: Retail Audit of Russian Pharmaceutical Market by DSM Group, QMS meets **ISO 9001:2000** requirements.

In February 2007, maximum growth (+17%) was observed for the segment of 50-150 rbl. per unit; sales of drugs priced at 150-500 rbl. per unit increased by 10%. Average unit price for all segments stayed at the level of January 2007.

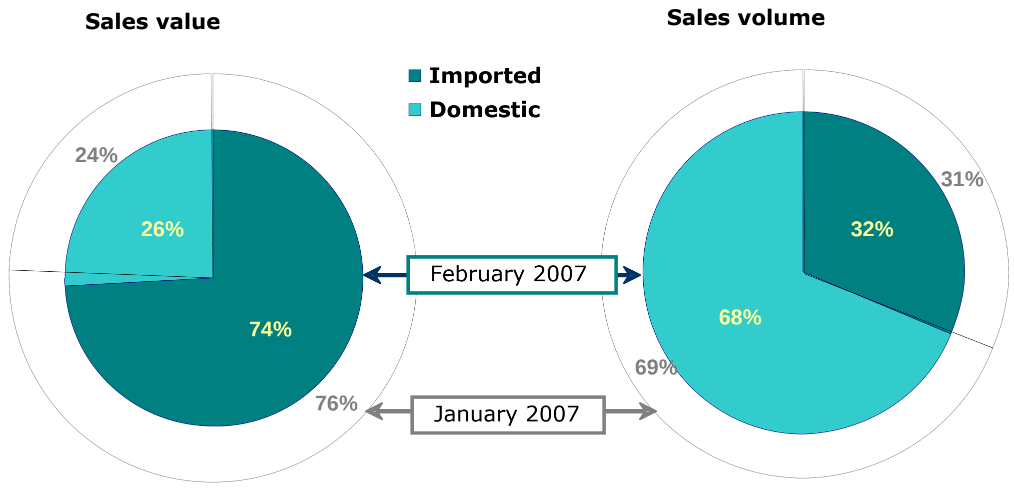
Comparing current situation with February 2006 we see that the most increase in share was at the segments of 50-500 rbl., at that cheapest drugs segment decreases in its share and value as well.

2.2. Proportion of imported and domestic drugs

The proportion of domestic and imported drugs by pharmacy sales in Russia is shown in *Diagram 3*.

Diagram 3

Shares of domestic and imported drugs on Russian pharmacy market in February 2007, %



Source: Retail Audit of Russian Pharmaceutical Market by DSM Group, QMS meets the requirements of **ISO 9001:2000**

In February 2007, the share of domestic drugs increased by 2% compared to January 2007 and amounted to 26% in value terms. It also amounted to and 68% in real terms which is a bit less than in January 2007.

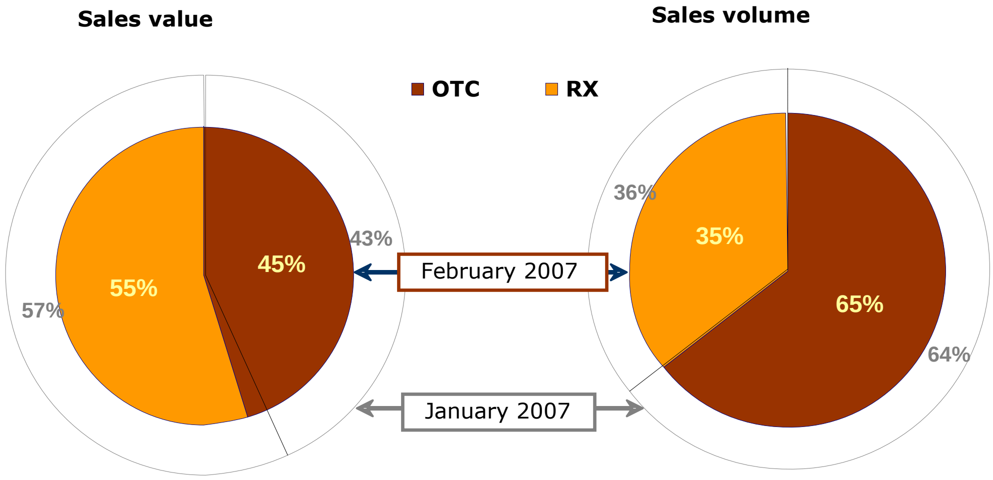
Domestic drugs sales value grew up by 19% in February compared to January; at that, they grew due to expensive drugs. Imported drugs sales value increased only by 9%.

2.3. Proportion of Rx and OTC drugs on the Russian commercial market

Proportion of Rx and OTC drugs by pharmacy sales in Russia is shown in *Diagram 4.*

Diagram 4

Proportion of Rx and OTC drugs sales on he commercial market in February 2007



Source: Retail Audit of Russian Pharmaceutical Market by DSM Group, QMS meets the requirements of **ISO 9001:2000**

The share of Rx drugs decreased by 2% in February compared to January 2007; and amounted to 55% in value terms and to 35% in real terms. Compared to that of 2006 share change was within 1% both in value and in real terms.

2.4. Drug sales structure by ATC groups

Proportion of 1-st level ATC groups by pharmacy sales in January-February 2007 in Russia is shown in *Table 1.*

Table 1

First level ATC groups ranking by share in pharmacy sales in December 2006 – January 2007, %

First level ATC groups	Share in sales value, $, %			Share in sales volume, units, %		
	January 2007	February 2007	Share change	January 2007	February 2007	Share change
A: Alimentary tract and metabolism	19,7%	18,5%	-1,2%	21,7%	19,9%	-1,8%
N: Nervous system drugs	13,4%	13,8%	0,4%	20,7%	20,4%	-0,3%
R: Respiratory system drugs	11,1%	12,6%	1,5%	13,6%	15,3%	1,7%
C: Cardiovascular system drugs	11,9%	11,0%	-0,9%	8,3%	7,6%	-0,7%
J: Antibacterials for systemic use	7,4%	8,0%	0,6%	5,4%	6,0%	0,6%
G: Genitourinary system drugs and sex hormones	7,3%	6,6%	-0,7%	1,6%	1,5%	-0,1%
M: Musculoskeletal system drugs	6,4%	6,2%	-0,2%	5,1%	5,6%	0,5%
[~] Without allocation (homeopathic preparations, plant and animal drugs, substances etc.)	5,8%	6,1%	0,3%	8,1%	8,3%	0,2%
L: Antineoplastic and immunomodulating agents	4,5%	5,9%	1,4%	1,0%	1,6%	0,6%
D: Dermatologicals	5,1%	4,7%	-0,4%	8,7%	8,2%	-0,5%
B: Agents affecting blood and blood forming organs	3,0%	2,8%	-0,2%	2,0%	2,1%	0,1%
S: Agents affecting sensory organs	2,2%	2,0%	-0,2%	2,0%	1,8%	-0,2%
H: Systemic hormonal preparations (excluding sex hormones)	0,9%	0,8%	-0,1%	0,4%	0,4%	-
V: Various	0,7%	0,7%	-	0,8%	0,8%	-
P: Antiparasitic products, insecticides and repellents	0,6%	0,4%	-0,2%	0,6%	0,5%	-0,1%

Source: Retail Audit of Russian Pharmaceutical Market by DSM Group, QMS meets the requirements of **ISO 9001:2000**

ATC-group [A]: "Alimentary tract and metabolism" leads with 18.5% market share in February 2007. At that we see share decrease of the group [A] (-1.2%) on the commercial market compared to that f January 2007. In spite of the fact that subgroup [A11] "Vitamins" increased by 24% in February, other subgroups shown no growth.

ATC-group [C]: "Cardiovascular system drugs" decreased in share by 0.9%, their consumption is not seasonally subjected. Maximum share increase was observed for the groups [R]: "Respiratory system drugs" and [L]: "Antineoplastic and immunomodulating agents".

3. Leaders among drug manufacturers

More than 800 drug manufacturers were represented on the Russian pharmacy market in February 2007.

TOP 10 manufacturers by sales volume are shown in *Table 2.*

Table 2

TOP 10 drug manufacturers by share in pharmacy sales in Russia
In January-February 2007

Rating		Manufacturers	Share in sales value, $, %		Share in sales volume, packs, %	
January 2007	February 2007		January 2007	February 2007	January 2007	February 2007
1	1	Pharmstandard	3,95	5,25	9,05	9,03
3	2	Sanofi-Aventis	4,82	4,24	1,73	1,49
2	3	Berlin-Chemie /A.Menarini/	3,96	3,37	2,05	1,84
6	4	Lek DD	2,73	2,82	1,22	1,26
5	5	Novartis	2,48	2,80	0,79	0,92
4	6	Nycomed	2,58	2,62	0,83	0,90
8	7	Pfizer International inc.	2,65	2,58	0,46	0,55
7	8	Gedeon Richter	2,83	2,55	1,18	1,07
9	9	Servier	2,25	2,36	0,41	0,43
10	10	KRKA	2,19	2,16	0,99	1,01
		Total share of TOP 10	**30,45**	**30,75**	**18,71**	**18,48**

Source: Retail Audit of Russian Pharmaceutical Market by DSM Group, QMS meets the requirements of **ISO 9001:2000**

Pharmstandard company growth (+48.5% to January 2007) and its leading position with high lag from the second Sanofi-Aventis became the sensation of February 2007. Sanofi-Aventis and Berlin-Chemie are the 2nd and the 3rd, in spite of their market share decrease.

There is a great lag between TOP-3 leading companies and the 4th one. The companies from 4th-10th positions are close to each other in share; their rating is determined by seasonal sales peaks of their brands. So, Novartis is 5th in February 2007 with its share increase of 26% due to its Teraflu sales (74% company's sales increase). At that, Gedeon Richter fell down to 8th position in February from 4th one in January, cause Cavinton sales were only 1.4%.

4. Top sales products

TOP 20 drug brands by pharmacy sales volume in Russia in December 2006 – January 2007 are shown in *Table 3.*

Table 3

TOP 20 drug trade names by sales value in Russia in December 2006 – January 2007

Rating		Brand	Share in sales value, $, %	
January 2007	February 2007		January 2007	February 2007
1	1	Arbidol	0,93	2,07
8	2	Teraflu	0,73	1,13
15	3	Anaferon	0,50	0,82
6	4	Vitrum	0,74	0,77
4	5	Actovegin	0,81	0,77
16	6	Coldrex	0,48	0,75
5	7	Viagra	0,81	0,73
10	8	Linex	0,67	0,72
3	9	Essentiale	0,82	0,72
7	10	Enap	0,73	0,66
2	11	Mezym Forte	0,86	0,63
25	12	Complivit	0,42	0,54
12	13	Mexidol	0,55	0,54
45	14	Fervex	0,33	0,54
13	15	Pentalgin	0,52	0,52
9	16	No-Spa	0,68	0,52
18	17	Sumamed	0,45	0,52
26	18	Multi-Tabs	0,41	0,51
24	19	Viferon	0,43	0,51
34	20	Lasolvan	0,37	0,50
		Total share of TOP20	**-**	**14,48**

Source: Retail Audit of Russian Pharmaceutical Market by DSM Group, QMS meets the requirements of **ISO 9001:2000**

Note 1. *A number of trade names from Cliphar-Gosreestr are grouped according to the principle of product lines (Coldrex, Vitrum, No-spa, Teraflu, Cavinton, Pentalgin, Preductal).*

Note 2. *Whereas TOP 20 trade names list changes every month, the cumulative share of TOP 20 trade names for past months could not be indicated in this Table. Only ranking positions and shares of each trade name presented in the reported month are shown for previous months.*

Arbidol sales increased by 2.5 times in February 2007, its share on the commercial market amounted to 2%. Anaferon (+81% share increase) which is Arbidol's competitor entered TOP-3 market leaders.

Besides, antiflu drugs, such as Teraflu (+74%), Coldrex (+74%) and Fervex (+81%) found a market. We'll notice that multivitamins brands Complivit and Multitabs entered TOP-20.

5. Price index

Laspeyres index was used for the analysis of drug price dynamics from the beginning of 2006.

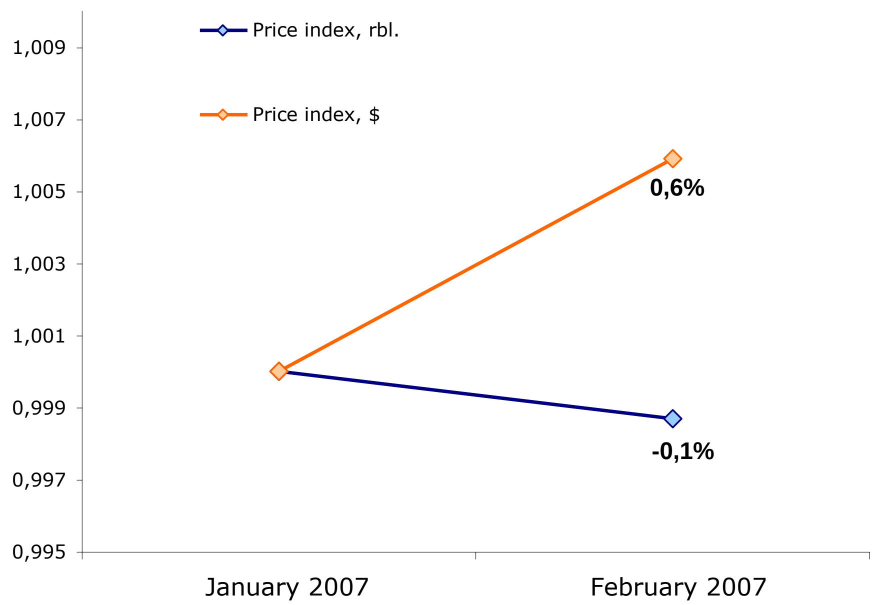
Laspeyres index is the ratio of two value aggregates of base-period quantities at current and base-period prices, where real sales volumes of basket of goods in the base period are used as weights. Ratio of drugs sales in 2006 was taken as a basket of goods. Using this method, seasonal influence on consumption grades, so we see price changes for the period of January-February 2007.

Price index was calculated on the basis of **all drug trade names listed in the DSM Group database over 2006**. January 2006 was used as a base period.

Diagram 5 shows dynamics in drug prices according to Laspeyres index in January-February 2007.

Diagram 5

Dynamics of drugs prices on commercial pharmacy market in January-February 2007,%



Source: Retail Audit of Russian Pharmaceutical Market by DSM Group, QMS meets the requirements of **ISO 9001:2000**

According to Laspeyres index, in February 2007, drug prices decreased by 0.1% in rubles and increased by 0.6% in dollars compared to that of January 2006. So, we can say that there were no price changes in February 2007 both for the whole market and for TOP-100 leading brands of 2006.

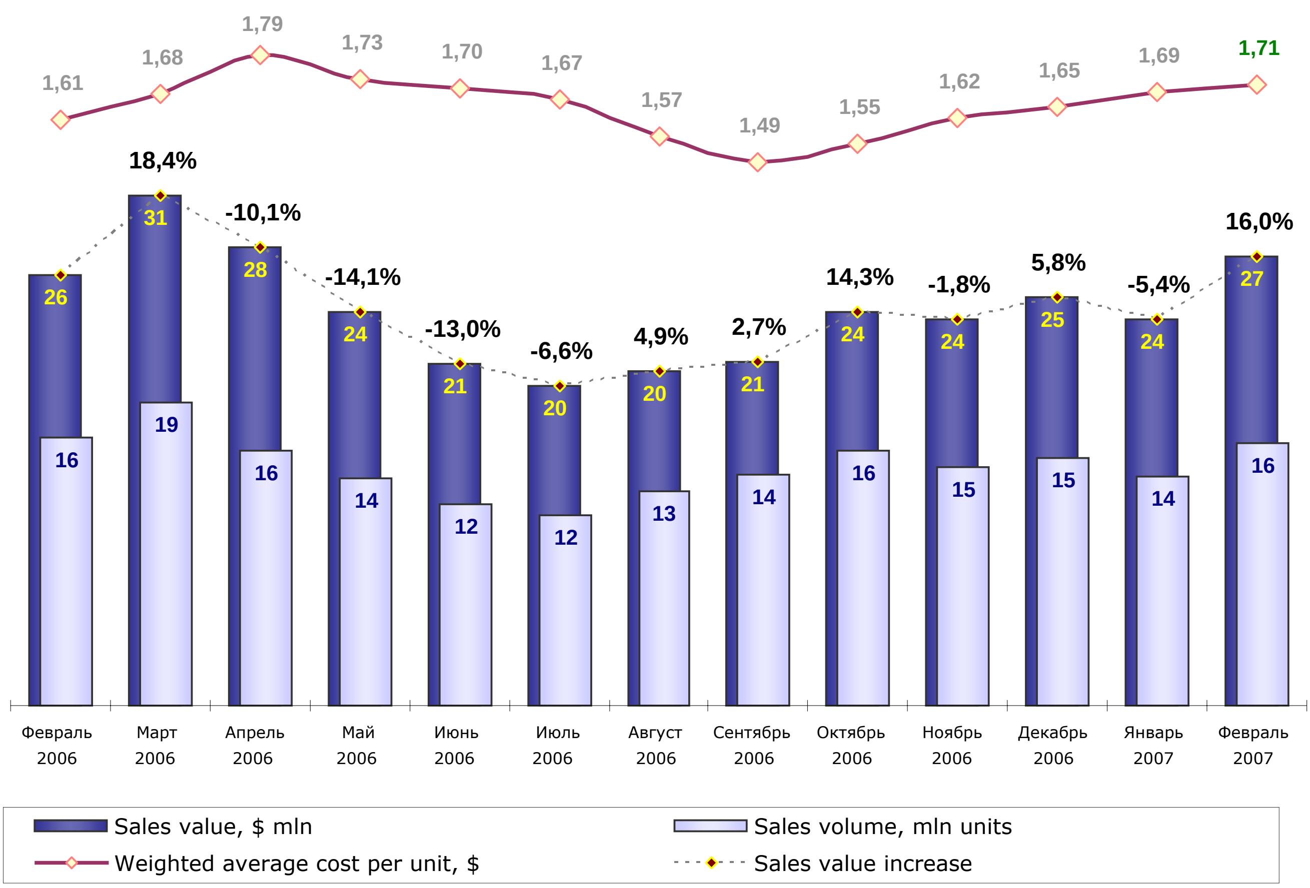
6. Nutritional Supplements

Nutritional supplements (NS) are the 2nd after drugs by commercial pharmacy market sales value. 4313 NS trade names by 605 manufacturers were sold in Russian pharmacies in February 2007.

Diagram 6 presents the dynamics of NS commercial pharmacy market value for the period of February 2006 – February 2007.

Diagram 6

Russian NS commercial pharmacy market in February 2006 – February 2007



Source: Retail Audit of Russian Pharmaceutical Market by DSM Group, QMS meets the requirements of **ISO 9001:2000**

Russian NS pharmacy market value increased by 16% in February 2007 compared to January, and amounted to $27.4 mln. The value as well increased by 4.3% compared to February 2006. In real terms, NS pharmacy market volume increased by 14.4% in February 2007 compared to January and amounted to 16 mln units.

The weighted average cost per NS unit increased in February 2007 by 1.4% (in dollars) compared to January, and amounted to $1.71 (45 rubles).

Table 4 shows NS manufacturers with largest pharmacy sales value in Russia in February 2007.

Table 7

TOP 10 NS manufacturers by sales value in Russia in January-February 2007

Rating		Manufacturers	Share in sales value, $,%		Share in sales volume, units,%	
January 2007	February 2007		January 2007	February 2007	January 2007	February 2007
1	1	Evalar	14,98	16,90	10,00	10,74
2	2	Diod	9,85	10,09	5,82	5,76
3	3	Akva-MDT/Akvion	5,59	6,18	2,63	2,96
5	4	Nycomed	3,28	4,21	0,94	1,16
4	5	Natur Produkt	3,98	3,88	5,64	5,47
6	6	Ekomir	3,20	3,01	1,12	1,08
8	7	Ferrosan AG	2,77	2,85	0,59	0,57
7	8	Pharma-med Inc	2,96	2,37	0,43	0,28
-	9	Vis	2,26	2,15	0,39	0,45
9	10	M Mertsana (manufactured by “Kurortmedservis")	2,34	1,62	1,74	1,17
		Total:	**51,21**	**53,27**	**29,31**	**29,64**

Source: Retail Audit of Russian Pharmaceutical Market by DSM Group, QMS meets the requirements of **ISO 9001:2000**

In February 2007, TOP-10 NS manufacturers did not change significantly compared to January. The lag between leading companies Evalar and Diod is about 7%. Akva-MDT/Akvion is fixed on the 3rd position.

Table 8 shows TOP-20 NS trade names by pharmacy sales value in Russia.

Table 8

TOP 20 NS trade names by sales value in Russia in January-February 2007

Rating		Trade names	Manufacturers	Shares by sales value, $, %	
January 2007	February 2007			January 2007	February 2007
1	1	Capilar	Diod	5,23	5,94
3	2	Ovesol	Evalar	2,33	3,26
2	3	Bilberry-Forte	Evalar	2,69	2,82
4	4	AlphaVIT	Akva-MDT/Akvion	2,19	2,60
9	5	Gerimax Energy	Nycomed	1,39	1,98
5	6	Lutein Complex	Ekomir	2,09	1,80
6	7	Gepatrin	Ekomir	1,92	1,61
7	8	Lactofiltrum	Sti-Meds Sorb	1,47	1,54
11	9	Ateroklefit	Evalar	1,14	1,45
10	10	Green Doctor Sage	Natur Produkt	1,32	1,34
8	11	Viardo	Diod	1,44	1,32
12	12	Sealex	Vis	1,12	1,12
13	13	Jedemen Slimming	Peking Jedemen Tea sales Centre	1,05	1,09
17	14	Turboslim-Day	Evalar	0,77	1,01
15	15	Chistovit well	Ecologia Pitania	0,94	0,99
14	16	Kudesan Vuka-Vuka	Akva-MDT/Akvion Biocorp	1,05	0,98
23	17	Turboslim-Night	Evalar	0,70	0,95
20	18	Centrum with Lutein	Wyeth Lederle	0,75	0,93
38	19	Troychatka Evalar	Evalar	0,54	0,84
19	20	Multi-Tabs Kid Ca+	Ferrosan AG	0,77	0,78
		Total:		**-**	**34,34**

Source: Retail Audit of Russian Pharmaceutical Market by DSM Group, QMS meets the requirements of **ISO 9001:2000**

Note. *Whereas TOP 20 NS trade names list changes every month, the cumulative share of TOP 20 members for past months could not be indicated in this Table. Only ranking positions and shares of each trade name presented in the reported month are shown for previous months.*

TOP-3 NS trade names are Capilar, Ovesol and Bilberry-Forte.

Great increase of Gerimax Energy by Nycomed (+65%) caused it growth in rating. Besides, Turboslim-Night and Troychatka Evalar are new trade names in TOP-20 in February 2007.

7. Pharmstandard is a leader of the drugs commercial market

Pharmstandard Group is a leader of the drugs commercial market for 2 first months of 2007. It is obvious that purchasing of Masterlek in August 2006 helped to reinforce Pharmstandard's market positions. Besides, the company actively develop gene-engineering products line. The production of human gene-engineering insulin "Biosulin" and the first Russian growth hormone "Rastan" was started in 2006. So, the company tries to widen its assortment line and make it more marketable.

Lets see how the Pharmstandard's sales value increased after purchasing of Mastrelek's brands.

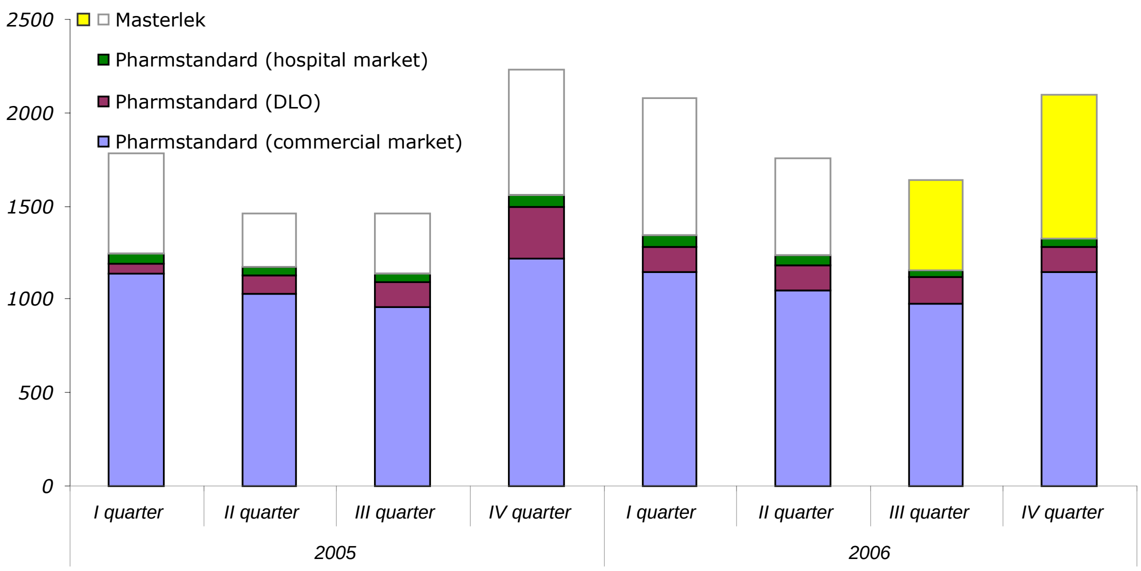
Pharmstandard produces about 250 drugs trade names, and 4 brands – Pentalgin, Terpinkod, Complivit and Codelac – cover 60% of sales value. About 90% of company's products are OTC drugs.

Masterlek owned 15 trade names; at that Arbidol, Flucostat and Amixin covered about 97% of the value.

Pharmstandard's sales value on the Russian pharmaceutical market increased by 23.5% compared to 2005 (all including DLO and hospital segments). *Diagram 7* shows the dynamics of Pharmstandard's brands sales in 2005-2006.

Diagram 7

Pharmstandard's sales value in 2005-2006, mln rubles

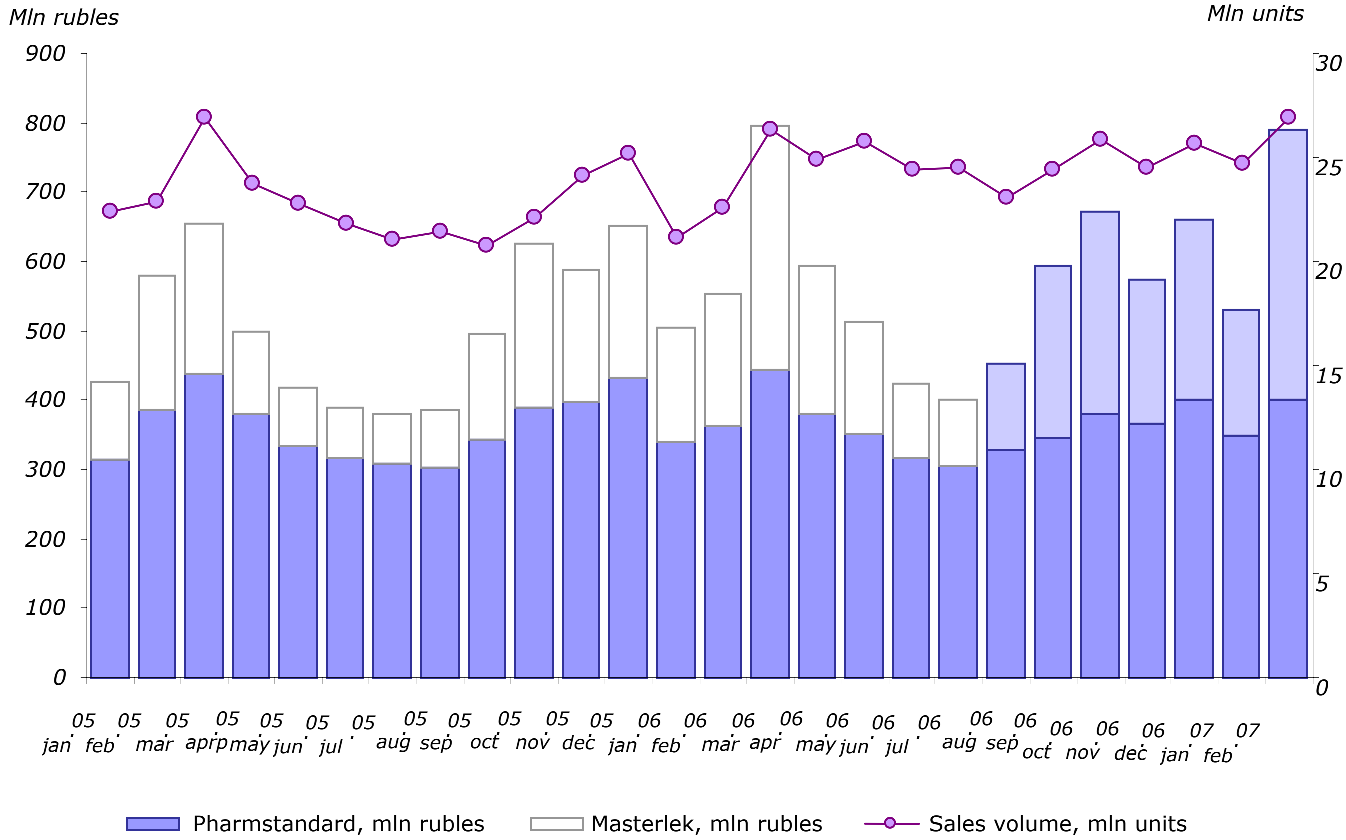


Looking at monthly dynamics of the commercial market sales value we see obvious profit from purchasing, especially at the beginning of 2007. So in February, brands early owned by

Masterlek cover 50% of Pharmstandard's sales. At that, sales volume stayed almost the same, as bought brands are much more expensive than an average cost of Pharmstandard's brands. So, there is one more latent plus of the deal: significant turnover increase almost will not increase logistics and storing costs.

Diagram 8

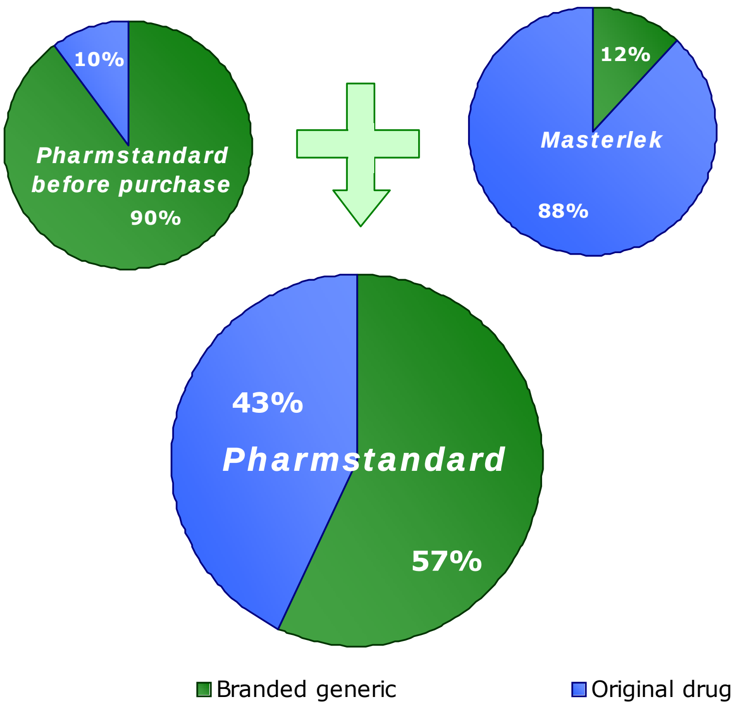
Pharmstandard's sales value and volume on the commercial market in 2005-2006, mln rubles



Besides, the company's assortment structure changed significantly. Generics covered over 90% of Pharmstandard's products till August 2006; now original drugs cover more than 43% of its sales value.

Diagram 9

Proportion of branded generics and original drugs in sales value



The rating of Pharmstandard's brands for the2 months of 2007 is the following:

Rating	Trade nemes	Shares in sales value, $, %	Share in sales volume, units, %
1	Arbidol	33,30	5,65
2	Pentalgin	11,25	4,16
3	Complivit	10,39	3,23
4	Terpinkod	8,07	2,00
5	Flukostat	5,02	0,77
6	Codelac	4,55	1,61
7	Amixin	3,75	0,13
8	Corvalol	2,03	7,60
9	Ferrogematogen	1,01	3,08
10	Ascophen	0,94	4,16
Total share of TOP-10		**80,33**	**32,40**

To review, Pharmstandard without bought brands by Masterlek would have only 2.6% share on the commercial market, taking 5th rating position. With them, average share of the company in January-February 2007 amounted to 4.6%.

About DSM Group

To provide comprehensive, high quality and timely marketing research and full advertising support to the companies on the Russian pharmaceutical market

The marketing agency DSM Group has been on the market since 1999. Two key service fields of the company are marketing research and advertising on the Russian pharmaceutical market.

RESEARCH

QMS meets ISO 9001:2000 requirements

- Monthly retail audits of the Russian pharmaceutical market, which you can see in 25 working days
- Hospitals audits
- BDP database
- Drugs and substances import database
- Multifactor analysis of competitors surrounding
- Monitoring and analysis of drug sales by distributors
- Monthly analysis of market capacity, tendencies and forecasts
- Ad-hoc research

ADVERTISING

- Design and corporate identity creation
- Souvenirs for pharmaceutical market
- Printing (QMS meets ISO 9001:2000 requirements)
- Promo actions and events (from 20 up to 1500 persons)
- Media buying
- Outdoor advertising
- Corporate video
- Direct-mail through Russian pharmacies database
- Marketing plans

There are about 60 specialists in pharmaceutics, marketing and advertising in the staff. Our experts' opinion is highly rated by pharmaceutical and business public.

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