RUSSIAN PHARMACEUTICAL MARKET 2023

25 DSM GROUP

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Results of 2023

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Summary

In May 2023, the World Health Organization declared an end to Covid-19 as a pandemic. The WHO reported over 765 million confirmed Covid-19 cases worldwide. In Russia, nearly 23 million cases were confirmed since the outbreak began. Almost 400,000 people fell victim to the disease.

For almost 4 years, we lived with an extra burden on the healthcare system trying to treat, control and manage the effects of this disease. The 2023 indicators were still largely determined by the consequences of this impact.

On the other hand, the Russian pharmaceutical market is affected by the geopolitical events of 2022, which makes the adopted import substitution strategy even more important. The sanctions forced the Russian pharmaceutical industry to become more active in developing drugs that can replace foreign products on the market. As a result, 2023 saw a record amount of news about new pharmaceutical manufacturing facilities being launched or invested in, the majority of which involved the production of active pharmaceutical ingredients.

It should be noted that the general availability of drugs to the population was not limited. Only three companies have withdrawn completely from the Russian market so far, but the rights to sell their products have been transferred to existing manufacturers.

The government's decisions are aimed at supporting Russian companies and helping them increase their market share. The Pharma 2030 strategy for the development of the pharmaceutical industry until 2030 was approved in June 2023, which provides for a gradual substitution of imported drugs and focuses on promoting the production of active pharmaceutical ingredients in the Russian Federation.

The "Produkty na polku" ("Available on Shelves") project got underway at the end of 2023. The project aims to create equivalents of patented drugs, the rights to which are held by companies from unfriendly countries. In the future, it should ensure that such drugs are quickly available on the market when their patents expire or when foreign companies – the patent holders – stop supplying them.

The availability of originator drugs is currently ensured through compulsory licensing. In 2023, a compulsory licence was granted to Geropharm and Promomed: it was for the drug semaglutide (originator – Ozempic). This is the second compulsory licence granted in Russia.

The 2023 Russian pharmaceutical market was worth 2,578 billion roubles, which was only 0.3% more than in 2022. For the second year in a row, the rates of growth in the public procurement sector are lower than in the commercial market, which remains the overall growth driver. During the rapid spread of coronavirus infection, healthcare institutions were under considerable pressure and the decline in the incidence of the disease led to a change in the purchasing structure and a negative trend in the volume of drugs purchased.

In dollar and euro terms, the market fell significantly in 2023 due to the weakening of the rouble. In dollars, the volume was 30.8

billion dollars, which is 18% lower than a year before. In euros, the market dynamic was -21% and the total volume was 28.6 billion euros.

The total market share of imported drugs in 2023 was 54.9% in roubles and 31.4% in packages. In 2023, the top 20 manufacturers had a combined share of 44.3%. Foreign companies Bayer, Novartis and Sanofi remained in the top positions at the end of 2023. But there are now five Russian companies in the ranking, down from six the year before.

The public sector accounts for 36% of the pharmaceutical market. This figure fell by 6 percentage points in 2021-2023. The largest decrease in 2023 was in hospital purchases, down 21%. A decrease in the incidence of coronavirus infection led to a decrease in tenders for drugs recommended for the treatment of Covid-19. Over the year, their number decreased by 86%. The "Krug Dobra" ("Circle of Kindness") children's aid foundation continues to receive more and more funds: in 2023, 47 billion roubles were spent on drug purchases. Drug purchases under the social welfare programmes (Drug Reimbursement Programme and Regional Drug Reimbursement Programme) continue to increase.

Growth in the commercial pharmaceutical segment in 2023 was driven by the same factors that influenced the market in 2022. Throughout 2023, the demand for antivirals and anticoagulants continued falling. At the same time, the structural distribution and the seasonality have become the same as they were before the coronavirus pandemic. At the end of 2023, the size of the commercial pharmaceutical market was about 4.5 billion packages, or 1,432 billion roubles.

Pharmacy sales of parapharmaceuticals increased by 5.8% to 346 billion roubles. Positive dynamics were observed for repellents, dietary supplements (DS), medical devices and medical dressings. Cosmetics, patient-care products, barrier contraceptives, and diagnostic devices demonstrated a negative trend on account of intense competition with other sales channels.

At the beginning of 2024, there were 78,900 pharmacies in Russia, almost 6,000 more than at the beginning of 2023. The year was marked by increased competition. It should be noted that the main battle is between the federal chains.

In 2023, there were already 2 chains with more than 5,000 stores. Aprel has been growing rapidly for the second year in a row, reaching 7,434 pharmacies; the chain is the leader in both the number of pharmacies and the growth rate. Implosia, which now operates mainly under the brand AptekiPlus, increased its number of stores by 1,500, reaching 5,800 pharmacies. However, such large numbers of stores do not make the chains leaders in terms of sales.

The chain Rigla remains the leader in the pharmacy ranking with a share of 8.6%. Among the marketing associations, ASNA is still in the lead with 17,000 members and a 18% share of the total pharmacy market.

Pharmacy eCom sales in 2023 were approximately 225.6 billion roubles (drugs and parapharmaceuticals combined), accounting for 12.7% of the pharmacy market. Sales growth in this channel has started to slow and is already comparable to the overall market growth rate of 16%. The Apteka.ru service remains the leader among online platforms used by consumers to order pharmacy products, but its share declined from 38% in 2022 to 32% in 2023 due to the emergence of many other services.

Following the bankruptcy of three distributors in recent years, the remaining players were actively capturing the vacant part of the market. At the end of 2023, the 10 largest distributors on the pharmaceutical market accounted in the aggregate for 77.5%, adding 5% against 2022. The top three leaders did not change. In 2023, the top spot was retained by the distributor Pulse with 15.4%. The distributor Protek remained in second place with a share of 15.3%, while Katren was in third place with a share of 14.4%. While the ranking in the commercial segment is in line with the overall market, the public sector is dominated by other companies: Irwin 2, R-Pharm, BSS.

In 2024, the inflation component will remain the main driver of market growth. Prices will be rising due to the increasing costs of components, credit facilities, and promotional costs incurred by Russian companies. The major programmes of the public sector have also received funding that is indexed to inflation. In total, the pharmaceutical market may reach 2.8 trillion roubles (+8%). A positive trend is forecast for sales in packages – about 3-4%.

1. Russia's pharmaceutical market

The pharmaceutical market is primarily targeted at making the necessary drugs available to the public, in a prompt manner and to the full extent. So, all events that have an effect on the structure and rates of consumption of drugs are analyzed and given extra attention. The coronavirus pandemic that broke out back in 2020 (March 11) was one of such events, both in Russia and worldwide. For almost 4 years all the countries were striving to survive with overburdened healthcare systems due to the treatment, control and combatting the consequences of the disease. Only in May 2023, the World Health Organization declared an end to Covid-19 as a pandemic. The pandemic lasted 1,150 days.

The WHO reported over 765 million confirmed Covid cases globally. In Russia, nearly 23 million cases were confirmed from the date of onset of the spread of the coronavirus. Almost 400,000 people fell victims to the disease.

This is one of the factors accounting for the decline in the country's population. According to Rosstat's preliminary estimates, as at January 1, 2024 resident population of Russia was 146.206 million people. Over the year, the figure dropped by 243.8 thousand (-0.17%). The figure ignores statistics on the size of the population in the new regions such as the Donetsk and Luhansk People's Republics, Kherson and Zaporozhye.

The future outlook is not optimistic, either: according to the baseline scenario of the statistics service, by January 1, 2046 Russia's population will be 138.8 million. According to the worst-case scenario, by 2046 the country's population will have shrunk by 15.4 million to come to 130.6 million people. Demographic development can only be expected under the best-case scenario — an increase in Russia's population by 4.59 million to 150.87 million.

The national initiatives launched by the Russian government are supposed to promote population growth and improvement in living standards. In this context, it is about the national healthcare development programme and the Pharma-2030 national strategy.

In June 2023, the strategy of the development of the pharmaceutical industry through to 2030 was adopted (RF Government Order No. 1495-r of June 7, 2023). The strategy prioritizes self-sufficiency in drugs and national security to be achieved by: developing and promoting the manufacturing of new drugs, increasing the number of facilities implementing cutting-edge technologies and innovations, and improving competitiveness of Russian manufacturers in foreign and domestic markets.

The Ministry of Industry and Trade has been working on this programme document for the last five years. Among the primary set targets are:

- increasing the share of domestic pharmaceutical manufacturing in the total consumption from 61.8% to 66.6% by 2030;
- increasing pharmaceutical exports in money terms from $1.28 billion to $3.4 billion;

- ensuring that Russian drugs produced under a full cycle (including manufacturing of active pharmaceutical ingredients) and listed as strategically important account for 80%;
- 2024 has seen updates in the national healthcare development programme: the document defines the types and volumes of federal budget expenditures on the modernization of the regional healthcare systems. In particular, the range of patients eligible to drug reimbursement under the federal project on fighting heart diseases has been extended; requirements for receiving subsidies from the “Krug Dobra” foundation have been modified — now, among the main criteria for the assignment of grants is the number of cases of healthcare delivered (including outside Russia) to orphan patients, and the quantity of purchased drug packages, medical devices and rehabilitation equipment.

All in all, 1.33 trillion roubles will be expended in 2024 from the federal budget on the national healthcare development programme, which is 10% more than in 2023.

Worthy of special mention are the new initiatives undertaken by the government to support the pharmaceutical industry (manufacturers, in the first place) and exclude any possible shortages of drugs due to the imposition of the economic sanctions.

At the end of 2023, the “Produkty na polku” (“Available on Shelves”) project got underway. The project provides for the creation of equivalents of patented drugs, rights to which belong to companies from unfriendly countries. 25 subsidizable INNs are currently on the list. Assistance to be provided by the government will be worth 50–100 million roubles.

Also a big event for the market was the issue of a second compulsory license authorizing the release of drugs without consent of patent owners. In 2023, it covered semaglutide (original: Ozempic), whose equivalents will be made by Geropharm and Promomed. Let us recall that a similar decision was already taken by the government in 2021 for remdesivir.

All import substitution initiatives are quite important at the moment for the industry as in the years to come Russian consumers risk feeling more and more the shortage of high-tech drugs. This is evidenced by the structure of clinical trials that started in Russia in 2023. Though the number of the launched trials is more or less the same as in 2022 (761 against 739), there are much fewer countries applying for conducting clinical trials: specifically, 44 countries in 2015 against only 24 in 2023 (as reported by Sciencefiles). In addition, now 78% of the applications are from Russian companies, while in 2021 they accounted only for 46%. Trials are no longer sponsored by the US and some European countries.

In 2023, the main focus is on bio-equivalence trials that determine to what extent a new drug is equivalent to the original patented drug: 68% of trials are studies of Russian generics, 10% — of domestically developed original molecules, 20% — of foreign generics, and 2% — of foreign original drugs.

2023 marked the continuation of the labelling project: labelling became mandatory for dietary food supplements, skin disinfectants and antimicrobial hand hygiene products, orthopaedic footwear and corrective insoles, hearing aids, wheel chairs, and incontinence sanitary products. A pilot project on the labelling of rehabilitation equipment with control and identification codes was launched in Russia in the middle of October. In future, the project is expected to extend also to toothpastes and medical gloves.

Another added requirement is registration of prescriptions in the labelling system. The registration procedure applies to controlled drugs, prescriptions for reimbursed drugs and drugs purchased through distance retailing.

The Covid-19 pandemic ended, yet, the 2023 performance of the pharmaceutical market still remained much affected by its consequences.

At the end of 2023, the market volume amounted to 2,578 billion roubles, which is only 0.3% more than in 2022. For the second year in a row, the rates of growth in the public procurement sector are lower than in the commercial market, which remains the overall growth driver. In the period of the active spread of the coronavirus infection healthcare institutions were under load, and the following decrease in the incidence changed the structure of procurement and led to a reduction in the purchases of drugs.

In 2022, the market showed a strong positive trend in dollars and euros. In 2023, the market performance in this respect was disastrous. Indeed, the currency fluctuations were stronger in 2022, but the exchange rates were much lower, on average, than in 2023. For example, in 2022 the average USD to RUB rate was RUB 68 per US dollar, whereas last year 1 USD cost RUB 84; the EUR to RUB rate grew even more - by 27% from RUB 71 to RUB 90 per Euro. With this background, the market volume in dollars dropped below the 2021 level, and in euros it was just a little upward. In dollars, the 2023 volume was 30.8 billion dollars, which is 18% lower than a year before. In euros, the market dynamics were -21%, and the total volume made 28.6 billion euros.

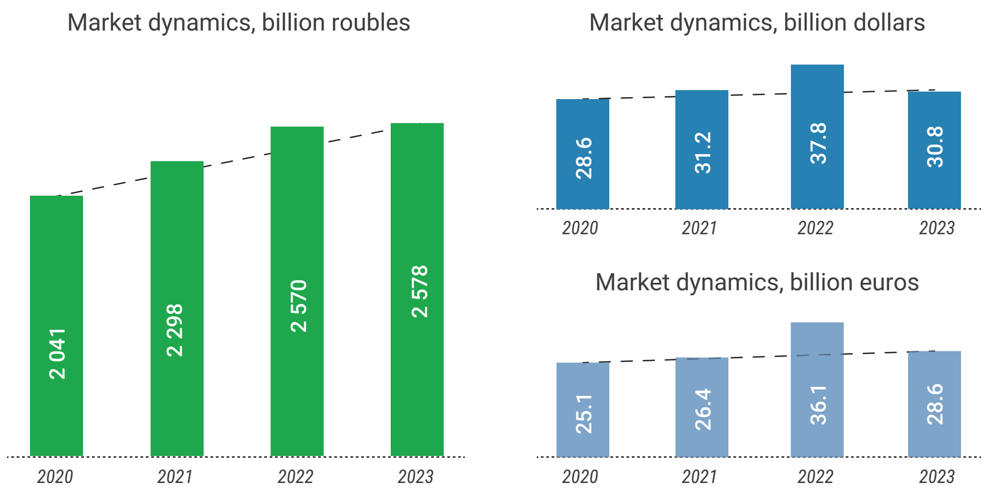
In packages, drug consumption remained negative. The market also shrank in the commercial segment (-2%). The public procurement segment shows a distinct negative growth trend (around 25%) due to the reduction in purchases for healthcare institutions. In 2023, consumption of drugs in volume terms dropped by 2.6% to come to 5.1 billion packages.

Figure 2 shows the dynamics of the volume of the Russian pharmaceutical market in 2022-2023, by segment.

The state sector — the publicly-funded market — hospital purchases, pharmaceutical benefits (including High-Cost ICD and Essential Drug Coverage programmes) and regional

Figure 1

Pharmaceutical market dynamics



benefits — accounts for 36% of the drug market volume. In 2023, the figure dropped by 4 percentage points due to the varying trends in the pharmacy segment.

The heaviest drop in 2023 was in the hospital purchases, by 21%. A decrease in the incidence of the coronavirus infection led to a decrease in tenders for drugs recommended for the treatment of Covid-19. Over the year, their number decreased by 86%. More and more funds continued to be allocated to the "Krug Dobra" foundation to support children: in 2023, 47 billion roubles were spent on purchases of drugs.

Further growth was observed in purchases of drugs under regional drug reimbursement programmes: in 2023, they grew by 10%. The growth was still driven by orphan drugs, which accounted for 71 billion roubles out of a total of 201 billion roubles. Federal benefits were 12% higher than a year earlier and amounted to 135 billion roubles.

The 2023 growth in the commercial segment of drugs was driven by the same factors that made the market in 2022. Throughout 2023, the demand for antivirals and anticoagulants continued falling. At the same time, the structural allocation and seasonality got back to the pre-Covid trends. An additional year-end increase in sales was due to the traditionally higher incidence of acute respiratory viral infection and influenza in the autumn and winter periods.

At year-end 2023, the size of the commercial pharmaceutical market was about 4.5 billion packages, or 1,432 billion roubles. Compared with 2022, the volume of sales of drugs in packages remained practically the same (-0.4%). In value terms, sales grew by 6.1% against the previous year.

Pharmacy sales of parapharmaceuticals increased by 5.8% to 346 billion roubles. Positive dynamics was observed for repellents, dietary supplements (DS), medical devices,

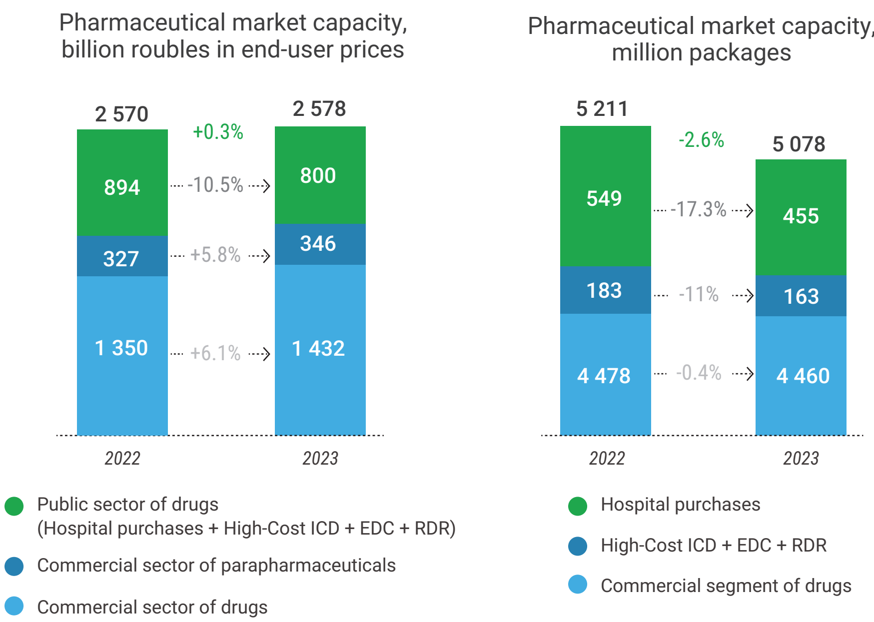


Figure 2

Pharmaceutical market capacity

and medical dressing. Cosmetics, patient-care products, barrier contraceptives, and diagnostic devices demonstrated a negative trend on account of intense competition with other sales channels. Only DS and repellents grew in terms of packages.

Market in figures

The total market share of imported drugs in 2023 was 54.9% in roubles and 31.4% in packages. In volume terms, the market growth was negative both for made-in-Russia drugs (-1.7%) and foreign-made ones (-4.3%). In rouble terms, localized drugs shrank by 0.6%, and imported ones - by 0.4%.

By the type of dispensing, the market structure changed towards over-the-counter drugs. Rx drugs account for around 70% in monetary terms. Owing to lower prices, however, OTC drugs prevail in packages and account for 54%.

Vital and Essential Drugs (VED) are a list of drugs, approved by the Government of the Russian Federation for the state regulation of drug prices. The drugs put on the list are annually revised, so, their share can change for a variety of reasons. In 2023, the market share of VEDs dropped from 57% to 54% in value. In packages, VEDs account for 52% (-1.5% to 2022).

In 2023, the share of original drugs was 39% in value terms, and 12.6% in volume terms. Against 2022, their share somewhat shrank due to increased volumes of generics in pharmacy sales.

For the first time over a long period, the ATC rating was headed by [A] Alimentary tract and metabolism, with a 16.04% share. The main channel, through which drugs of this category are sold, is the pharmacy segment: 74% in roubles are from purchases of drugs at the expense of the population. In 2023, a noticeable increase in [A] drugs (specifically, drugs used in diabetes) was observed in hospital purchases.

[L] Antineoplastic and immunomodulating agents moved down in 2023 to the second place, with a 16.03% share. The change was due to the reduction in purchases of immunosuppressive and immunomodulating agents. Funding of purchases of antineoplastic agents remains as scheduled. The main channel of funding the dispensing of [L] drugs is public procurement – 90%. This proportion remains constant for the last three years.

Figure 3

Market structure, various segments, 2023

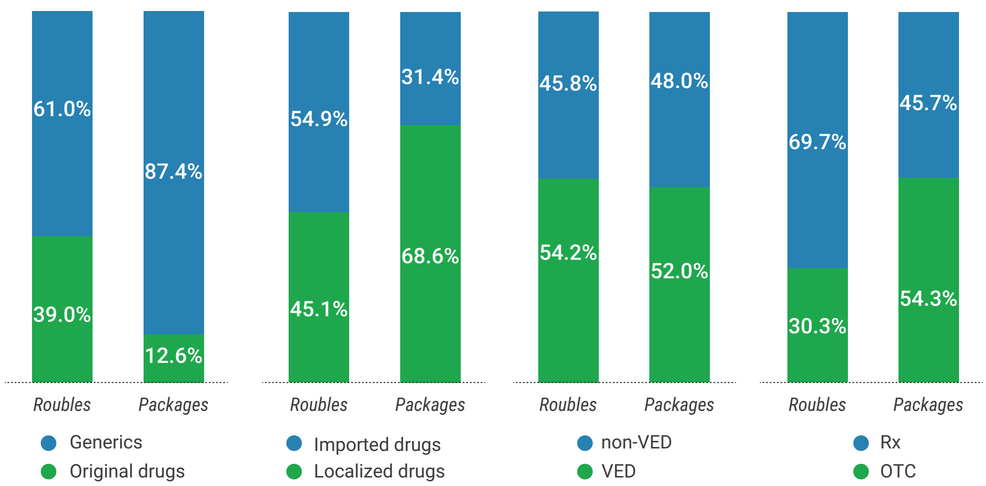


Table 1

Structure of sales of drugs by ATC codes, 2023

ATC codes 1st level	Share in value terms	Share in volume terms
A: Alimentary tract and metabolism	**16.04%**	**16.55%**
L: Antineoplastic and immunomodulating agents	**16.03%**	**1.85%**
C: Cardiovascular system	**10.13%**	**14.52%**
J: Antiinfectives for systemic use	**9.79%**	**8.35%**
R: Respiratory system	**9.25%**	**14.91%**
N: Nervous system	**8.87%**	**14.07%**
B: Blood and blood forming organs	**7.55%**	**4.49%**
M: Musculoskeletal system	**7.38%**	**7.81%**
G: Genitourinary system and sex hormones	**5.13%**	**2.42%**
D: Dermatologicals	**3.71%**	**7.97%**
S: Sensory organs	**2.09%**	**2.79%**
Non-ATC	**1.84%**	**2.15%**
V: Various	**1.29%**	**0.97%**
H: Systemic hormonal preparations, excluding sex hormones	**0.74%**	**0.78%**
P: Antiparasitic products, insecticides and repellents	**0.15%**	**0.39%**

Third in 2023 comes [C] Cardiovascular system. The basic growth was in the public segment that grew to 8%. The development of the federal industry-specific programme is expected to contribute to the further increase in the funding of purchases of [C] drugs.

Only three groups of drugs that were in some way demanded during Covid-19 suffered a decline:

- [L] Antineoplastic and immunomodulating agents - due to a drop in sales of immunomodulating agents;
- [J] Antiinfectives for systemic use - the group moved down to rank 4th, due to a decrease in purchases of antibiotics;
- and [B] Blood and blood forming organs — the group moved down to rank 7th, due to a decrease in purchases of anticoagulants.

2. Commercial drug segment

One of the key questions we had to answer at the beginning of 2023 was about market growth forecasts. Our company estimated that 2023 performance in the commercial drug segment would be 6% higher than in 2022. Indeed, at the time our estimates seemed to be somewhat optimistic, especially against the results for the 1st quarter of 2023. Let us recall that in January-March 2023 the gain was at -19% in roubles and -21% in packages, against the similar period of 2022.

However, at the end of the year it appeared that the estimate proved to be quite accurate. The main assumed growth driver was inflation for drugs. The increase in the number of Russian manufacturers due to reduced promotional activity of foreign companies (with the appearance on the market of drugs with a higher weighted average price per package) contributed to the forecast market growth.

A decline in the consumption of drugs associated in some way with Covid-19 treatment, on the contrary, affected the market growth, both in roubles and in packages. Throughout 2023, the demand for antivirals continued falling; however, towards the end of the year, the trend saw a reversal amid the seasonal increase in the incidence.

According to the Weekly Influenza Bulletin prepared by the Smorodintsev Research Institute of Influenza, in the last week of November (week 48) the incidence of acute respiratory viral infection and influenza across the Russian Federation grew against the previous week to 98.1 per 10,000 inhabitants. This level is 40.1% above the base line (70) and 42.8% higher than the weekly epidemic threshold. A week before the New Year (week 51), the incidence level was already as high as 128.1 per 10,000 inhabitants, which is 83% above the base line and 66.6% above the epidemic threshold.

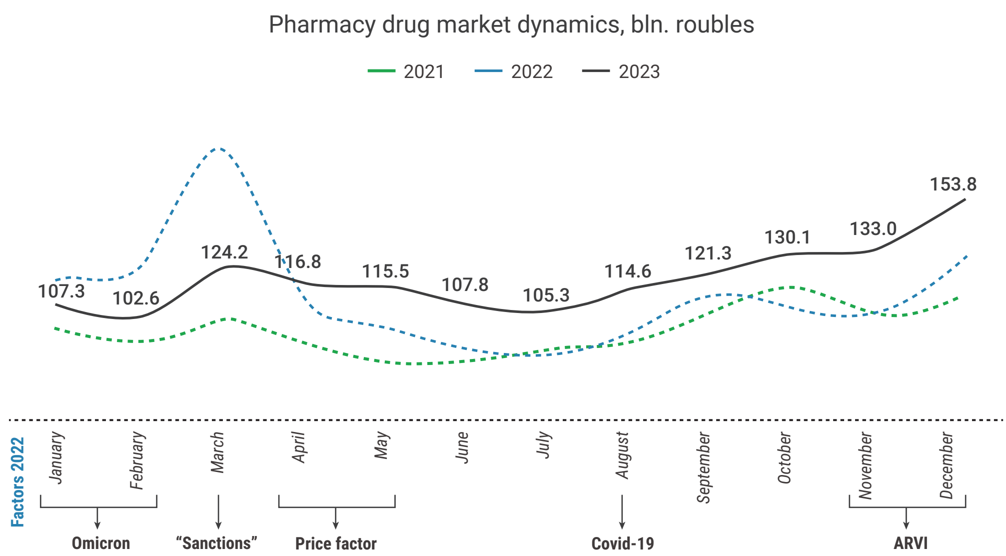


Figure 4

Growth factors of the pharmacy drug market in 2023

Hence, one of the key features of the pharmacy drug consumption in 2023 was that there were no external impact factors, the market was back to the common seasonality trends and high dependency on the level of incidence of typical acute respiratory viral infection and influenza.

In 2023, the commercial drug market accounted for around 4.46 billion packages, or 1,432 billion roubles. Compared to 2022, the volume of sales of drugs in packages remained practically the same (dropped by only 0.4%). However, in value terms, sales grew by 6.1% against the previous year.

Indeed, the 2022 factors were less significant for the drug consumption structure, yet remained relevant for the growth rates, especially compared to the similar period of the previous year. Because of March of 2022 when feverish demand was observed, we once again have to evaluate all trends in two formats: "for the year as a whole" and "excluding March". In fact, this model has been in place already since 2020.

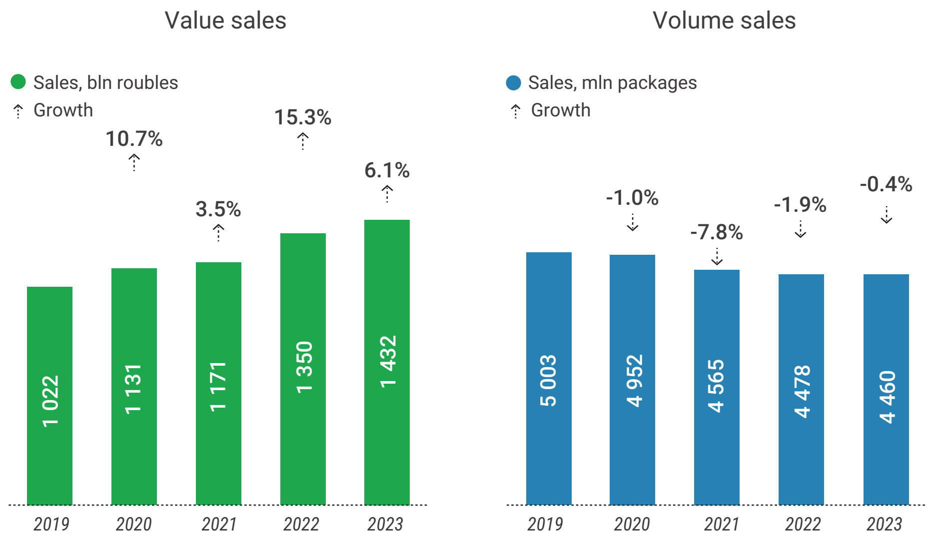
So, on a year-to-year basis on the whole – +6.1%, and excluding March – +11.2%, i.e the market demonstrated double-digit growth. A better situation is if we analyse in packages: on a year-to-year basis on the whole – -0.4%, and excluding March – +2.4% It appears that for the first time in years, to be more exact, since 2018, there has been no reduction of consumption in volume terms.

Worthy of particular mention is the effect of the customer's transition to a "big" package. Expressed in terms of "pieces" (considering the package number), the market continues growing, though the difference is not so big as before. For example, in 2022 the difference between the increase in packages and in pieces was 4.2%, and in 2023 it decreased to 1.2%. So, this factor is becoming less significant.

Inflation does remain the prevailing market growth parameter. During the first three quarters inflation for drugs was insignificant, but from September prices started growing by 1-2% every month. The year-end price index was 8.6%, which is higher than overall inflation across the country.

Figure 5

Dynamics of retail sales of drugs, 2019-2023



Imported/localized drug sales ratio

The structure of the commercial drug market by degree of localization is shown in Fig. 7.

In 2023, the share of drugs produced in Russia was 48.1% in roubles and 66.4% in packages. Over the year, the market structure shifted in favour of localized drugs, whose share increased by 1.3% in value and by 0.9% in volume.

The growing share of localized drugs is an already established trend on the drug market. Since 2019, this figure has grown from 43.7% to 48.1% in roubles. In packages, the percentage of drugs produced in Russia has been consistently above 65% for the past 5 years.

Sales growth of localized drugs (+9.2% in roubles compared to 2022) has a higher rate than that of imported drugs (+3.4%). If we

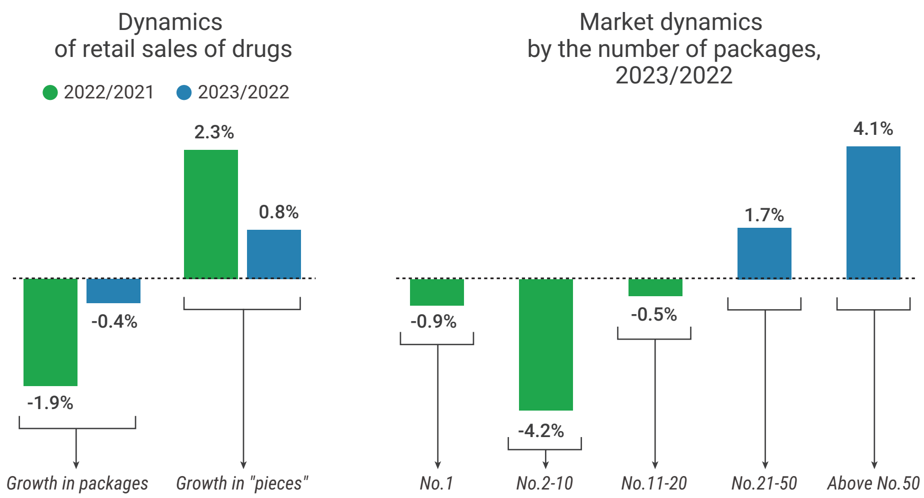


Figure 6

Market dynamics by the number of packages

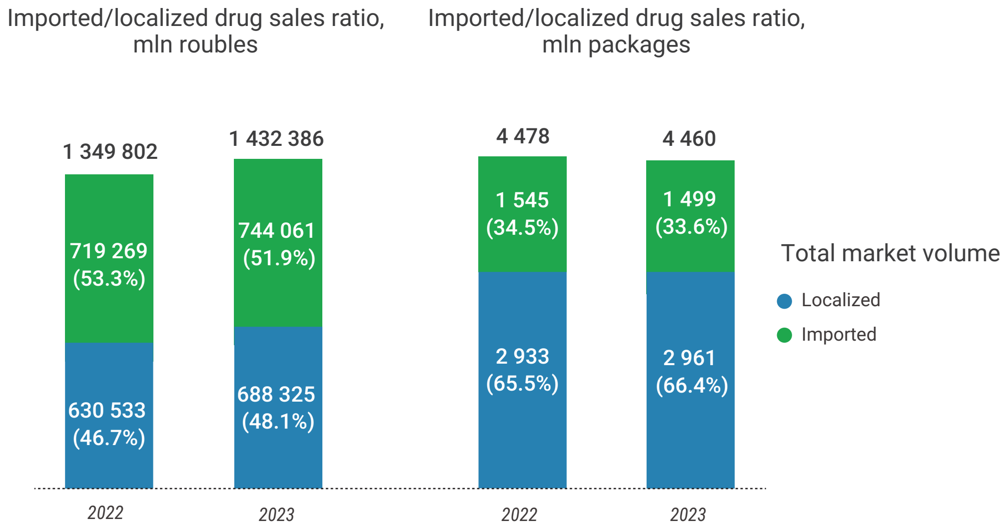


Figure 7

Imported/localized drug sales ratio Russian retail market, 2022-2023

***Note**: Localized drugs are drugs produced in the territory of Russia.*

analyse the monthly sales trends, we can see that both imported and localized drugs demonstrate positive dynamics only from April. Sales of drugs produced in Russia grew faster than sales of imported drugs, except during two months.

In volume terms, the two categories show diverse trends. Sales of imported drugs dropped by 3%, whereas the demand for localized drugs grew, on the contrary (+1%).

The weighted average price of a localized drug (+8.1%) grew more than that of an imported one (+6.6%). Yet, it remains more than twice as low. In 2023, one package of a localized drug cost on average around 232 roubles, whereas an imported drug cost 496 roubles.

In general, there were more Russian manufacturers on the market than foreign ones (456 and 383, respectively). The gap between the brands presented also narrowed to 3%. At the end of the year, pharmacies offered 2,473 foreign brands of drugs (6,553 SKUs) and 2,398 drug brands from Russian manufacturers (9,031 SKUs). As before, foreign manufacturers sell more "unique" items — original drugs and branded generics. Large quantities of Russian drugs are unbranded generics produced by as many as several companies.

Rx/OTC drug sales ratio

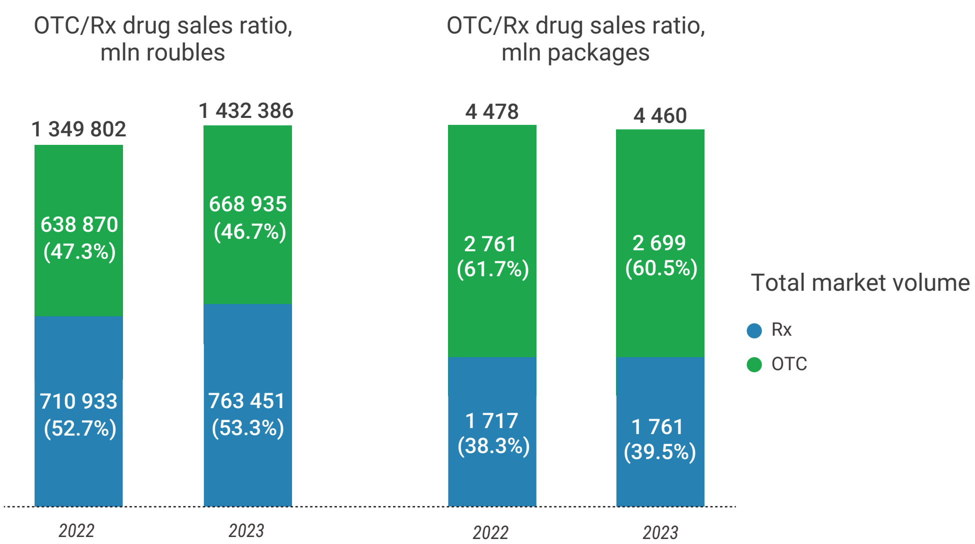
2023 was marked by debate on the distribution of abortion medicines. Finally, the Ministry of Health of Russia issued Order No. 459n of September 1, 2023 to introduce an approved list of drugs intended for medical use and subject to strict record keeping and storage (controlled drugs); among the drugs put on the list were medical abortion medicines such as mifepristone and misoprostol. All in all, there are more than 130 names on the list of controlled drugs. The order will come into force as from April 2024.

From May 9, stiffer penalties were introduced for sales of drugs subject to strict record keeping and storage (controlled drugs) without a prescription (Federal Law No. 175-FZ dated April 28, 2023). The following penalties were established: for pharmaceutical workers and officers – a fine of 10,000 to 20,000 roubles, or disqualification for a term of 6 months to 1 year; for sole traders – a fine of 50,000 to 100,000 roubles; for legal entities – a fine of 150,000 to 200,000 roubles.

Figure 8

OTC/Rx drug sales ratio, Russian retail market, 2022-2023

Note:
Shares of Rx and OTC drugs have been calculated on the basis of the official classification according to the List of Over-the-Counter Drugs, without taking into account that Rx drugs are often dispensed in pharmacies on an unrestricted basis.



The ratio of pharmacy sales by type of dispensing is shown in Fig. 8.

Compared to the previous year, the market structure shifted in favour of prescription drugs (+0.6% in roubles, and +1.1% in packages). In value sales, the market is divided in half between prescription and over-the-counter drugs. In volume sales, the distribution of drug shares by type of dispensing shifted in favour of OTC drugs, which accounted for 60.5% at year-end 2023.

The dynamics over the last 5 years show a trend of the market structure shifting towards Rx drugs: compared to 2019, their share increased by 3.8% in money and by 5.3% in packages.

In 2023, prescription drug sales were up 7.4% in roubles and 2.6% in packages compared to 2022. The growth rate of OTC sales was much lower: +4.7% in value, sales in packages fell as much as 2.2%.

The average price of an Rx drug was 433 roubles, an OTC drug cost 248 roubles on average in pharmacy retail prices. Weighted average prices for both categories rose year-on-year, by 4.7% and 7.1%, respectively.

Original/generic drug sales ratio

The ratio of pharmacy sales of original and generic drugs is shown in Fig. 9.

From 2020, the share of generics was falling year over year. But in 2023 the trend changed. The share of generic drugs grew by 2.3% in roubles and by 0.6% in packages against 2022. As before, the market was dominated by generics: at the end of 2023, they accounted for 70.9% in value and for 86.9% in volume.

In absolute terms, positive dynamics against the previous year were demonstrated only by generics (+9.6% in roubles, and +0.3% in packages), which explains why the market structure shifted towards generics. As for original drugs, their sales dropped by 4.6% in volume and by 1.6% in value.

The average price of an original drug was 717 roubles per package (+3.2% compared to

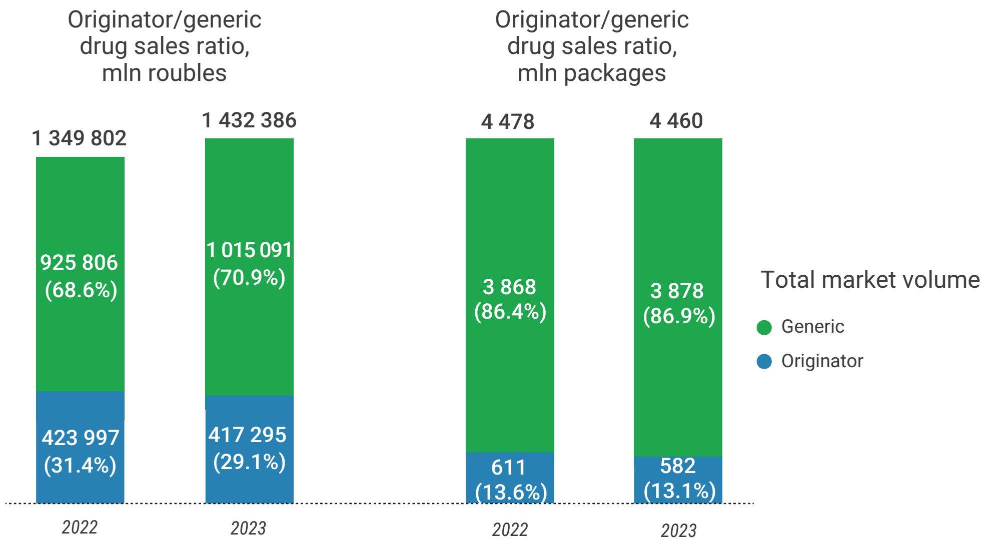


Figure 9

Original/generic drug sales ratio, Russian retail market, 2022-2023

Table 2

Drug sales structure, Russian retail market, by ATC code, 2023

Note:
Non-ATC drugs, drugs not assigned ATC codes (homeopathic medicines, vegetable drugs, animal-extracted products, substances, etc.).

ATC codes 1st level	Sales, bln roubles	Growth in roubles	Sales, mln packages	Growth in packages
[A] Alimentary tract and metabolism	**265.9**	**7.4%**	**724.0**	**1.5%**
[C] Cardiovascular system 199.5 18.6	**208.3**	**4.5%**	**638.8**	**-0.3%**
[R] Respiratory system	**177.9**	**10.8%**	**733.8**	**1.0%**
[N] Nervous system	**169.7**	**10.2%**	**644.4**	**-2.3%**
[M] Musculoskeletal system	**125.9**	**10.3%**	**380.1**	**3.4%**
[G] Genitourinary system and sex hormones	**111.9**	**7.4%**	**118.9**	**6.2%**
[J] Antiinfectives for systemic use	**100.2**	**-3.8%**	**311.5**	**-5.1%**
[D] Dermatologicals	**78.0**	**7.2%**	**383.1**	**-0.9%**
[B] Blood and blood forming organs	**73.4**	**-4.1%**	**140.5**	**-6.8%**
[S] Sensory organs	**40.9**	**9.7%**	**135.9**	**6.7%**
[L] Antineoplastic and immunomodulating agents	**36.9**	**-5.3%**	**62.6**	**-13.0%**
~ Non-ATC	**21.0**	**13.2%**	**107.7**	**-0.4%**
[V] Various	**11.2**	**12.6%**	**26.8**	**0.4%**
[H] Systemic hormonal preparations, excluding sex hormones	**7.9**	**-9.8%**	**32.3**	**-17.6%**
[P] Antiparasitic products, insecticides and repellents	**3.3**	**7.2%**	**19.8**	**2.2%**

2022); a generic drug was sold on average for 262 roubles per package (+9.4%).

Structure of retail drug sales by ATC code

The ratio of Russian pharmacy drug sales by ATC code, 1st level, is shown in Table 3.

In 2023, there were some changes in the structure of the pharmacy market by ATC code, 1st level, compared to 2022:

- due to the varying trends in sales, dermatologicals (+7.2% to 2022) replaced drugs acting on blood and blood forming organs (-4.1%) to rank 8th;
- for the same reason, sensory organs drugs (+9.7%) moved up one position line; on the contrary, sales of antineoplastic and immunomodulating agents dropped over the year by 5.3%.

ATC code [A] Alimentary tract and metabolism is, as ever, on top (+7.4% to 2022) with a 18.6% share of value sales. The best sellers in this ATC code were the hepatoprotectors Heptral (3% of the group's sales) and Ursosan (2.5%), and the digestive enzyme drug Creon (2%). The top ten brands in ATC code [A] grew in sales. The maximum growth was observed for the oral antidiabetic Forxiga (+68.7% to 2022), the hepatoprotector Ursosan (+36.1%), and the gastric acid secretion inhibitor Omeprazole (+32.6%).

About 13.3% of value sales in ATC code [A] fall within [A07] Antidiarrheals. The leader by sales in ATC code [A07] was Enterosgel, with a 11.8% share in roubles. Polysorb and Linex rank 2nd and 3rd by value with 9.5% and 8.8% respectively. By the number of packages sold, low-cost and generally domestically made Activated Carbon and Loperamide account for 45.6% in ATC code [A07].

Among the top 10 in 2023, ATC code [A02] Drugs for acid related disorders showed the highest growth rates in its ATC group — sales increased by 13.7% in roubles. One of the reasons is the increased demand for the proton pump inhibitors Omeprazole (+32.6% to 2022) and Nexium (+26.2%), and the gastroprotective agent Rebagit (+25.4%).

Second-best by value is ATC code [C] Cardiovascular system (a 14.5% share in roubles). The top brands of ATC code [C] are the following drugs: the angioprotector Detralex (4.4%), the angiotensin II receptor blocker Edarbi (3.7%), and the beta-adrenergic blocking agent Concor (2.9%). The main contributors to the group's 4.5% year-on-year sales growth were the antihypertensive agents Triplixam (+36%) and Edarbi (+21.2%), and the hypolipidemic drug Rosuvastatin (+9.4%). The year was least successful for the Lorista brand (-19.7%).

The third in the top three is ATC code [R] Respiratory system, with a 12.4% share in roubles. The main drugs in the group are: the antimicrobial drug for inflammatory infections of the throat Grammidin (4.1%), the inhaler used to treat bronchial asthma and COPD Pulmicort (3.1%), and the quick-relief drug to tackle sore throat pain Strepsils (2.8%). Sales of ATC code [R] drugs grew by 10.8% to 2022. The fastest-growing brands were Pulmicort (+40.7%), Sinupret (+25.8%), and Grammidin (+20.1%).

The increase in value sales and the average price per package for ATC codes are shown in Fig. 10. Most groups (11 ATC codes) increased in sales against 2022.

The top three groups grew by more than 10%. Those are respiratory system (+10.8%), musculoskeletal system (+10.3%) and nervous system (+10.2%) drugs. The highest growth in 2023 was observed in minor ATC codes: non-ATC (+13.2%) and other drugs (+12.6%).

In terms of volume sales, the highest consumption growth was for ATC codes [S] Sensory organs (+6.7%) and [G] Genitourinary system and sex hormones (+6.2%). Meanwhile, 8 out of 15 groups had a negative year-on-year trend. The biggest drop in pharmacy sales in packages was recorded for systemic hormonal preparations, excluding sex hormones (-17.6%), antineoplastic and immunomodulating agents (-13%), and drugs acting on blood and blood forming organs (-6.8%).

The highest weighted average price per package at year-end 2023 was 941 roubles for drugs in ATC code [G] Genitourinary system and sex hormones. The price is so high because the price per package for certain drugs in this group is 10,000-20,000 roubles and more. The most expensive drugs in the group are: the follicle-stimulating hormone Rekovelle 33.3 µg/2.16 ml solution No. 1 for injection (51.3 thousand roubles per package); the antimenopausal drug Melsmon 2 ml solution No. 10 for injection (31.4 thousand roubles); the urological remedy Fertiwell 5 mg lyophilizate No. 10 to prepare solution for intramuscular injection (30.8 thousand roubles).

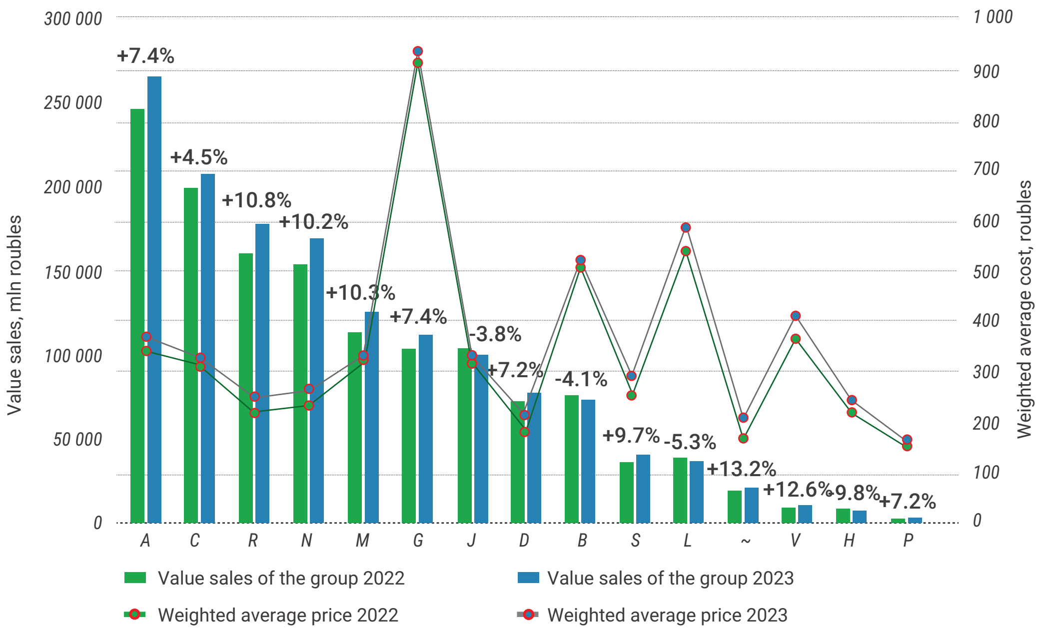
A high weighted average price is observed also in ATC codes [L] Antineoplastic and immunomodulating agents – around 590 roubles, and [B] Blood and blood forming organs – 523 roubles. The weighted average price for antiparasitic products, insecticides and repellents is, on the contrary, the lowest – 168 roubles per package.

How much various ATC codes contributed to the overall commercial market growth has been measured on the basis of the weighted average increase: the value showing the share of an ATC code multiplied by its growth rate (Fig. 11).

Among the groups that most of all contributed to the growth of the commercial drugs market in 2023 were: [A] Alimentary tract and metabolism, [R] Respiratory system, and [N] Nervous system, which totalled 3.8% or 62.2% of the market growth on the whole.

Figure 10

Structure of the retail drug market, 2022-2023



Drug manufacturers on the retail market

Table 3 shows the top 20 manufacturers with the highest value sales on the commercial market in Russia in 2023.

In 2023, there were about 824 players on the Russian pharmaceutical market. Cumulatively, the top 20 companies cover 49.7% of the value sales of drugs. Compared to 2022, the total share of the top 20 fell by 0.9%. The ranking of manufacturers is more stable than the ranking of drugs.

As ever, the year-end market leader in the pharmacy segment is Bayer (4% in roubles), despite a 2.8% drop in sales in the pharmacy segment. The German corporation's portfolio shrank to 45 brands sold in pharmacies. The company's maximum sales are from direct-acting anticoagulant Xarelto – its share in the company's year-end sales was 25.6% in roubles, the annual sales decreased by 10.2%. Among the company's leading brands, the most successful were the calcium-phosphorus metabolism regulator Calcemin (+13.4% to 2022) and combined contraceptives Qlaira (+10.1%) and Yaz (+8.8%). The leaders by volume sales are the best sellers such as Relief, Yaz, Xarelto is only 3rd.

Stada moved up to rank second (a 3.7% share in roubles) after a 7.3% increase in sales. The manufacturer's pharmacy segment product mix includes over 100 drug brands. A number of the company's leading drugs showed notable sales growth – the digestive enzyme drug Ermital (+36.4% over 2022 sales), the NSAID Xefocam (+26.8%), and the antihypertensive agent Edarbi (+21.2%). From the top 10, only the antiplatelet agent Cardiomagnyl dropped in sales (-9.2%).

Russian OTCPharm (3.1% in roubles), whose sales dropped by 10.9% to 2022, moved down in the reporting period to rank third. Russian pharmacies sell 46 brands of the company; the most significant increase in demand was recorded for the cough and cold drug Maxicold (+29.2%), the eye drops and vision vitamins under the brand name Taufon (+25.5%), and the decongestant Rinostop (+12.6%). However, the biggest impact on the company's overall sales performance among the key brands was from the group

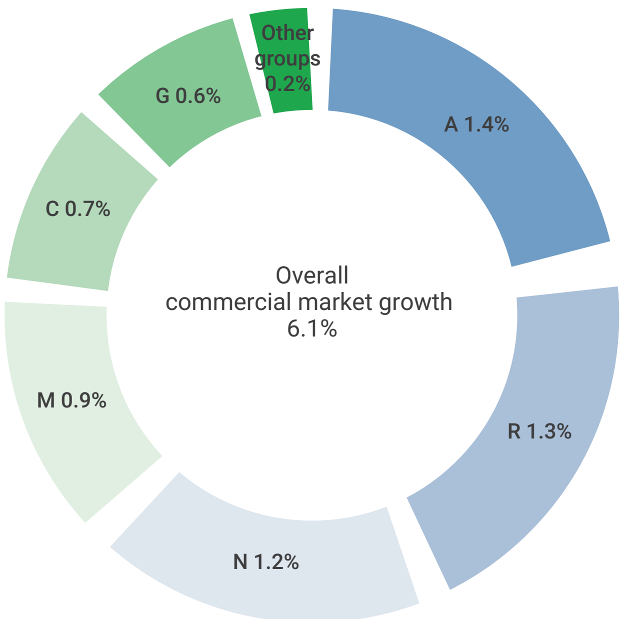


Figure 11

Weighted increase in retail market drugs, by ATC code, 2023

Table 3

Top 20 drug manufacturers by value sales, 2023

Note: *"manufacturer" means the parent company that may incorporate several manufacturing sites.*

Ranking	Change compared to 2022	Manufacturer	Sales, mln roubles	Share	Growth compared to 2022
1	-	Bayer	**57 010**	**4.0%**	**-2.8%**
2	+1	Stada	**53 432**	**3.7%**	**7.3%**
3	-1	OTCPharm	**44 834**	**3.1%**	**-10.9%**
4	+1	Servier	**44 241**	**3.1%**	**6.2%**
5	+1	Abbott	**41 806**	**2.9%**	**2.2%**
6	+3	KRKA	**41 128**	**2.9%**	**8.8%**
7	-3	Sanofi	**40 818**	**2.8%**	**-2.4%**
8	-	Teva	**40 587**	**2.8%**	**5.3%**
9	+2	Binnopharm Group	**35 979**	**2.5%**	**17.5%**
10	-3	Novartis	**34 478**	**2.4%**	**-11.1%**
11	+1	Gedeon Richter	**32 406**	**2.3%**	**9.6%**
12	+2	Pharmstandard	**32 405**	**2.3%**	**23.1%**
13	-	Ozon	**30 299**	**2.1%**	**12.3%**
14	-4	A.Menarini	**30 201**	**2.1%**	**-9.0%**
15	+1	Polpharma	**27 760**	**1.9%**	**16.4%**
16	-1	Haleon	**26 983**	**1.9%**	**6.6%**
17	+1	Vertex	**26 786**	**1.9%**	**18.6%**
18	+1	Valenta Pharm	**23 774**	**1.7%**	**9.4%**
19	+1	Dr.Reddy's	**23 719**	**1.7%**	**12.9%**
20	+1	AstraZeneca	**22 973**	**1.6%**	**19.2%**

Table 4

Top 20 drug manufacturers by volume sales, 2023

Ranking	Change compared to 2022	Manufacturer	Sales, mln packages	Share	Growth compared to 2022
1	-	Pharmstandard	**305.0**	**6.8%**	**-3.3%**
2	-	Ozon	**182.2**	**4.1%**	**-0.8%**
3	-	Stada	**176.3**	**4.0%**	**-2.1%**
4	-	OTCPharm	**166.7**	**3.7%**	**-6.0%**
5	-	Binnopharm Group	**155.5**	**3.5%**	**8.8%**
6	+1	Renewal	**136.5**	**3.1%**	**8.6%**
7	-1	Teva	**128.8**	**2.9%**	**0.7%**
8	-	Polpharma	**109.6**	**2.5%**	**3.2%**
9	-	Dr.Reddy's	**104.1**	**2.3%**	**5.4%**
10	-	Vertex	**98.4**	**2.2%**	**3.5%**
11	-	Grotex	**94.8**	**2.1%**	**0.0%**
12	+2	Tula Pharmaceutical Factory	**89.7**	**2.0%**	**4.9%**
13	+2	KRKA	**87.0**	**2.0%**	**4.1%**
14	-2	Sanofi	**83.1**	**1.9%**	**-9.4%**
15	+2	Servier	**81.9**	**1.8%**	**3.7%**
16	+2	Genel	**77.8**	**1.7%**	**1.2%**
17	-4	Novartis	**71.6**	**1.6%**	**-21.2%**
18	+1	Abbott	**70.8**	**1.6%**	**-1.5%**
19	-3	A.Menarini	**69.4**	**1.6%**	**-16.6%**
20	+1	Gedeon Richter	**69.4**	**1.6%**	**1.1%**

Note:
"manufacturer" means the parent company that may incorporate several manufacturing sites.

of "declining" drugs – primarily, the antivirals Arbidol (-49.9%) and Amixin (-15.8%), and the magnesium drug Magnelis (-15%).

The maximum drop in sales among the top 20 drug manufacturers was suffered by the leader of the previous years, Novartis (-11.1%). The manufacturer continues losing its ranking positions: minus 3 position lines over the year. The products offered are now fewer, too: 101 brands instead of 121. The negative performance of the pharmaceutical corporation was due to the MIBP Broncho-Munal (-31%), the expectorant mucolytic agent ACC (-26.5%), and the antifungal drug Exoderil (-26.1%).

The maximum growth rates were demonstrated by: Russian Pharmstandard (+23.1% compared to 2022) and Vertex (+18.6%), and AstraZeneca (+19.2%).

The year-on-year sales of the antibiotics Amoxicillin + Clavulanic Acid (+154.5%) and Cefixime (+85.5%), and vitamins under the brand name Combilipen (+29.8%) grew significantly. As a result, Pharmstandard strengthened its positions in the ranking by moving up 2 lines.

Vertex went up 1 position line thanks to the cough and cold drug Duocold (+178.5%), the glucocorticosteroid in the form of the metered-dose nasal spray Nozefrin (+74.5%), and the company's flagship drug – the selective beta 1-adrenergic blocking agent Bisoprolol (+18.6%).

AstraZeneca moved up one line in the ranking of the top manufacturers thanks to the increased demand for the oral antidiabetic Forxiga (+68.7%), the topical glucocorticosteroid Pulmicort (+40.7%), and the gastric acid secretion inhibitor Nexium (+26.2%).

Most of the ranked companies are foreign drug manufacturers. In 2023, there were 6 Russian companies in the top 20: OTCPharm ranking 3rd (3.1% in roubles), Binnopharm Group ranking 9th (2.5%), Pharmstandard ranking 12th (2.3%), Ozon ranking 13th (2.1%), Vertex ranking 17th (1.9%), and Valenta Pharm ranking 18th (1.7%).

In packages, as before, among the leaders are Russian and foreign companies with a large proportion of generics in their product mix. The maximum share is held by Pharmstandard (6.8%). Ozon makes for around 4.1% of pharmacy sales in packages and ranks second. The third in the top three is Stada, with a 4% share. The top 20 ranked manufacturers hold more than fifty percent of the pharmacy market (52.9%) in packages, which exceeds the concentration in value terms (49.7% held by the top 20 corporations).

Of particular mention is the improved performance of Binnopharm Group (+8.8%) and Obnovlenie (Renewal) (+8.6%). Among the most successful in Binnopharm Group's portfolio were Omeprazole (+50.4%), Ceftriaxone (+46.9%), and Amoxicillin (+42.5%). Among the products of Obnovlenie (Renewal), the largest increase in packages was demonstrated by Enalapril (+24.7%), Validol (+23.8%), and Asparkam (+16.7%).

The companies that saw a significant drop in sales were Novartis (-21.2%, -4 lines), A.Menarini (-16.6%, -3 lines), and Sanofi (-9.4%, -2 lines).

Retail market drugs

Table 5 shows the top 20 brands with the highest sales on the commercial market in Russia in 2023.

At year-end 2023, around 4,500 drug brands could be found in pharmacies. The top 20 drug brands accounted for 11.1% of the market in

Table 5

Top 20 brands by value sales, 2023

Ranking	Change compared to 2022	Brand	Sales, mln roubles	Share	Growth compared to 2022
1	-	Xarelto	**14 591**	**1.0%**	**-10.2%**
2	+1	Eliquis	**12 376**	**0.9%**	**-14.2%**
3	+4	Nurofen	**9 200**	**0.6%**	**13.9%**
4	-	Detralex	**9 152**	**0.6%**	**0.8%**
5	+1	TheraFlu	**9 133**	**0.6%**	**12.5%**
6	-1	Ingavirin	**8 371**	**0.6%**	**-1.0%**
7	+1	Heptral	**7 984**	**0.6%**	**2.9%**
8	-6	Arbidol	**7 860**	**0.5%**	**-49.9%**
9	+4	Edarbi	**7 812**	**0.5%**	**21.2%**
10	-	Pentalgin	**7 797**	**0.5%**	**10.4%**
11	-2	Mexidol	**7 398**	**0.5%**	**0.6%**
12	+6	Grammidin	**7 276**	**0.5%**	**20.1%**
13	+11	Ursosan	**6 727**	**0.5%**	**36.1%**
14	-2	Nimesil	**6 359**	**0.4%**	**-1.6%**
15	+6	Canefron	**6 246**	**0.4%**	**15.4%**
16	+3	Actovegin	**6 138**	**0.4%**	**3.8%**
17	-3	Concor	**6 086**	**0.4%**	**-4.2%**
18	+2	Yaz	**6 049**	**0.4%**	**8.8%**
19	-4	Femoston	**6 020**	**0.4%**	**-4.5%**
20	-9	Cardiomagnyl	**5 905**	**0.4%**	**-9.2%**

roubles. There are considerable changes in the ranking of the brands leading by value sales on the retail market. The top spot was retained by the German Bayer Corporation's anticoagulant Xarelto (a 1% share in roubles), despite a 10.2% drop in sales compared to 2022. Sales of another top anticoagulant, Pfizer's Eliquis, dropped by 14.2%. Yet, the brand moved up to rank second, with a 0.9% share of the pharmacy market. Following a 13.9% increase in sales, Reckitt Benckiser's NSAID Nurofen (0.6%) moved up from the seventh line to rank third.

One of the leaders of the previous year, the Russian antiviral Arbidol from OTCPharm, lost 6 position lines over the year, having demonstrated the heaviest drop in sales (-49.9%).

Strong positive dynamics were demonstrated by the following brands: PRO.MED.CS Praha's hepatoprotector Ursosan (+36.1% to 2022, +11 lines); Valenta Pharm's antimicrobial drug for inflammatory infections of the throat Grammidin (+20.1%, +6 lines); Bionorica Arzneimittel's herbal diuretic Canephron (+15.4%, +6 lines); and Stada's antihypertensive agent Edarbi (+21.2%, +4 lines).

The antiseptic Miramistin (21st in 2023) and the angiotensin II receptor blocker Lorista (29th) no longer rank among the top drugs.

In packages, the leaders are the same: "age-old" cheap drugs such as Omeprazole (1.4% in packages), Paracetamol (1.2%), and Citramon (1.2%) made by as many as several manufacturers. Most of the drugs (12 brands) out of the top 20 by volume sales demonstrated positive dynamics. The highest growth was observed in the anticongestive drugs Rhinonorm (+20.8% to 2022) and Snoop (Snup) (+13.7%), and the digestive enzyme drug Pancreatin (+10.9%).

The maximum drop in sales was suffered by the NSAID and antiplatelet agent Acetylsalicylic Acid (-14.9), the antiseptic Hydrogen Peroxide (-11.5%), and the painkiller Citramon (-11.2%).

The top 20 brands account for 18% of retail sales by volume, that is their concentration is somewhat higher than by value. The weighted average price for the top 20 in packages is 85.5 roubles.

Vital and Essential Drugs (VED)

Vital and Essential Drugs (VED) are a list of drugs, approved by the Government of the Russian Federation for the state regulation of drug prices.

Being systematically expanded several times throughout 2022, in 2023 the VED list was updated by the government only once.

In June, the government added to the VED list new dosage forms and versions for 4 INNS (Government Order No. 1508-r of June 9, 2023).

A new dosage form was added for Glecaprevir/Pibrentasvir for treatment of hepatitis C: coated granules, pediatric dosage 50 mg + 20 mg.

Besides capsules, film-coated tablets with a new dose (801 mg) were added for the immunosuppressant Pirfenidone used to treat idiopathic pulmonary fibrosis in adults.

Sapropterin for treatment of patients with phenylketonuria is available now in the form of soluble as well as dispersible tablets.

Finally, a new dosage was added for the narcotic pain medication propionilphenyletoxyaethylpiperidine (Prosidol brand made by the Moscow Endocrine Plant). Earlier, buccal tablets (with no valid marketing authorization) were on the VED list, now the medication is available also in the form of sublingual tablets.

At year-end 2023, more than 500 INNs from the VED list (1,323 brands) were reported to be sold through pharmacies. VED sales were 482.1 billion roubles, or 2,090 million packages. (Fig. 12).

It should be noted that value sales of VEDs increased much less than for the rest of the list

(+1.5% for VEDs, +8.6% for non-VEDs). Volume sales of VEDs dropped by 1.3%, whereas volume sales of non-VEDs increased by 0.4%.

The share of localized (produced in the territory of the Russian Federation) vital and essential drugs was 66.9% of volume sales and 54.5% of value sales.

At year-end 2023, the weighted average price for VEDs was 230.6 roubles; the price per package for localized drugs was 188.1 roubles, whereas the price per package for imported ones was 1.7 times higher (316.6 roubles).

The average price of VEDs (230.6 roubles) was lower than the weighted average price for other drugs (401 roubles). It shows that the shift in sales towards expensive drugs in the VED segment was less perceptible than across the whole market.

Figure 13 shows the price index for various drug groups. In 2023, drug inflation was 8.6%, which is higher than in 2022 (7.5%). In 2023, inflation affected more non-VEDs and got as high as 10.9%. The increase in VED prices was observed in April and at the end of the year, to come to 4.1%.

The sales ranking for INNs on the VED list is shown in Table 6.

At year-end 2023, the top 20 INNs on the VED list were again headed by Xylomethazoline under the leading brand name Snup. Sales of drugs with this active ingredient increased by 8.9% against the previous year.

The ranking changed noticeably: one new INN appeared in the top 20 – the glucocorticosteroid Budesonide, after a 35.7% increase in sales the drug moved up 11 position lines over the year. The best seller in the INN is AstraZeneca's Pulmicort brand.

High growth was also demonstrated by the hepatoprotective agent Ursodeoxycholic Acid (+27.5% to 2022) and the proton pump inhibitor Omeprazole (+20.3%). As a result, the drugs with these active ingredients strengthened their positions in the ranking by moving up 2 and 3 lines, respectively.

Meanwhile, there was a noticeable decrease in sales of the antiviral Umifenovir (-42.7%, -6 lines), the anticoagulant Apixaban (-14.2%, -1 line), and the immunomodulator Interferon alfa-2b (-11.1%, -2 lines).

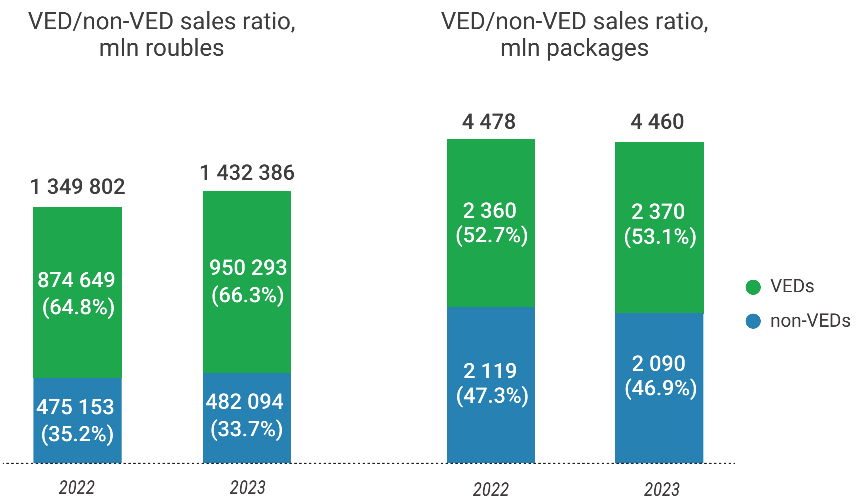


Figure 12

VED/non-VED sales ratio, 2022-2023

Table 6

Top 20 INNs on the VED list, by value sales, 2023

Ranking	Change compared to 2022	INN	Sales, billion roubles	Share in sales of VEDs, roubles	Leader among brands within INN
1	-	Xylometazoline	**21.0**	**4.4%**	Snoop (Snup)
2	+3	Ibuprofen	**16.2**	**3.4%**	Nurofen
3	-	Rivaroxaban	**14.6**	**3.0%**	Xarelto
4	+2	Pancreatin	**13.0**	**2.7%**	Creon
5	-1	Apixaban	**12.4**	**2.6%**	Eliquis
6	+1	Bisoprolol	**11.4**	**2.4%**	Concor
7	+2	Ursodesoxyholic acid	**11.2**	**2.3%**	Ursosan
8	-6	Umifenovir	**10.6**	**2.2%**	Arbidol
9	-1	Ademetionine	**10.1**	**2.1%**	Heptral
10	+3	Omeprazole	**8.6**	**1.8%**	Omeprazole
11	-1	Ethylmethylhydroxypyridine succinate	**8.5**	**1.8%**	Mexidol
12	-1	Imidazolyl Ethanamide Pentandioic Acid	**8.4**	**1.7%**	Ingavirin
13	-1	Atorvastatin	**8.0**	**1.7%**	Atorvastatin
14	+1	Losartan	**6.4**	**1.3%**	Lorista
15	+11	Budesonide	**5.9**	**1.2%**	Pulmicort
16	-2	Interferon alpha-2b	**5.9**	**1.2%**	Grippferon
17	-1	Moxonidine	**5.7**	**1.2%**	Moxonidine
18	-1	Amoxicillin + [clavulanic acid]	**5.7**	**1.2%**	Amoxiclav
19	-	Azithromycin	**5.6**	**1.2%**	Azithromycin
20	-	Tamsulosin	**5.5**	**1.1%**	Omnic

Price segmentation of retail market drugs

The weighted average price per package was 321.2 roubles, which is 6.5% higher than in 2022. The average markup of pharmacy chains dropped dramatically, from 24.7% to 22.3%. Russians are buying less and less low-cost drugs, pharmacy customers are switching to higher-priced products and larger packages.

Figure 14 shows the commercial market structure and the average price per package by price segment in 2022-2023.

Over the year, the market structure in roubles changed as compared to the previous year, by shifting towards drugs priced over 500 roubles. Cumulatively, these price categories grew in value by nearly 3% compared to 2022. Positive sales dynamics were observed in three segments: "above 1,000 roubles" (+11% in roubles, and

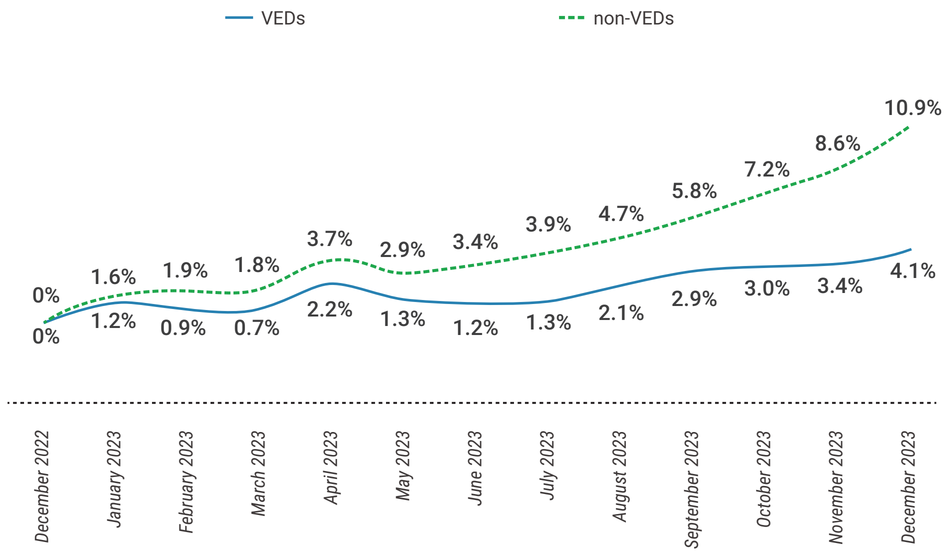


Figure 13

Price index dynamics on the retail market, 2023

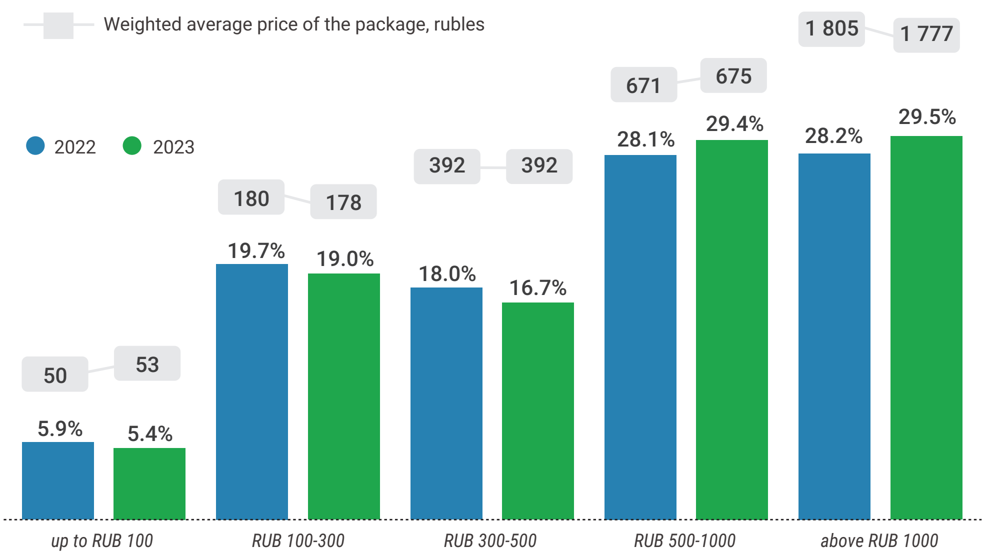


Figure 14

Structure of retail drug sales in value, by price segment, 2022-2023

+12.7% in packages), "500-1,000 roubles" (+10.8% and +10.2%), and "100-300 roubles" (+2.1% and + 3%).

In packages, the largest drop was for the cheapest drugs, by 2.9% to 32.8%, due to a significant decline in consumption (-8.6% in packages, and -2.8% in roubles). When measured over a number of years, the drop is yet more apparent: by 18% in packages and by 4% in roubles against 2019.

Price index for drugs on the commercial retail market

For an objective analysis of changes in the prices for drugs in the retail segment of the pharmaceutical market, we have studied the price index measured on the basis of a fixed list of finished pharmaceutical products.

In December 2023, prices rose by 8.6% compared to December 2022, while a year earlier this indicator was 7.5%.

In 2023, drug inflation was higher than the overall consumer price index reported by the Goskomstat (the State Statistics Service) (7.42%). It should be noted that prices increased very little before the autumn of 2023, and began to rise much faster in September.

Figure 16 shows the overall consumer price index and price indices for individual categories of goods and services.

According to the Rosstat, the consumer price index at the end of 2023 was 7.42%, as had been expected by the government. Earlier, the Ministry of Economic Development anticipated inflation at 7.5%, the Bank of Russia forecast inflation to be at 7-7.5%.

The inflation rate in 2023 proved to be the lowest in the last three years, yet, significantly higher than in 2019-2020 (2019 – 3%; 2020 – 4.9%; 2021 – 8.4%; 2022 – 11.9%).

According to the Rosstat, the highest growth was in prices for services, by 8.3%, and for food, by 8.2%. Still, it is lower than in the previous year (2022: 13.2% and 10.3%, respectively).

Petrol prices rose on the whole in 2023 by 7.2%. The lowest growth was in prices for non-foods (6%).

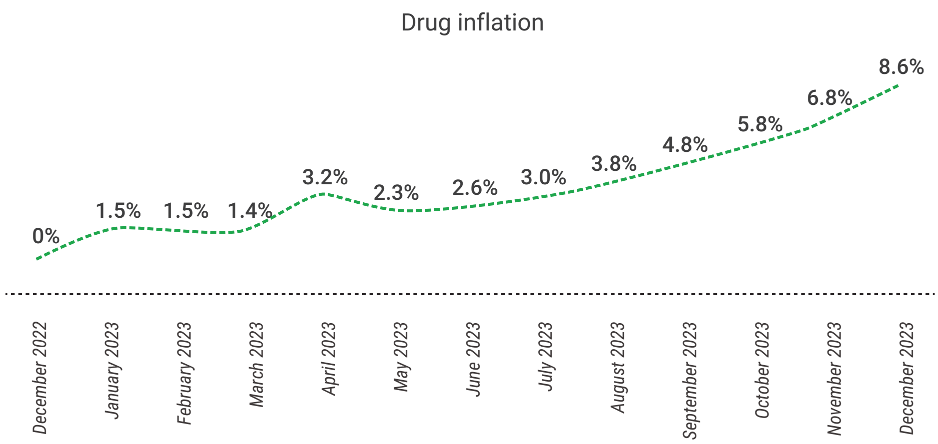
In 2024 the Bank of Russia anticipates inflation in Russia to be at 4-4.5%, and the Ministry of Economic Development – at 4.5%.

New drugs on the retail market

In 2023, 228 new drug brands (182 INNs and 14 non-INN brands) appeared on the retail

Figure 15

Change in prices for drugs on the Russian retail market, 2023



pharmaceutical market. At the end of the year, the sales of new drugs totalled 2.7 billion roubles or 5.4 million packages, which is 0.2% and 0.1% of the total pharmacy sales of all drugs by value and volume, respectively. The weighted average price per package of new drugs was 509 roubles. Compared to 2022, fewer new drugs appeared and their sales were lower.

New items include 67 brands of imported drugs, 161 brands of domestic drugs, and 5 brands of localized drugs. This allows us to conclude that the growth rate of the market share of Russian drugs in the retail drug segment is increasing, including through the launch of new products on the market. In 2023, the share of new drugs produced in Russia was 76.6% in value and 82% in volume.

Most of the new brands are prescription drugs. In terms of volume, Rx drugs account only for 26.4% of sales of new drugs; in terms of value, OTC drugs also have the advantage, with a 54.1% share in sales of all new drugs.

Most (16 names) of the presented top 20 2023 new brands on the commercial market in value are new drugs from Russian manufacturers. The greater part of new drugs entered the market in the 1st quarter.

Binnopharm Group and PROFIT-PHARM launched Lorothricin-Alium and Lorangin, respectively; sales of each of the drugs were worth over 200 million roubles in the first year of launch. According to the EphMRA classification, both drugs are used to treat throat infections. Lorothricin-Alium is an equivalent of Dorithricin. It is a topically applied combination drug that contains benzalkonium chloride, benzocaine and tyrothricin and is used in the treatment of ENT infections. The 2023 weighted average price for 10 tablets of Dorithricin was 518.76 roubles; 12 tablets of Lorothricin-Alium cost 476.88 roubles.

Lorangin is an equivalent of the original NSAID spray (indazole derivative, no carboxyl group) Tantum Verde. Similarly, the 2023 weighted average price of 30 ml was 495.89 roubles for Tantum Verde and 341.08 roubles for Lorangin. It must be said that the drug was much in demand despite a highly competitive market: there are 16 drug names in the form of throat sprays containing 0.255 mg of benzydamine per dose.

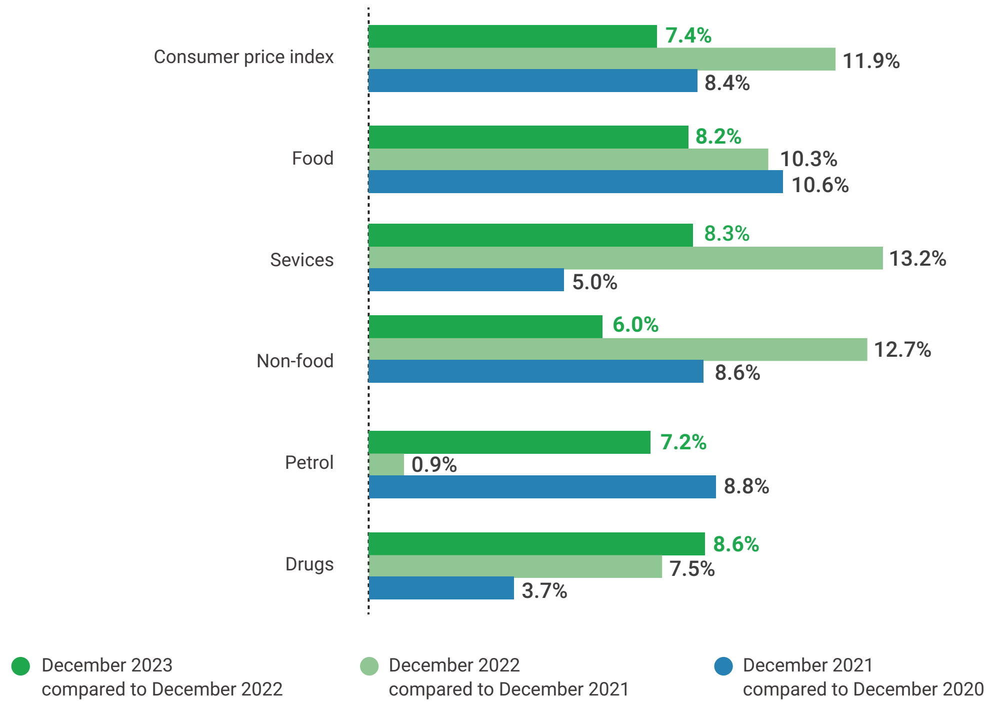


Figure 16

Consumer price index in Russia

For instance, in the top 20 there was also Inlartex spray (INN Benzydamine), another drug to treat ENT infections, which speaks of smart marketing and high efficacy of the drug. In the first year of launch, Lorangin ranked 5th among its rivals.

The third-ranking, worth 96.2 million, is Ipidacrine-SZ that belongs to the therapeutic category of Psychoanaleptics, drugs for dementia; anticholinesterase agents. The drug is notable for its good price, 979.12 roubles for 50 tablets, as compared with the other drugs from the group with a weighted average price varying from 1,242.1 to 2,525.6 roubles for a similar package size. Drugs made by the fast-growing Russian manufacturer Severnaya Zvezda are annually found in the top 20 new retail market drugs. Since 2020, the mix of the plant's products has become much wider. More than 70 drug names and over 200 SKUs for the treatment of cardiac, urological, gastroenterology-related diseases, neurological and mental disorders make Severnaya Zvezda's commercial portfolio. Hence, the company extensively contributes to the import substitution process, supplying finished pharmaceuticals and pursuing the objectives envisaged by the Pharma-2030 Strategy.

AstraZeneca's new product Enhertu is the only one in INN Trastuzumab deruxtecan (original), which, in its turn, is a powerful cancer drug to treat HER2-positive metastatic breast cancer. The drug was engineered using Daiichi Sankyo's technology platform. At the beginning of May 2022, FDA granted an approval for the earlier use of Enhertu. At the beginning of August 2022, the US Regulator significantly widened the scope of applicability of the drug: it was approved for the treatment of adult patients who have unresectable or metastatic HER2 low breast cancer, or who received a prior chemotherapy in the metastatic setting or developed disease recurrence during or within 6 months of completing adjuvant chemotherapy.

Another new drug to be mentioned is Xsenza from Pharmamed (Saint Petersburg), an anti-migraine nasal spray. The dosage form (the only one with the described action on the Russian market) is notable for the ease of administration and rapid action, which facilitates therapy for those who previously used zolmitriptan in pill form (e.g. Migrepam, Zomig, etc.).

High sales volumes were recorded also for Enligria, a new drug from Promomed Rus: it is an antidiabetic, a glucagon-like peptide-1 (GLP-1) equivalent, used in the treatment of obesity, specifically, in children older than 12 years old. Obesity is a global pandemic-like medical problem associated with significantly increasing exposure to incidence and mortality. In this context, many pharmacological companies are developing effective anti-obesity drugs.

Age-old drugs that are always in demand can be also found in the top 20. For example, Exonorm for nail fungus, the venotonic agent Roklis to treat tired, heavy legs, the laxative Erkalax, and others. The pharmaceutical market is getting back to normal after COVID-19, and drug sales in such categories are regaining their previous growth rates.

Though the pharmaceutical market faced a number of challenges, specifically, due to cessation of clinical trials in Russia that were conducted by companies such as Sanofi, Takeda and other big pharma players, many businesses are filling in the vacancies (for example, AVVA Pharmaceuticals (Switzerland), Gedeon Richter (Hungary), and others).

It should be noted that the increase in the quantities of generics and equivalents on the market will slow down the weighted average price rise, but the proportion of domestic drugs in the retail segment will continue growing.

Table 7

Top 20 new brands by value sales on the commercial market, 2023

Ranking	Brand	Manufacturer	Sales, million roubles	Date of appearance in pharmacies
1	Lorothricin-Alium	Binnopharm Group	**260.8**	January 2023
2	Lorangin	PROFIT-PHARM	**212.6**	April 2023
3	Ipidacrine-C3	Severnaya Zvezda	**96.2**	February 2023
4	Dabixom	KRKA	**76.9**	March 2023
5	Otilor	Tula Pharmaceutical Factory	**67.4**	January 2023
6	Exonorm	Rionipharm	**61.9**	February 2023
7	Hepcifol	Pharmasyntez	**60.2**	March 2023
8	Enligria	Promomed Rus	**59.7**	October 2023
9	Flucovag	OTCPharm	**58.0**	March 2023
10	Cogniterra	Geropharm	**57.3**	May 2023
11	Inlartex	Niarmedic Pharma	**56.8**	February 2023
12	Enhertu	AstraZeneca	**56.2**	May 2023
13	Xsenza	Pharmamed (Saint-Petersburg)	**54.7**	February 2023
14	Thrombostabil	Belpharmprom Holding's parent company	**53.4**	February 2023
15	Solvibene	Ercapharm	**51.8**	June 2023
16	Blissel	Italfarmaco	**49.5**	February 2023
17	Sibrava	Novartis	**48.8**	February 2023
18	Miotox	Innopharm	**47.5**	March 2023
19	Erkalax	Ercapharm	**44.0**	January 2023
20	Roklis	Artelar	**42.6**	June 2023

3. Drug reimbursement programme (DRP)

Provision of life-saving drugs for free to benefit-entitled social categories is part of welfare plans. The allocated funding in 2023 continued to grow (+10.9% compared to 2022), as did the share of the subsidized segment in the total volume of the pharmaceutical market, from 13.5% in 2022 to 15.1% in 2023.

The provision of drugs to benefit-entitled social categories is financed from budgets at different levels:

- at the federal level – under two programmes, the Essential Drug Coverage (EDC) and the High-Cost ICD.
- at the regional level – purchases regulated by Order No. 890 of the Government of the Russian Federation dated July 30, 1994 "Concerning the State Support for the Development of the Medical Industry and the Enhancement of Provision of the Population and Health Care Institutions with Medicines and Medical Products", as well as purchases of orphan drugs, which are subject to the regulatory and legislative acts of the subjects of the Russian Federation.

Most of the federal funds are allocated for the **"High-Cost ICD"** sub-programme. Now it covers 14 codes and drugs under 46 INNs.

Previously, each sub-programme had its own list of drugs to be procured, but since 2021, all lists except for the High-Cost ICD have been eliminated. It became difficult to put new drugs on the lists. In 2022-2023, none of the recommended drugs was added under the High-Cost ICD programme. On the other hand, even if not on the VED list, new drugs cannot be purchased through public tendering or procured under state guarantee programmes. Let us note that it is not contrary to the law: the VED list is to be revised at least once in three years, and it was last updated in 2021. Hence, the list can be expected to be extended this year. At the same time, the proposal to include SMA in the High-Cost ICD programme was rejected at the very first reading. The first 2024 meeting of the Russian Ministry of Health Commission for the Preparation of VED and High-Cost ICD lists will be held on February 8.

The government budgeted 66.96 billion roubles for the 14 High-Cost ICD state programme in 2022 and another 66.96 billion roubles for the same programme in the 2023-2024 planning period. Actual purchases of high-cost ICD drugs in 2023 were over budget. In 2023, 85.9 billion roubles was spent on the High-Cost ICD programme, 13% more than in the previous year. Volume purchases were 4.8 million packages (+11.2% compared to 2022). Although some of the patients (children aged 18 years old) are now funded by the "Krug Dobra" foundation, the trend towards the annual increase in expenditures on High-Cost ICD remains.

The Essential Drug Coverage (EDC) programme is governed by Federal Law No. 178-FZ dated July 17, 1999 «Concerning the Government Social Assistance" and encompasses 9 social categories: disabled,

disabled children, disabled war veterans, World War II participants, combat veterans, and others.

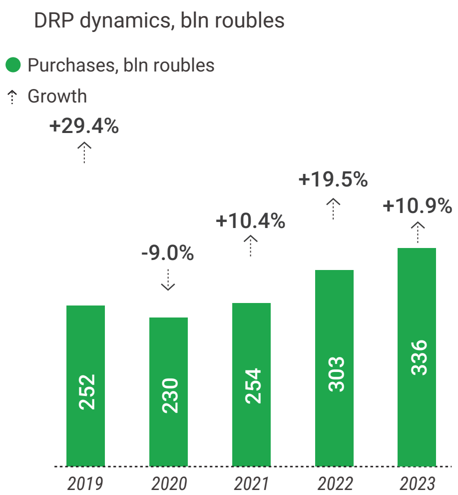
More recently, the rates of expenditures on social assistance to benefit-entitled categories are indexed every year. In 2023, the government changed the approach to determining such rates: now, they are increased pro rata to the consumer price inflation – accordingly, in 2023 they are increased by the 2022 consumer inflation index (11.9%) From February 1, 2023, the amount of compensation grew by 119.9 roubles to 1,127.8 roubles (Government Order No. 629 of April 20, 2023). In 2024, it is expected to increase by 7.4%.

The funds are allocated to purchase medical devices and drugs for benefit-entitled categories and special foods for disabled children. In December 2022, the Russian Government ordered to extend the list of medical foods for disabled children to 103 product items. In June 2023, the government revised the rules of making a list of special medical foods for disabled children. It was ordered that the list be now updated twice a year, and not only once a year as before. In December 2023, the list was extended to 111 names.

Medical foods and substitution of imported foods are one of the prioritized objectives in the pharmaceutical industry. Hence, in the summer 2023 the government put companies providing medical foods and specializing in enteral nutrition techniques for patients with orphan and other severe diseases on the list of those entitled to concessional investment loans.

Following indexation of the rates of monthly expenditures on social assistance to benefit-entitled social categories, the Russian Government allocated additional 1.5 billion roubles from the federal budget. All in all, over 48.2 billion roubles was budgeted in 2023 at the federal level for providing benefit-entitled categories with free drugs, medical devices and medical foods. In 2024, the funding allocation will grow to 57.9 billion roubles.

Drugs purchased in 2023 under the EDC programme were worth a total of 49.1 billion roubles (+11.6%). Decline was observed in volume terms, the number of purchased



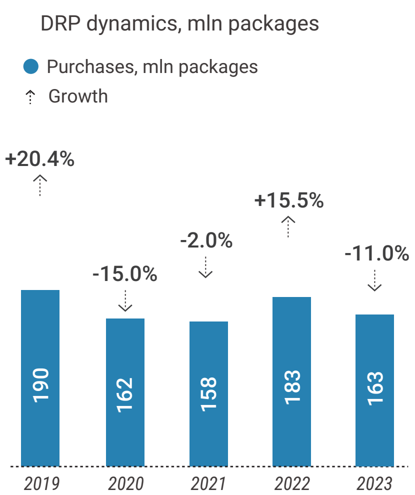


Figure 17

Drug Reimbursement Programme dynamics, 2019-2023 packages was 10.4% lower than in 2022, and in the end the segment shrank to 54.3 million packages.

Regional benefit programs are regulated by the laws of the subjects of the Russian Federation. According to the DSM Group's estimates, the scope of the **regional programme** is comparable with that of the federal programme, and in the last 4 years goes beyond it. The regional segment is growing largely due to increased funding for orphan diseases.

One of the reasons is that federal-level benefit-entitled patients opt for monetary payments rather than compensations in kind. At the same time, they remain entitled to regional benefits and, therefore, must be provided with expensive drugs. The issue is periodically discussed by the government: it is proposed to escalate expenditures on the treatment of rare diseases to the federal level. There were two initiatives of the kind in 2023, but both of them were rejected assuming absence of sources of additional funds.

In 2023, under the Regional Drug Reimbursement Programmes the drugs purchased were worth 201.3 billion roubles (+9.9% compared to 2022), which makes 103.7 million packages (-12.2%).

At year-end 2023, the total volume of drug purchases for benefit-entitled social categories was 162.8 million packages worth 336.4 billion roubles. Value purchases for the subsidized segment of the pharmaceutical market increased by 10.9% compared to 2022. The volume of packages, on the contrary, fell by 11%. The analytical data show payments and supplies under contracts performed in 2023.

Looking at each reimbursement programme separately, we can see a trend in the market towards an increase in the share of regional reimbursement, which now accounts for 59.9% of the total subsidized segment funding. In 2023, the shares of High-Cost ICD and EDC segments made 25.5% and 14.6%, respectively.

To improve the quality of control over distribution of reimbursed drugs, this category

Figure 18

Proportion of costs under High-Cost ICD, Essential Drug Coverage and Regional Reimbursement programmes in the total value of spending in the subsidized drug segment, 2019-2023

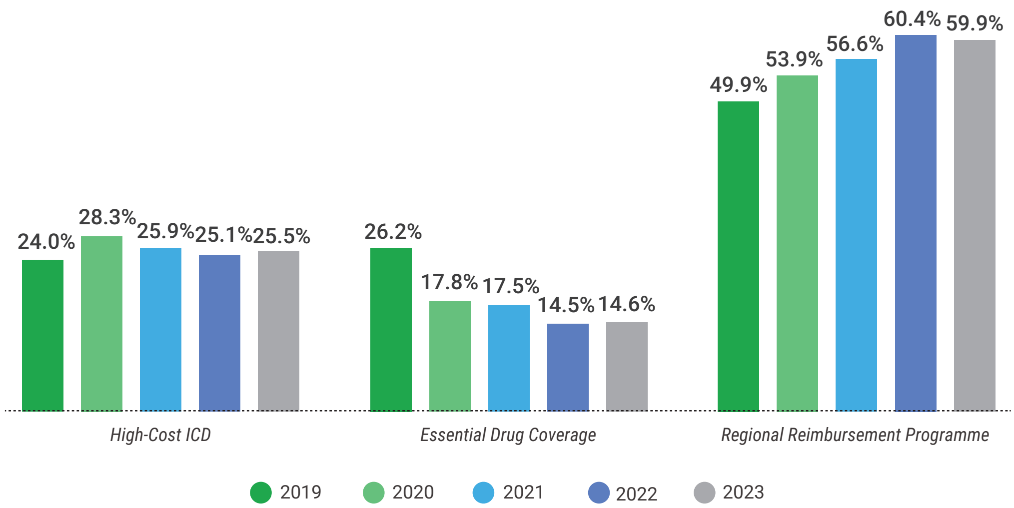
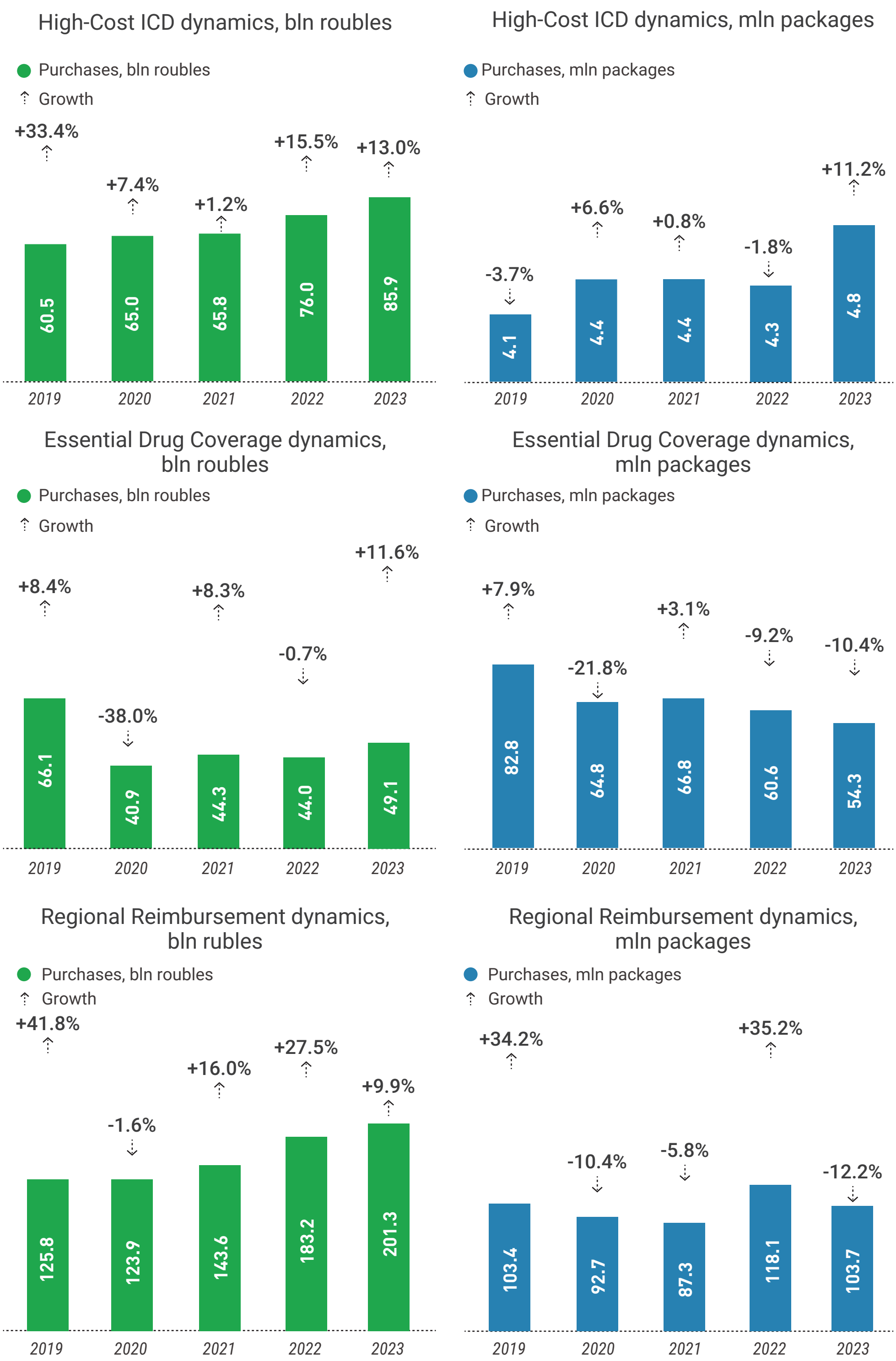


Figure 19

Dynamics of costs under reimbursement programmes, 2019-2023



was classified as subject to extra record keeping using the prescriptions made out. From September 1, 2023, pharmacies selling such drugs are required to additionally enter in the State Information System for the Monitoring of Movements of Medicinal Products information about the prescription date, series and number. This helps link the patient's prescription to a specific drug package sold at a pharmacy.

Transformation of the drug reimbursement system is a long-discussed issue. One of the initiatives under debate is the introduction of a co-payment system to allow patients to choose to buy a more expensive equivalent drug of a different brand name by paying the extra cost out of pocket. It was expected that the system for receiving prescribed reimbursement drugs in commercial pharmacies using an electronic certificate would be put in place in 2023, but its launch has been postponed until 2025 because legislative mechanisms for compensating pharmacies for the price of prescriptions are still under way.

Imported/localized drug ratio in drug reimbursement

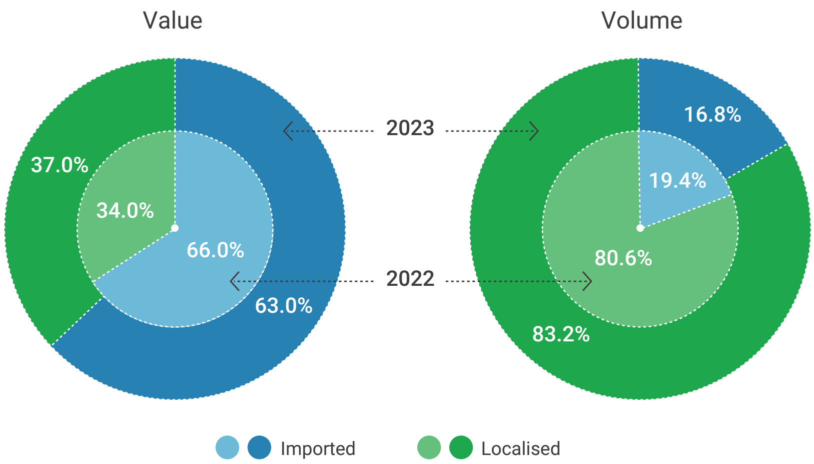
Drug reimbursement programmes largely procure expensive original drugs, most of which are imported. In 2023, we could see that the share of localized drugs in total purchases increased by 3% to 37% in roubles by the end of the year. Drugs made in Russia also prevailed in the purchase system in terms of volume: over the year, their share grew from 80.6% to 83.2% (Fig. 20).

In absolute terms, consumption of localized drugs increased by 20.8% in roubles but dropped by 8.2% in packages. The cost of purchasing imported drugs was also 5.9% higher than in 2022 in money, while the volume of purchased packages, on the contrary, decreased by 22.9%.

So, in monetary terms, the localized to imported drug ratio remained in favour of imported ones. In 2023 they accounted for 63% in value terms; drugs made in Russia made for 37% only.

Figure 20

Imported/localized drug purchases ratio, 2023



Excluding foreign drugs made in Russia, domestic drugs would have accounted only for 28.6% in roubles. Thus, the process of "localization" drives the indicator up by 8.4%.

According to the 2023 data, the price of a localized drug was about 919.7 roubles and the average price of an imported drug was 7,737.8 roubles.

The ratio of sales of imported and localized drugs under 14 ICD Codes, Essential Drug Coverage and Regional Drug Reimbursement programmes is shown in Fig. 21.

In the DRP corresponding to high-cost codes, the share of localized drugs in roubles increased by 2.1% compared to 2022, to make for 34.5%. This is the segment where imported drugs hold the highest share in packages (54.8%), which increased by 3.3% during the year.

Under the Essential Drug Coverage programme, the share of imported drugs increased by less than 1% and amounted to about 53.6% in money. In packages, localized drugs held about 86.2% of the market (in 2022, their share was a little smaller – 84%).

In the regional benefit programmes, imported drugs prevail in terms of value (64.1%), though their share shrank significantly, by 4.2% compared to the previous year. In packages, localized drugs account for 83.4% (+3.3% to 2022).

Below are the top 10 INNs (out of the top 100 by sales in roubles), with respect to which a noticeable shift from imported to localized drugs was observed.

Most of the INNs ranked by the growth of the share of drugs made in Russia were represented already in 2022 mainly by localized drugs (highlighted in green). It means that within these INNs Russian drugs were already far ahead by purchase volumes in the previous year. An exception was Insulin Aspart – in 2022, the Fiasp brand from the pharmacological company Novo Nordisk (Denmark) had the highest volumes.

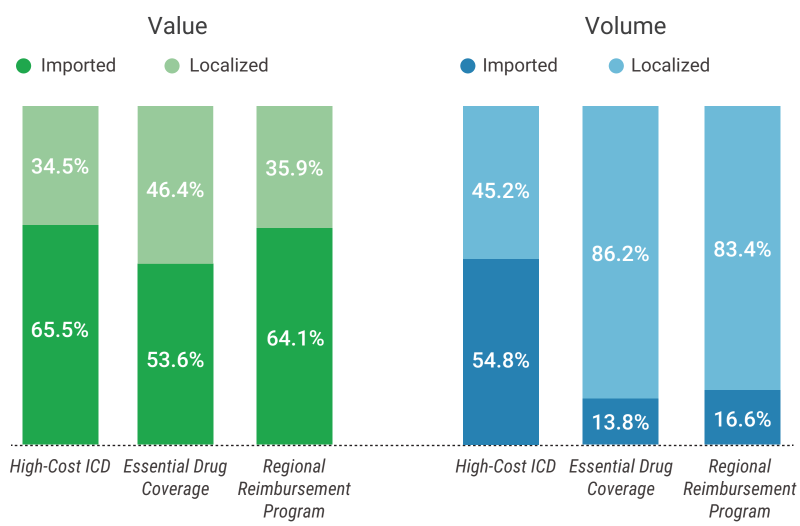


Figure 21

Imported/localized drug purchases ratio under sub-programmes, 2023

Table 8

Top 10 INNs in terms of import substitution, 2023

INN	Share of localized drugs in roubles		Share growth	Leader in 2022 (manufacturer)	'Shift' drug in 2023 (manufacturer)
	2022	2023			
Lenalidomide	1.1%	100.0%	+98.9%	**Revlimid** (Swixx Biopharma)	**Mielanix** (Pharm-sintez)
Eltrombopag	4.0%	33.9%	+29.9%	**Revolade** (GlaxoSmithKline)	**Eltrombopag** (29 February)
Adalimumab	48.2%	72.6%	+24.5%	**Humira** (AbbVie)	**Exemptia** (Rus Biopharm) **Dalibra** (Biocad)
Sunitinib	69.7%	88.6%	+18.9%	**Sunitinib** (Nativa (Spektr))	**Sunitinib** (Repart)
Beclomethasone + formoterol	31.1%	49.9%	+18.8%	**Foster** (Chiesi Farmaceutici)	**Respicomb Air** (Rus Biopharm)
Everolimus	75.4%	89.2%	+13.8%	**Nikolimus** (Pharmasintez)	**Ameverol** (Amedart)
Insulin aspart	57.7%	71.2%	+13.6%	**Fiasp** (Novo Nordisk)	**Rinfast** (Geropharm)
Insulin Lispro	70.1%	83.3%	+13.2%	**RinLis** (Geropharm)	**RinLis** (Geropharm)
Insulin soluble [human genetically engineered]	80.0%	91.8%	+11.8%	**Rinsulin** (Geropharm)	**Rinsulin** (Geropharm)
Salmeterol + Fluticasone	82.4%	93.0%	+10.7%	**Respisalf** (Rus Biopharm)	**Respisalf** (Rus Biopharm)

For the second year in a row, the ranked drugs are: Everolimus, with a 13.8% increase in the share of localized drugs, and Sunitinib (+18.9%).

The ranking includes drugs in the following therapeutic groups: neoplasms (Sunitinib, Everolimus, Lenalidomide); immune system disorders such as rheumatoid arthritis and psoriasis (Adalimumab); diabetes (Insulin Aspart, Insulin Lispro, genetically engineered soluble human insulin); hematologic autoimmune disorders (Eltrombopag); obstructive airway diseases (Beclomethasone + Formoterol, Salmeterol + Fluticasone).

Rx/OTC drugs ratio in drug reimbursement

Drug reimbursement programmes offer mainly Rx drugs that are prescribed strictly according to indications.

In 2023, Rx drugs accounted for 99.2% in value terms (virtually no change compared to 2022), and for 92.9% (+0.9%) in volume terms.

Structure of sales of drugs under drug reimbursement programmes (DRP) by ATC codes

The ratio of drug purchases in Russia under the DRP by ATC code, 1st level, in 2023 is shown in Table 9.

The ATC code ranking in terms of sales under the DRP is quite stable. In value terms, the market is fairly highly concentrated – the top three ATC codes account for 78.3% of the market.

ATC code [L] Antineoplastic and immunomodulating agents remains the most funded category under the DRP. In 2023, around 43.1% of the total public spending was on purchasing these drugs. This is the most high-priced drug group in the DRP – the weighted average price per package was 15,939.5 roubles. Costs of their purchases increased in roubles by 5.3% compared to 2022. At the same time, their purchases in packages dropped by 8%. In 2023, Russian Generium's immunosuppressant Elizaria (INN-eculizumab) ranked first, accounting for 9.5%, its purchases grew by 12.7%. Second- and third-ranking are F.Hoffmann-La Roche's Ocrevus (INN-ocrelizumab) for patients with multiple sclerosis, and Astellas Pharma's antineoplastic antiandrogen Xtandi (INN-enzalutamide). The drugs account for approximately 5.1% and 4.6% of the value purchases in ATC code [L].

The purchases of the second-ranking ATC code are half the leader's. In 2023, the second place belongs to ATC code [A] Alimentary tract and metabolism (18.8% in roubles). Dispensed amounts are less than those recorded in the previous year by 2.1% in packages. At the same time, the spending grew by 7.8% in roubles. About 76.5% of this category are drugs used in diabetes [A10]. In 2023, the leader in this sub-group in terms of value sales was AstraZeneca's Forxiga (INN-dapagliflozin). Sanofi's Toujeo SoloStar (INN-insulin glargine) and Boehringer Ingelheim's Jardiance (INN-empagliflozin) ranked second and third, respectively.

The third-ranking is ATC code [B] Blood and blood forming organs (16.4%). In 2023, ATC code [B] demonstrated a 18.3% growth in value

Table 9

Drug purchases structure, by ATC code, DRP market, 2023

ATC codes 1st level	Value purchases, mln roubles	Share in value terms	Volume purchases, mln packages	Share in volume terms
[L] Antineoplastic and immunomodulating agents	**144 953.7**	**43.1%**	**9.1**	**5.6%**
[A] Alimentary tract and metabolism	**63 078.0**	**18.8%**	**59.6**	**36.6%**
[B] Blood and blood forming organs	**55 282.7**	**16.4%**	**11.3**	**6.9%**
[R] Respiratory system	**15 656.4**	**4.7%**	**9.8**	**6.0%**
[J] Antiinfectives for systemic use	**13 629.0**	**4.1%**	**2.5**	**1.5%**
[N] Nervous system	**12 478.5**	**3.7%**	**16.7**	**10.3%**
[M] Musculoskeletal system	**10 748.6**	**3.2%**	**2.2**	**1.4%**
[C] Cardiovascular system	**9 516.8**	**2.8%**	**46.5**	**28.6%**
[H] Systemic hormonal preparations, excluding sex hormones	**5 245.8**	**1.6%**	**1.4**	**0.9%**
[V] Various	**3 125.0**	**0.9%**	**0.9**	**0.5%**
[D] Dermatologicals	**977.8**	**0.3%**	**0.2**	**0.1%**
Non-ATC	**788.2**	**0.2%**	**0.1**	**0.0%**
[G] Genitourinary system and sex hormones	**530.5**	**0.2%**	**0.7**	**0.5%**
[S] Sensory organs	**326.2**	**0.1%**	**1.7**	**1.1%**
[P] Antiparasitic products, insecticides and repellents	**22.8**	**0.0%**	**0.1**	**0.0%**

terms. In packages, its purchases decreased by 1.9%. The year-end major drugs in the code were hemostatic agents Hemlibra and Advate, and the anticoagulant Xarelto.

In the DRP structure in 2023, the first of the top five ATC codes was code [L] Antineoplastic and immunomodulating agents. The share of the 5 key codes decreased by 1.4% in value terms, reaching around 87%. The highest growth of sales was observed in ATC codes [J] and [B]: over the year, their shares also grew significantly, by 0.5% and 1%, respectively. Antiinfectives for systemic use are sold primarily under the Regional Drug Reimbursement programme, and drugs acting on blood and blood forming organs – under High-Cost ICD and Regional Reimbursement schemes.

Let us see how much money is spent under DRP for the treatment of main diseases groups. For this purpose, we correlated drugs with indications. This resulted in the following ranking of DRP costs by disease (Table 10).

For several years in a row, the top-ranking are drugs used to treat malignant tumours since oncology has been recently set as a priority area. The leader accounts for 25.4% of the value purchases of the entire DRP segment. 75.4% of drugs are dispensed under the Regional Drug Reimbursement programme. In 2023, this group showed a positive growth by 12.9% against the previous period.

Drugs for the treatment of immunologic diseases rank second, their purchases dropped by 4.2%. Most of costs fall within the High-Cost ICD segment (57.9%).

In 2023, the third place belongs to drugs used to treat diseases of blood and blood forming organs, which were dispensed mainly under the 14 ICD Codes programme (55.6% in roubles). This group demonstrated the highest

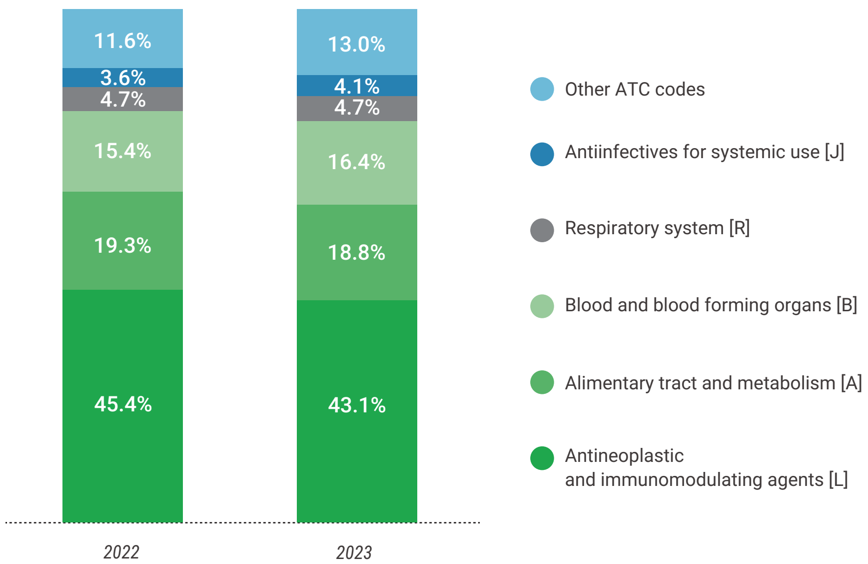


Figure 22

DRP ratio of value purchases by ATC code, 2023

Table 10

DRP costs ranking by disease, in value terms, 2023

Disease	Purchases, mln roubles	Growth compared to 2022	Share		
			High-Cost ICD	Essential Drug Coverage	Regional Drug reimbursement
Oncological diseases	85 498	12.9%	14.7%	9.9%	75.4%
Immunologic diseases	59 504	-4.2%	57.9%	8.9%	33.2%
Diseases of blood and blood forming organs	54 508	16.8%	55.6%	11.9%	32.4%
Diabetes mellitus	49 828	10.4%	-	19.2%	80.8%
Respiratory diseases	15 656	10.8%	10.8%	18.4%	70.8%
Gastrointestinal diseases	14 511	-3.7%	45.9%	13.3%	40.8%
Diseases caused by various infectious agents	13 639	26.2%	-	14.7%	85.3%
Nervous disorders	12 478	36.0%	-	29.4%	70.6%
Musculoskeletal disorders	10 749	60.8%	-	16.4%	83.6%
Cardiovascular diseases	7 932	14.7%	-	37.4%	62.6%
Other	5 262	14.1%	-	32.1%	67.9%
Hormonal disorders	5 246	6.1%	4.1%	41.2%	54.6%
Skin diseases	978	16.3%	-	17.7%	82.3%
Eye diseases	319	-12.4%	-	16.4%	83.6%
Male and female reproductive disorders	252	315.8%	-	9.4%	90.6%

growth among the top 3 (+16.8% compared to the previous year).

There are two notable groups by increase in purchases. The group of drugs for the treatment of male and female reproductive disorders (+315.8%) rose more than the others thanks to the increase in purchases of the follicle-stimulating hormone Gonal-F (+11,310.5%): the drug is prescribed to women with anovulation (including polycystic ovarian syndrome), for controlled ovarian hyperstimulation in assisted reproductive treatment, for ovarian stimulation in case of severe follicle-stimulating and luteinizing hormones (FSH and LH) deficiency, as well as for the stimulation of spermatogenesis in men with hypogonadotrophic hypogonadism; and the gestagen Utrogestan (+2,899.4%) indicated for women with progesterone deficiency disorders: threatened miscarriage or prevention of recurrent miscarriages due to progesterone deficiency, infertility due to luteal insufficiency, premenstrual syndrome, irregular menstrual cycles due to ovulatory disorders or anovulation, fibrocystic breast disease; menopausal transition, hormone replacement therapy (HRT) in peri- and post-menopause. These brands are purchased mainly through the regionally subsidized segment.

Purchases of drugs used in the treatment of musculoskeletal disorders grew over the year by 60.8%. The major brands in this group are Evrysdi (+75.7%) and Spinraza (+95.8%) for SMA treatment.

Manufacturers in the DRP segment

Table 11 shows the top 20 manufacturers by value consumption in DRP in 2023.

In 2023, drugs under the Drug Reimbursement Programme were purchased from 455 manufacturers. Only 37 companies are involved in the High-Cost ICD programme; 251 participate in the Essential Drug Coverage schemes; regionally subsidized drugs are purchased from 451 companies. This is due to the fact that lists of drugs under High-Cost ICD programmes are legislatively regulated whereas other schemes offer benefits according to the needs of each patient.

There are significant changes in the ranking: only 4 companies managed to retain their last year's positions. The ranks of the others changed. In 2023, Johnson & Johnson retained the top spot with a 7% share; the company's sales increased by 6.1% over the year. The range of drugs purchased under subsidized and reimbursement programmes comprised 31 brands. There was an increase in sales of 7 out of the 10 key brands of the company. The most purchased drugs were the neuroleptic Trevicta (+98% compared to 2022), the antineoplastic – antiandrogen Erleada (+84.1%), and the antiplatelet agent Upbravi (+31.9%). The largest drop was in the purchases of the protein tyrosine kinase inhibitor Imbruvica (-21.1%) and the antipsychotic Rispolept (-19.6%).

Owing to a 46.8% increase in purchases, F.Hoffmann-La Roche (7% in roubles of reimbursed drugs) moved up to rank second. Almost all of the manufacturer's drugs are original. In total, the government purchases about 31 drug brands from the company. Sales growth was mainly on account of the increase in the purchases of the monoclonal antibodies Enspryng (+295.7% compared to 2022), Ocrevus for the treatment of multiple sclerosis (+78.2%), and Evrysdi used in gene therapy for

Table 11

Top 20 drug manufacturers by DRP consumption, 2023

Ranking	Change compared to 2022	Manufacturer	Purchases, mln roubles	Share	Growth compared to 2022
1	-	Johnson & Johnson	23 610	7.0%	6.1%
2	+3	F.Hoffmann-La Roche	23 409	7.0%	46.8%
3	-1	Generium	22 574	6.7%	10.4%
4	-1	Novartis	21 534	6.4%	19.5%
5	-1	AstraZeneca	19 756	5.9%	20.0%
6	-	Sanofi	14 995	4.5%	8.9%
7	+1	Pfizer	10 260	3.1%	-7.3%
8	+7	Astellas Pharma	9 275	2.8%	25.4%
9	+1	Novo Nordisk	9 010	2.7%	-8.2%
10	-1	Biocad	8 830	2.6%	-12.0%
11	-	Boehringer Ingelheim	8 796	2.6%	-1.0%
12	+1	Baxter International	8 226	2.4%	1.2%
13	+1	Takeda	7 865	2.3%	-2.6%
14	+3	Pharmasyntez	7 532	2.2%	35.3%
15	-3	Bayer	7 116	2.1%	-18.5%
16	+6	Rus Biopharm	7 013	2.1%	74.3%
17	-1	GlaxoSmithKline	6 902	2.1%	-6.1%
18	+3	Geropharm	5 821	1.7%	37.2%
19	-1	AbbVie	4 985	1.5%	-6.1%
20	-	Pharmstandart	4 962	1.5%	7.5%

SMA (+75.7%). A negative trend was observed in the antineoplastics Erivedge (-52.3%), Alecensa (-22.8%), and Cotellic (-11.1%).

Ranking third in 2023 is Russian Generium with a 6.7% share. Over the year the manufacturer's sales grew by 10.4%. The number of the company's purchased drugs increased from 9 to 11 brands. Greater demand was for the company's major drugs: the haemostatic agent Octofactor (+107.5% compared to 2022), the mucolytic agent Tigeraza (+17.5%), and the immunosuppressant Elizaria (+12.7%). Meanwhile, there was a decline in the purchases of Diaskintest for tuberculosis diagnosis (-62.6%), the hemostatic agent Coagil (-49.6%), and the cytokine Infibeta (-38.1%). In 2023, Generium added to its portfolio a new drug – Stimpleit with the active ingredient romiplostim that belongs to the group of antihaemorrhagic agents. Stimpleit is indicated for idiopathic thrombocytopenic purpura (ITP).

The manufacturers that gained in the ranking most of all were Astellas Pharma (+7 position lines; +25.4% compared to 2022), and Rus Biopharm (+6 position lines; +74.3%).

Astellas Pharma's portfolio has only 16 brands. A significant year-on-year increase was observed in: the antispasmodic Betmiga (+52,669.3%) used in the symptomatic treatment of urinary incontinence, frequent urination and/or urinary urgency in patients with the overactive bladder (OAB) syndrome; the protein kinase inhibitor Xospata (+299.5%); and the macrolide antibiotic Wilprafen (+224.8%).

Around 33 brands of the Russian manufacturer Rus Biopharm are purchased under reimbursement programmes. A 74.3% increase in the purchases of the company's products was thanks to the immunosuppressant Exemptia (+2,888.9%), the hemostatic agent ArioSeven (+1,366.8%), and the antiviral Valganciclovir (+401.2%).

In 2023, six Russian manufacturers entered the top 20 by value sales thanks to the import substitution scheme.

Table 12 shows the ranking of manufacturers participating in the 14 ICD Codes, Essential Drug Coverage and Regional Drug Reimbursement programmes.

Russian Generium came out on top in the 14 ICD Codes programme; top-rated in the Essential Drug Coverage and Regional Drug Reimbursement programmes were the foreign companies Novartis and AstraZeneca. Several Russian manufacturers participate in each of the sub-programmes; most Russian manufacturers are found among the top 20 drug manufacturers in the Essential Drug Coverage segment (8 companies) and in the High-Cost ICD segment (6 companies). In Regional Drug Reimbursement programmes, five Russian manufacturers were among the top twenty.

Drugs in the DRP segment

Table 13 shows the top 20 brands in terms of value purchases under the DRP programme in 2023. The top 20 brands accounted for 30.4% of value purchases in 2023, down 0.6% year-on-year.

The ranking of drugs changed more than the ranking of the top 20 companies during the year. Only two drugs maintained their ranking:

Table 12

Top 20 drug manufacturers by purchase value in DRP segment under High-Cost ICD, Essential Drug Coverage and Regional Drug Reimbursement programmes, 2023

Ranking	High-Cost ICD		Essential Drug Coverage		Regional Drug Reimbursement	
	Manufacturer	Purchases, mln roubles	Manufacturer	Purchases, mln roubles	Manufacturer	Purchases, mln roubles
1	Generium	**15 375**	Novartis	**3 931**	AstraZeneca	**17 047**
2	F.Hoffmann-La Roche	**14 426**	Bayer	**2 719**	Novartis	**15 368**
3	Johnson & Johnson	**10 875**	AstraZeneca	**2 709**	Sanofi	**11 411**
4	Baxter	**7 169**	Sanofi	**2 532**	Johnson & Johnson	**10 885**
5	Biocad	**4 524**	Boehringer Ingelheim	**2 435**	Pfizer	**8 417**
6	Takeda	**4 507**	Novo Nordisk	**2 238**	F.Hoffmann-La Roche	**7 653**
7	Octapharma	**4 308**	Johnson & Johnson	**1 849**	Generium	**7 032**
8	Merck KGAA	**2 864**	Pfizer	**1 830**	Astellas Pharma	**6 807**
9	Swedish Orphan Biovitrum	**2 741**	Rus Biopharm	**1 646**	Novo Nordisk	**6 772**
10	Novartis	**2 234**	Pharmstandart	**1 456**	Boehringer Ingelheim	**6 360**
11	Pharm-Syntez	**1 896**	Pharmasyntez	**1 424**	GlaxoSmithKline	**6 276**
12	Catalent	**1 527**	Geropharm	**1 366**	Pharmasyntez	**5 353**
13	CSL Behring	**1 518**	F.Hoffmann-La Roche	**1 330**	Geropharm	**4 455**
14	Kedrion	**1 503**	Astellas Pharma	**1 102**	Bayer	**4 397**
15	Astellas Pharma	**1 367**	Protek GC	**1 059**	Rus Biopharm	**4 390**
16	Cinnagen	**1 228**	Ipsen	**1 054**	AbbVie	**4 071**
17	Sanofi	**1 052**	Canonpharma Production	**942**	Amgen	**3 750**
18	Rus Biopharm	**977**	Biocad	**926**	Biogen	**3 586**
19	R-Pharm	**916**	AbbVie	**894**	Biocad	**3 379**
20	Protek GC	**900**	Ozon	**830**	Vertex Pharmaceuticals	**3 335**

the top-ranking Elizaria and the last-ranking Tagrisso.

The top spot belongs to the immunosuppressant Elizaria (+12.7% compared to 2022) from Russian Generium that appeared on the market 4 years ago. Moving up to rank second and third are F.Hoffmann-La Roche's: Ocrevus for the treatment of multiple sclerosis (+78.2%, +9 lines), and the hemostatic agent Hemlibra (+49.1%, +5 lines).

The most represented in the drug ranking were the foreign companies F.Hoffmann-La Roche, AstraZeneca, Johnson & Johnson and Novartis: each of them had 3 brands in the top 20.

So, there was a major reshuffle in the 2023 ranking. Four out of the top twenty are new drugs that gained most of all in the ranking:

- Generium's Octofactor (+21 lines) for the treatment of patients with haemophilia A;
- gene-therapy drugs for the treatment of spinal muscular atrophy Spinraza (+19 lines) from Biogen and Evrysdi (+16 lines) from F.Hoffmann-La Roche;
- Novartis' antineoplastic – protein tyrosine kinase inhibitor Jakavi (+10 lines).

The weighted average price of the top 20 brands was 10,556 roubles per package. The most expensive was intrathecal Spinraza for SMA patients: the weighted average price is about 5.7 million roubles per package. The cheapest brand among the top twenty was the oral antihyperglycaemic agent Galvus (1,526 roubles).

Half of the leading drugs belong to ATC code [L] Antineoplastic and Immunomodulating Agents (10 brands). Next in the ranking are alimentary tract and metabolism and blood and blood forming organs (4 brands each). The third-ranking in this respect is ATC code [M] Musculoskeletal system, with two brands.

Most of the ranked brands (12 brands) are drugs dispensed mainly under the regional reimbursement programme. Involvement in the regional reimbursement programme does not exclude release of drugs under High-Cost ICD or Essential Drug Coverage schemes. That is why top brand rankings correlate by segment..

DRP price segmentation

In 2023, the average price per package under the DRP programme increased by 24.7% over the year to more than 2 thousand roubles. In terms of sub-programmes, the most expensive drugs are in the High-Cost ICD segment: one package is purchased by the state on average for 17.9 thousand roubles. At the same time, compared to 2022, the increase in the price under the High-Cost ICD sub-programme was much less notable than in the other segments of the drug reimbursement market – it grew only by 1.6%. The price of regionally subsidized drugs grew by 25.2% to 1,941 roubles. The lowest price is for drugs purchased under the Essential Drug Coverage programme: 904 roubles (+24.5% compared to 2022).

The structure of drug purchases under the DRP is shown in Figure 23.

The most noteworthy growth in High-Cost ICD purchases was observed for drugs priced from 10,000 to 50,000 roubles (+35.7% compared to 2022). As a result, their share grew over the year by 5.1% to 30.2%.

Table 13

Top 20 brands by value purchase in DRP, 2023

Ranking	Change compared to 2022	Brand	Manufacturer	Purchases, mln roubles	Share	Growth compared to 2022
1	-	Elizaria	Generium	**13 814**	**4.1%**	**12.7%**
2	+9	Ocrevus	F.Hoffmann-La Roche	**7 401**	**2.2%**	**78.2%**
3	+5	Gemlibra	F.Hoffmann-La Roche	**6 804**	**2.0%**	**49.1%**
4	+6	Forxiga	AstraZeneca	**6 728**	**2.0%**	**54.8%**
5	+1	Xtandi	Astellas Pharma	**6 672**	**2.0%**	**27.9%**
6	-1	Toujeo SoloStar	Sanofi	**5 926**	**1.8%**	**2.4%**
7	+2	Darzalex	Johnson & Johnson	**5 233**	**1.6%**	**14.8%**
8	+7	Advate	Baxter	**5 006**	**1.5%**	**53.4%**
9	-6	Imbruvica	Johnson & Johnson	**4 708**	**1.4%**	**-21.1%**
10	+3	Jardiance	Boehringer Ingelheim	**4 015**	**1.2%**	**20.1%**
11	-7	Xarelto	Bayer	**3 938**	**1.2%**	**-32.1%**
12	+16	Evrisdi	F.Hoffmann-La Roche	**3 922**	**1.2%**	**75.7%**
13	+19	Spinraza	Biogen	**3 813**	**1.1%**	**95.8%**
14	+10	Jakavi	Novartis	**3 605**	**1.1%**	**35.2%**
15	-8	Linparza	AstraZeneca	**3 597**	**1.1%**	**-24.8%**
16	+3	Galvus	Novartis	**3 582**	**1.1%**	**28.1%**
17	+21	Octofactor	Generium	**3 453**	**1.0%**	**107.5%**
18	-1	Tysabri	Johnson & Johnson	**3 402**	**1.0%**	**12.3%**
19	-3	Risarg	Novartis	**3 321**	**1.0%**	**9.1%**
20	-	Tagrisso	AstraZeneca	**3 248**	**1.0%**	**17.1%**

Table 14

Top 20 brands by DRP purchase value under High-Cost ICD, Essential Drug Coverage and Regional Drug Reimbursement programmes, 2023

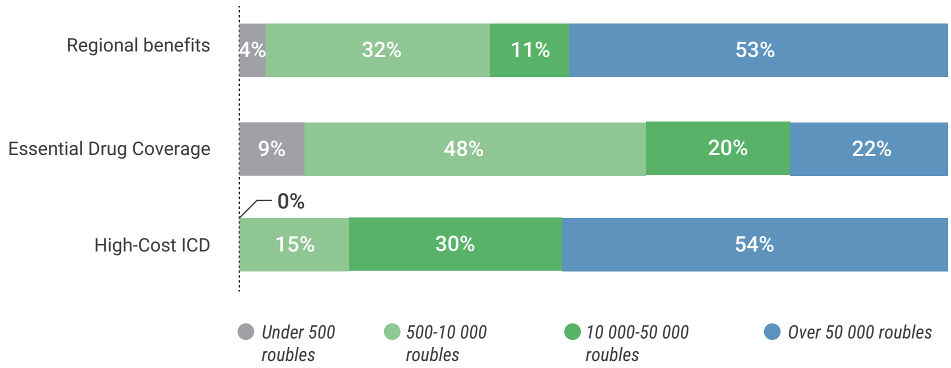
Ranking	High-Cost ICD		Essential Drug Coverage		Regional Drug Reimbursement	
	Brand	Purchases, mln roubles	Brand	Purchases, mln roubles	Brand	Purchases, mln roubles
1	Ocrevus	**7 312**	Xarelto	**2 100**	Elizaria	**6 730**
2	Elizaria	**6 931**	Toujeo SoloStar	**1 267**	Forxiga	**5 728**
3	Gemlibra	**6 746**	Forxiga	**1 000**	Xtandi	**5 720**
4	Darzalex	**5 015**	Xtandi	**952**	Toujeo SoloStar	**4 660**
5	Advate	**5 004**	Uperio	**879**	Imbruvica	**4 280**
6	Octofactor	**3 452**	Levemir	**763**	Spinraza	**3 586**
7	Tysabri	**3 399**	Eliquis	**755**	Evrysdi	**3 561**
8	Mavenclad	**2 864**	Tresiba	**712**	Jardiance	**3 389**
9	Eloctate	**2 741**	Vargatef	**708**	Lynparza	**3 223**
10	Elaprase	**2 645**	Eralfon	**693**	Galvus	**3 197**
11	Plegridy	**2 461**	Jardiance	**626**	Risarg	**3 096**
12	Ilaris	**1 951**	Octreotide	**544**	Jakavi	**3 089**
13	Mielanix	**1 896**	Brilinta	**517**	Tagrisso	**2 877**
14	Acellbia	**1 825**	Jakavi	**516**	Itulsi	**2 784**
15	Wilate	**1 793**	RinFast	**509**	Tafinlar	**2 606**
16	Tigeraza	**1 694**	Respiforb	**463**	Nplate	**2 424**
17	Ninlaro	**1 528**	Adempas	**454**	Levemir	**2 135**
18	Naglazym	**1 527**	Ketosteril	**443**	Cabometix	**1 952**
19	Nuwiq	**1 474**	Apidra	**442**	Takhzyro	**1 936**
20	Advagraf	**1 367**	Mircera	**436**	Venclexta	**1 864**

Two categories at a time in the Essential Drug Coverage segment demonstrated double-digit growth: “above 50,000 roubles” (+27.9%) and “10,000-50,000 roubles” (+25.9%). In the aggregate, the share of drugs priced over 10,000 roubles grew by 5.1% compared to the previous year.

In the regional programme where most of the purchased drugs are for patients with orphan diseases, the highest growth is among expensive drugs: +17.8% compared to 2022. The price segment “above 50,000 roubles” grew from 49.9% in 2022 to 53.5% in 2023.

Figure 23

Structure of value purchases under the DRP by price segment, 2023



4. Volumes of purchases of drugs for needs of HCI

The current situation has sidelined what was so regular and ordinary for us in 2020: daily monitoring of COVID-19 cases, the total number of those who recovered and those who died, vaccination rates, etc. Let us not forget though that the coronavirus pandemic was still going on at the beginning of 2023. Only in May 2023, the WHO officially declared end to it.

The burden on the public healthcare system was gigantic. In this context, the current figures showing purchases of drugs for needs of HCI may look somewhat alarming. However, the trends should be analyzed by taking into account all the factors that impacted the hospital segment procurement structure.

By the end of 2023, HCI purchased 454 million packages of drugs worth around 464 billion roubles in wholesale prices (the analytical data reflect payments and supplies under contracts performed in 2023). Compared to 2022, hospitals expended 21.5% less of public funds. The volume of purchased packages dropped off by 17.3%.

The major decline in the purchases of drugs for needs of HCI was in the INNs recommended for the treatment of the coronavirus infection: the volume of spending shrank almost 10 times. It should be noted that in 2021-2022 that was the very segment that accounted for the additional expenditures in connection with the spread of the COVID-19 pandemic. In 2023, the need in and purchases of those drugs got back to the pre-Covid trends and correspond to the 2019 figures.

Exclusive of purchases of the INNs recommended for the treatment of the

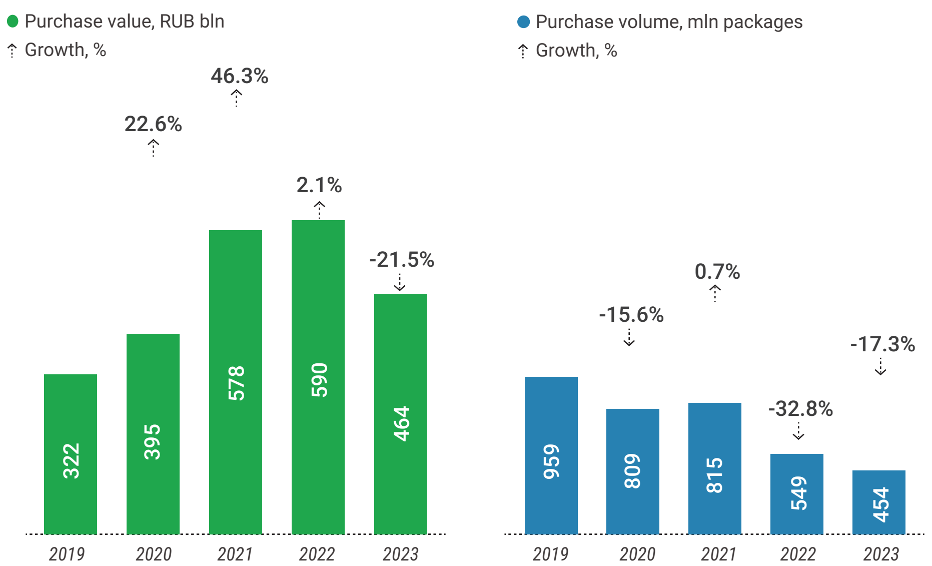


Figure 24

Hospital purchase dynamics, 2019-2023

coronavirus infection, the hospital purchases dropped by 7% only.

On the whole, healthcare funding is maintained as scheduled, the allocated funds are subject to the annual indexation.

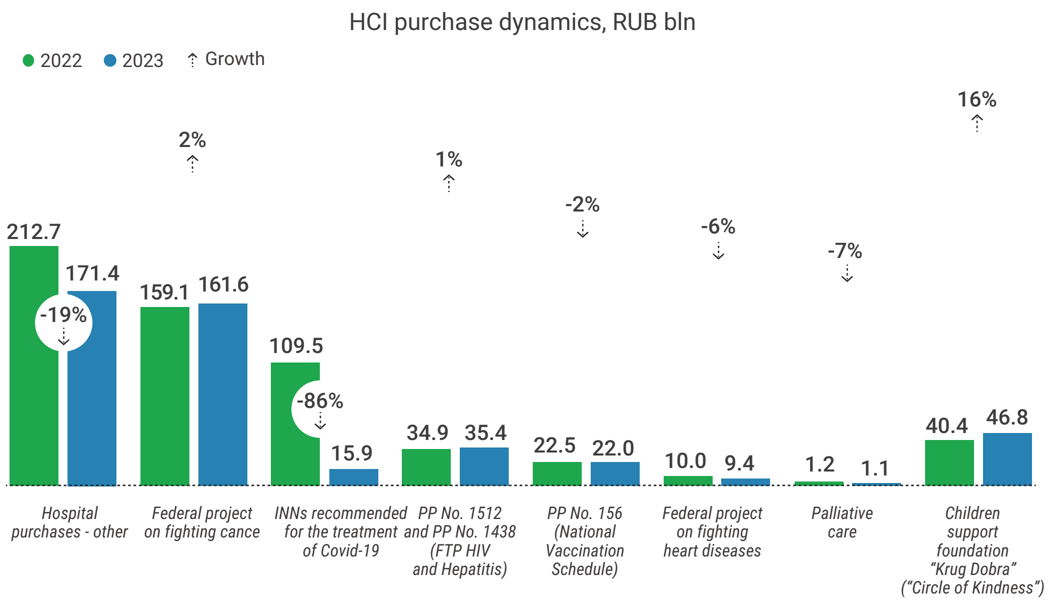
At the end of 2023, the cash implementation of the national project "Healthcare" was 97.9%. The most cash-consuming federal project on fighting cancer was implemented at 99.3% (157.2 billion roubles out of 158.4 billion). Among the federal programmes making part of the national project, the lowest performance was in the federal project on creating a single digital framework in the healthcare system on the basis of the Uniform State Health Information System: only 83.5% of the budget was utilized (9.8 billion out of 11.7 billion roubles). The federal project on the improvement of primary healthcare in the Russian Federation was implemented at 97% (92.4 billion roubles out of 95.2 billion), on fighting heart diseases – at 97.9% (16.4 billion roubles out of 16.8 billion), on primary medical care – at 98.2% (10.5 billion roubles out of 10.7 billion), on the development of the child healthcare system, specifically, creation of an advanced child healthcare infrastructure – at 98.6% (17.7 billion roubles out of 17.9 billion).

In 2023, there were three federal projects with fully disbursed funds allocated to them. One of them was the project on the development of a network of national medical research centres and the implementation of innovative medical technologies, with 7.2 billion roubles allocated for it. 100% implementation was recorded also in the most "modest" federal projects, specifically, on skilled staffing in healthcare institutions (1.2 billion roubles) and on promoting exports of medical services (26 million roubles).

The approved 2024 budget envisages 1.611 trillion roubles to be allocated for the healthcare system. 2024 is the year when all main federal projects launched in 2019 are scheduled to be completed, and the allocated subsidies are getting lower. For example, now, instead of the 2023 anticipated 158.4 billion roubles, 146.1 billion roubles are budgeted for the project on fighting cancer; the project on fighting heart diseases will get 22.4 billion roubles.

Figure 25

Hospital purchase dynamics, by programme



The programme on **fighting cancer** has been in place already for many years, and allocations for purchases of appropriate drugs are planned, for the first time ever, to decline in 2024. At the moment, drug volumes in money are still growing. In 2022, 159.1 billion roubles were expended on drug purchases; in 2023, as much as 161.6 billion roubles were spent.

As is reported by the Ministry of Health of Russia, there are improvements in the early detection of malignant tumours: over 60% of tumours are detected at stage 1-2 when the prognosis is favourable. Equally important in this respect was the introduced requirement to use cancer screening techniques in standard medical examinations and the recommendation for all medical specialties to maintain cancer alertness.

So, as long as the federal programme has been under way, the percentage of oncological diseases detected at early stages has increased and mortality rates continue falling: within-one-year mortality of oncology patients has declined by 17.5%, and five-year survival has grown by more than 8%. Positive trends are also observed in child health care. 534 outpatient care centres for oncology patients have been opened in Russia.

In addition, as is reported by the ministry, the number of oncologists, including pediatric ones, has increased by 2%, and the number of radiologist - nearly by 1.5 times.

At the beginning of 2024, several cancer centres were opened in Bashkiria, Yakutia and the Tomsk region.

In 2023, 9.4 billion roubles were expended on purchases of drugs under the federal project on **fighting heart diseases**, which is 6% less than a year earlier. From 2021 to 2023, the number of patients provided with drugs free of charge under the federal project was growing. In 2021, 673,000 patients received reimbursed drugs, in 2022 – 824,000, and in 2023 – 754,000 (as at September 1).

Under the federal project, reimbursed drugs are provided to patients who had an acute cerebrovascular disorder, heart attack, coronary artery bypass surgery, etc. Such patients are provided with drugs during two years from the date of diagnosis and (or) surgery. From January 1, 2024, patients with atrial fibrillation were added to the category.

Purchases under the **National Preventive Vaccination Schedule** remained at the 2022 level. In 2024, 25 billion 618 million roubles are planned to be expended in this segment, with 25 billion 718 million budgeted for 2025 and 25 billion 777 million – for 2026.

Already for a few years, the vaccination schedule has been expected to be extended, however, the inclusion of the vaccines under debate has once again been postponed. RF Government Order No. 343-r of February 15, 2023 postponed the inclusion of the rotavirus vaccine in the national Preventive Vaccination Schedule from 2022 to 2025, of the chickenpox vaccine – from 2023 to 2027, and of the human papillomavirus vaccine – from September 2023 to September 2025.

In 2023, the biopharmaceutical company Nanolek completed phase III adult clinical studies of the human papillomavirus (HPV) quadrivalent recombinant vaccine. The vaccine is expected to become available as early as in 2024; it will be added to the vaccination schedule. The rotavirus vaccine is being developed by the Gamaleya National Centre of Epidemiology and Microbiology; the centre has been authorized to conduct clinical studies of the injectable dosage forms.

All the same, the list of vaccines has been revised. The Ministry of Health has updated the schedule of vaccination on epidemiological indications: now compulsory coronavirus vaccination applies to vulnerable social groups. It is proposed that from 2024 to 2030 everyone be subject to compulsory vaccination if ordered so by the chief sanitary inspector of a region or of the country.

At the beginning of 2023, Russia saw another cyclic surge in the incidence of measles and pertussis, which is observed every 5-6 years due to the accumulation of a pool of those who are not immune to the infections. During 2023, 1,367.1 million roubles were spent on purchases of vaccines with a measles component (4.7 million doses) for scheduled vaccination purposes. The combined measles, rubella and mumps vaccine Vactrivir accounts for 89% of the purchased measles vaccines.

The total spending on the **HIV and Hepatitis Federal Target Programme** will be 36 billion 384 million roubles in 2024, 36 billion 526 million in 2025, and 37 billion 642 million in 2026. Additional allocations of 2 billion roubles for the new regions are budgeted to purchase drugs for persons infected with HIV or both HIV and hepatitis C.

The allocated funds allow curing annually around 16,000 hepatitis C patients (who total, according to official estimates, over 600,000); for the eradication of the disease (reduction of the incidence to zero) in Russia by 2030, 105,000 patients must be cured annually.

In order to lower the cost of treatment, it is necessary to promote domestic manufacturing of antivirals. It is one of the goals set in the plan of action on fighting hepatitis C through to 2030. According to the Ministry of Health, 13 companies have embarked on the development of home-made antivirals; some of them have already been granted an approval to conduct clinical trials, others are under review. Also, it is planned to make a designated patient register.

Another separately classified ICD code has been added: 2023 saw the start of the federal **project on fighting diabetes**. 24.28 billion roubles are budgeted for 2024, which exceeds the originally scheduled 14 billion roubles on account of the 2023 carry-overs.

According to the federal register, as at mid-December 2023 over 5 million Russians with diabetes are in diabetes care, 90% of them have type 2 diabetes.

Of separate mention is the evolution of the **Krug Dobra programme**. The foundation has been vested with much more authority: since last December, the maximum age of the foundation's patients has increased from 18 to 19 years old, and in 2023 15,000 children with diseases from the 14 ICD list were taken under the care of the foundation.

The "Krug Dobra" foundation providing assistance to children with orphan diseases has added new ICD codes to the list of diseases that need support and assistance:

- in January – external auditory canal atresia and microtia;
- in March – 11 new ICD codes: inherited bone marrow failure syndromes; haemoglobinopathies (beta-thalassemia and others); acquired idiopathic aplastic anemia; glycosaminoglycan metabolism disorders; osteopetrosis; PIK3CA-related overgrowth spectrum (PROS); chronic hepatitis C; rare

forms of obesity – obesity related to gene mutations: proopiomelanocortin deficiency, leptin receptor deficiency, prohormone convertase 1 deficiency, Bardet-Biedl syndrome; hypoplastic left-heart syndrome; anomalous origin of the left coronary artery from pulmonary artery; cervical myelopathy complicated by ventilator dependence;

- in May – adolescent idiopathic scoliosis;
- in October – Turner syndrome and Legg-Calvé-Perthes disease;
- in December – primary hemophagocytic lymphohistiocytosis.

Hence, considering 14 ICD the number of ICD codes has grown to 89 (mucoviscidosis is on both lists, with different drugs). As at the beginning of 2024, medical care has been or will be provided under approved requests to more than 23,000 children. Specifically: to 8,438 children care has been provided at individual requests, to 14,969 children – under the 14 ICD programme.

The foundation supplies children with 104 drugs, medical devices and rehabilitation equipment items.

So, the highest growth was in purchases for the "Krug Dobra" foundation (+15.9% compared to 2022), established in 2021 at the initiative of the president. The capacity of the performed contracts placed by the foundation is not yet significant for the hospital sector – only 46.8 billion roubles at the year-end. Purchased packages made for a slightly more than 84,000 (-32.5%).

In 2023, 17 manufacturers supplied drugs for the "Krug Dobra" foundation (compared to 13 companies a year earlier). Medac that in the previous year supplied the antineoplastic Pegaspargase for the "Krug Dobra"'s patients with acute lymphoblastic leukemia is no longer among the ranked manufacturers. There are 4 new companies in the ranking: Recordati supplying monoclonal antibodies Qarziba and Carbaglu used in the treatment of hyperammonemia, AbbVie and Gilead Sciences making antivirals to treat hepatits C (Mavyret and Epclusa, respectively), and Waymade with Carglumic Acid Waymade, another drug used in the treatment of hyperammonemia.

The four top-ranking are the manufacturers of high-cost gene-therapy drugs for the treatment of musculoskeletal disorders (SMA and DMD): Novartis (18.1% in roubles), F.Hoffmann-La Roche (16.4%), PTC Therapeutics (15.2%) and Biogen (14.9%). 7 billion roubles were allocated for the purchases of each of the four drugs: Zolgensma, Evrysdi, Translarna, and Spinraza. Other brands were also purchased from the product portfolios of the top-ranking Novartis (Ilaris and Afinitor) and F.Hoffmann-La Roche (Rozlytrek).

The highest growth of sales was observed in: Johnson & Johnson (+969.9% compared to 2022), with its Upbravi to treat pulmonary hypertension; AstraZeneca (+122.3%) with its protein kinase inhibitor Koselugo; and Biogen (+109.5%) with Spinraza for the treatment of spinal muscular atrophy.

The heaviest drop in consumption was suffered by CSL Behring (-31%) and its immunoglobulin Privigen – the company moved down 4 position lines, and the manufacturers of drugs used in the enzyme replacement therapy – Sanofi (-27.3%; Myozyme brand) and Alexion Pharma (-23.8%; Strensiq and Kanuma), each of them lost 2 position lines in the top 17.

Table 15

Ranking of manufacturers supplying drugs for the "Krug Dobra" foundation to support children, in value, 2023

Note: *«manufacturer» means the parent company that may incorporate several production sites.*

Ranking	Change compared to 2022	Manufacturer	Purchases, mln roubles	Share	Growth compared to 2022
1	+3	Novartis	**8 489.4**	**18.1%**	**35.9%**
2	-	F.Hoffmann-La Roche	**7 672.8**	**16.4%**	**6.8%**
3	-2	PTC Therapeutics	**7 134.5**	**15.2%**	**-10.1%**
4	+2	Biogen	**6 964.0**	**14.9%**	**109.5%**
5	-2	Vertex	**5 738.8**	**12.3%**	**-10.6%**
6	+3	AstraZeneca	**3 160.6**	**6.8%**	**122.3%**
7	-2	Alexion Pharma	**2 856.6**	**6.1%**	**-23.8%**
8	-	Biomarin Pharmaceutical	**2 019.6**	**4.3%**	**16.2%**
9	-2	Takeda	**1 700.8**	**3.6%**	**-10.2%**
10	new	Recordati	**322.5**	**0.7%**	**new**
11	new	AbbVie	**320.2**	**0.7%**	**new**
12	-2	Sanofi	**213.2**	**0.5%**	**-27.3%**
13	-	Johnson & Johnson	**59.2**	**0.1%**	**969.9%**
14	new	Waymade	**57.4**	**0.1%**	**new**
15	new	Gilead Sciences	**52.5**	**0.1%**	**new**
16	-4	CSL Behring	**29.6**	**0.1%**	**-31.0%**
17	new	Pfizer	**12.5**	**0.0%**	**new**

Table 16

Top 20 drug brands purchased for the "Krug Dobra" foundation for support of children, in value, 2023

Ranking	Change compared to 2022	Brand	Purchases, mln roubles	Share	Growth compared to 2022
1	+3	Zolgensma	**7 812.4**	**16.7%**	**42.0%**
2	-	Evrisdie	**7 665.6**	**16.4%**	**6.7%**
3	-2	Translarna	**7 134.5**	**15.2%**	**-10.1%**
4	+1	Spinraza	**6 964.0**	**14.9%**	**109.5%**
5	-2	Orkambi	**5 738.8**	**12.3%**	**-10.6%**
6	+4	Coselugo	**3 160.6**	**6.8%**	**122.3%**
7	-	Wimesim	**2 019.6**	**4.3%**	**16.2%**
8	-2	Strensiq	**1 780.9**	**3.8%**	**-20.4%**
9	-	Gattestive	**1 418.4**	**3.0%**	**-1.3%**
10	-2	Canuma	**1 075.7**	**2.3%**	**-28.8%**
11	+1	Ilaris	**367.1**	**0.8%**	**-13.3%**
12	new	Maviret	**320.2**	**0.7%**	**new**
13	-	Afinitor	**309.9**	**0.7%**	**-4.1%**
14	-3	Takhzyro	**282.5**	**0.6%**	**-38.2%**
15	-1	Myozyme	**213.2**	**0.5%**	**-27.3%**
16	new	Qarziba	**192.2**	**0.4%**	**new**
17	new	Carbaglu	**130.2**	**0.3%**	**new**
18	-1	Apbravi	**59.2**	**0.1%**	**969.9%**
19	new	Carglumic acid	**57.4**	**0.1%**	**new**
20	new	Epclusa	**52.5**	**0.1%**	**new**

Table 16 below shows the top 20 key drug brands purchased in 2023 for the "Krug Dobra" foundation for support of children. All drugs are imported and prescription-only ones sold according to indications; most of the presented brands are original drugs.

55.1 billion roubles will be allocated in 2024 for purchases of unregistered drugs, medical devices, and payment of some forms of treatment. The 2023 grant was 41 billion roubles. 46.8 billion roubles were expended.

The analytical data given below are without regard to the "Krug Dobra" foundation for support of children.

Imported/localized drugs ratio

In 2023, purchase volumes in the HCI segment in money shifted in favour of imported drugs. Over the year, the share of foreign-made drugs grew by 4.3% in roubles, to 53.6%. Yet, in packages, advantage was gained by localized drugs: they grew to 85.4% (1 percentage point up).

Purchased packages as well as expended amounts in the category of localized drugs shrank: by 30.7% in roubles, and by 16.6% in packages. The drop in purchases was mainly due to the following brands: the pneumococcal vaccine Prevenar (-58.6% compared to 2022), localized at the Petrovax Pharm production facilities, and the antibacterials Maxiktam (-37.4%) and Linezolid (-33.7%). Among the drugs made in Russia, high growth rates were demonstrated by Uperio (+285.3%) used in the treatment of chronic heart failure and essential arterial hypertension, which was localized at the Novartis Neva plant, the monoclonal antibodies Versavo (+76%), and the protein tyrosine kinase inhibitor Tagrisso (+68.8%) manufactured in the Kaluga region.

Compared to 2022, imported drugs suffered a drop both in the number of packages sold (-21.1%) and in value purchases (-17.6%). The negative dynamics in sales of imported drugs were mostly due to purchases of Pentaxim, a vaccine against diphtheria, pertussis, poliomyelitis, tetanus and infections caused by Haemophilus influenzae type B (-54.3% compared to 2022), the monoclonal antibodies Keytruda (-50.8%), and the anticoagulant Xarelto (-47.9%). At the same time, there was an increase in demand for the sodium-glucose co-transporter-2 inhibitor Forxiga (+785.9%), the antiviral [HIV] Biktarvy (+149.7%), and the antiandrogen Xtandi (+68.4%).

At the end of 2023, the weighted average per package price of an imported drug was 3,368 roubles, which is 4.5% more than a year earlier. The average price of localized drugs dropped over the year by 16.9% and is still far behind (nearly 7 times) the average price of an imported drug: 499 roubles per package.

The leaders among foreign manufacturers that now are producing drugs in Russia are GlaxoSmithKline (31.4% in roubles), AstraZeneca (15.6%), and Merck & Co (13.9%). Most of localized drugs are antiinfectives for systemic use, various drugs (such as the contrast media Ultravist and Gadovist, the renal failure drug Ketosteril), and drugs acting on blood and blood forming organs.

Though in 2023 more funds were allocated for imported drugs, the process of import substitution continues. Below are the top 10 INNs with a maximum rate of shift to localized drugs from the top 100 by purchase volumes (these INNs account for 68.7% of all hospital purchases in money).

The INNs put on the list in 2023 differed from those listed a year earlier. Only two INNs (fulvestrant and pneumococcal vaccine) remained in the ranking for a second year in a row. So, each year the import substitution trends cover more and more nomenclature items.

In the top 10 there are 4 INNs, localized drugs within which already demonstrated the largest share of purchases a year earlier (highlighted in green). Their share grew thanks to the increase in purchases of the top-selling drug or to the inclusion of several other localized drugs in the procurement list.

In 2023, not a single new INN could be found in the top 100. The best-selling new drugs ranks only 202nd. It is the combination drug to treat HIV infection Elpida (INN-tenofovir + elsulfavirine + emtricitabine) from the same-name manufacturer.

According to the data for 2023, localized drugs exceed 90% in 921 INNs out of 2,023 INNs purchased by hospitals. And there are still 684 INNs in which imported drugs prevail (accounting for over 90% in purchases); 49 of them are in the top 100 by value. At the moment, the largest INNs represented only by imported drugs are: monoclonal antibodies nivolumab and pertuzumab, and antiandrogen enzalutamide — the three INNs account for 6.4% of hospital purchases.

Price segmentation

The structure of HCI purchases by price segments is shown in Figure 27. In 2023, the price structure of hospital purchases changed insignificantly. Two categories grew over the year: “less than 100 roubles” (+0.7% in roubles, and +6.1% in packages) and “500-1,000 roubles” (+0.8% and +0.5%, respectively). All other segments declined in the value of purchases of drugs for HCI. Also the largest price category “above 1,000 roubles” shrank from 87.1% in 2022 to 86.8% in 2023. The most popular are still the most expensive drugs.

In packages, as before the largest segment is that of drugs priced of up to 100 roubles: it accounts for 57.6%. In 2023, the share of this price segment notably rose – by 6.1% compared to 2022. Among the most purchased are INN-sodium chloride drugs (12.3% of the physical volumes of drugs priced “less than 100 roubles”). Purchases of sodium chloride significantly dropped – by 54.4% in packages.

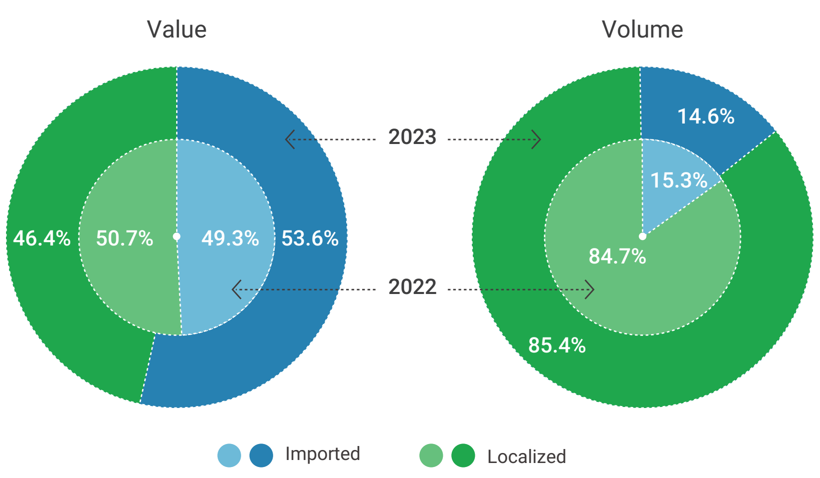


Figure 26

HCI segment structure by localization degree, 2022-2023

Table 17

Top 10 INNs in terms of import substitution, in value, 2023

Ranking	INN	Share of localized drugs, roubles		Share growth	Top-selling drug (manufacturer), 2022	'Shift-to' drug (manufacturer), 2023
		2022	2023			
1	Alteplase	**7%**	**65%**	**+58%**	**Actilyse** (Boehringer Ingelheim)	**Reveliza** (Generium)
2	Pembrolizumab	**0%**	**45%**	**+45%**	**Keytruda** (Merck & Co)	**Pembroria** (Biocad)
3	Omalizumab	**11%**	**50%**	**+39%**	**Xolair** (Novartis)	**Genolar** (Generium)
4	Fulvestrant	**47%**	**79%**	**+32%**	**Faslodex** (AstraZeneca)	**Fazotikad** (Biocad)
5	Sunitinib	**60%**	**89%**	**+29%**	**Sunitinib** (Nativa/Spectr)	**Sunitinib** (Repart)
6	Adalimumab	**25%**	**48%**	**+23%**	**Humira** (AbbVie)	**Exemptia** (Rus Biopharm), **Dalibra** (Biocad)
7	Eribulin	**0%**	**16%**	**+16%**	**Halaven** (Eisai Europe)	**Eribulin** (Promomed Rus, Pharmasintez)
8	Heparin sodium	**61%**	**76%**	**+16%**	**Heparin** (Jodas Expoim)	**Heparin** (Wellpharm as part of Bright Way Group)
9	Sevoflurane	**61%**	**74%**	**+13%**	**Sevoflurane** (Alvils)	**Sevoflurane** (Alvils)
10	Vaccine for the prevention of pneumococcal infections	**76%**	**89%**	**+12%**	**Prevenar** (Pfizer)	**Pnemotex** (Nanolec)

The structure of purchases in packages shifted towards the “up to 100 roubles” segment due to increased purchases of the radioactive tracer Fludeoxyglucose [18F] (+833.1%), the hypolipidemic agent Atorvastatin (+419%), and the beta-adrenergic blocking agent Bisoprolol (+106.3%).

The highest share among imported drugs is held by drugs priced above 1,000 roubles: 95.7% (Figure 28). Among localized drugs, the share of the price segments «less than 100 roubles» (5.1%), «100-500 roubles» (10.3%) and «500-1,000 roubles» (8.1%) is insignificant; the highest rate of sales accounting for 76.5% was also in the segment “above 1,000 roubles”.

In the segments where the price per package is up to 1,000 roubles the difference between the weighted average price for imported and for localized drugs is not so perceptible whereas in the largest segment of drugs priced “above 1,000 roubles” the difference between Russian and foreign drugs is still fairly marked: almost three-fold.

Structure of sales of drugs by ATC codes

The ratio of hospital purchases in Russia at the end of 2023, by ATC codes, 1st level, is shown in Table 18.

The ranking of drugs in the HCI segment by ATC codes is much different from that on the commercial market. The top 2023 ranking differs from the ranking of the previous year.

In the last few years, [L] Antineoplastic and immunomodulating agents remained on top in the hospital purchases segment (a 42.2% share in value). Since 2013, purchases in the code were annually growing. But 2023 put an end to the trend: for the first time ever, Antineoplastic and immunomodulating agents dropped in sales by 15.5%. The drop was due to ATC code [L04] Immunosuppressants (-73% compared to 2022), namely, Russian Biocad’s interleukin inhibitor Ilsira (-97.5%), R-Pharm’s monoclonal antibodies Artlegia (-91.3%), and Generium’s immunosuppressant Elizaria (-85.6%). In volume, purchases of ATC code [L] also decreased, by 9% compared to 2022. It must be said that despite a drop in

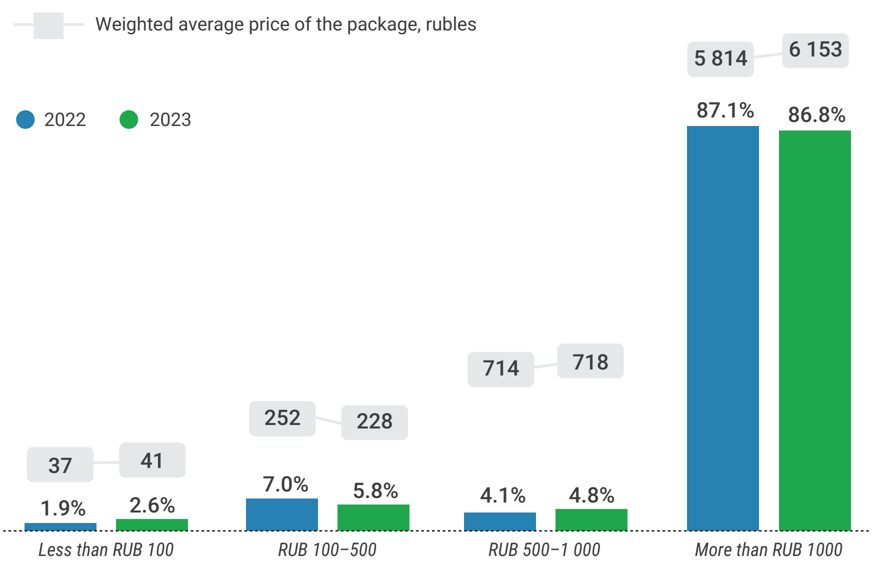


Figure 27

Structure of hospital purchases, by price segments, in value, 2022-2023 purchases the share of antineoplastic and immunomodulating agents grew by 4.4% in roubles and by 0.4% in packages.

Over the year, purchases of ATC code [J] Antiinfectives for systemic use shrank by 82 billion roubles, with a 8.8% drop in their share, both in value and volume. As a result, the ATC code's share was one-and-a-half times less than the market leader's, antineoplastic agents. The reason is the same – a decrease in demand for immune sera and immunoglobulins (-56.9%), antivirals (-52.9%), and antibiotics (-39.6%).

Purchases of Evusheld used in the pre-exposure prophylaxis and treatment of COVID-19, which a year earlier held 57.4% in the sub-group of immunoglobulins [J06], dropped by 98.8%. Sales of Covid-Globulin decreased by 99.7%.

In the previous year, the leaders in ATC code [J05] were antivirals for the treatment of the novel coronavirus infection. In 2023, their year-on-year purchases declined significantly: Favipiravir (-98.2%), Molnupiravir (-97.6%), Remdesivir (-93.9%), Umifenovir (-92%).

The heaviest drop in purchases in the antibacterials sub-group [J01] was in Levofloxacin (-65.5%), Cefoperazone+Sulbactam (-50.9%), and Meropenem (-50.9%) used in the antibacterial and antimycotic treatment of complicated forms of COVID-19.

Only tuberculosis drugs grew in sales (+21.2%). The leaders in ATC code [J04] are Cycloserine, Deltyba and Terizidone.

A similar trend is with the drugs acting on blood and blood forming organs – ATC code [B] dropped in value by 36.3% compared to the previous year. Twice as low were purchases of anticoagulants that hold a significant share (50%) in the group in question. Anticoagulants reducing the risk of blood clots were also used in COVID-19 treatment profiles. The most significant drop was in Heparin Sodium (-69.7%), Nadroparin Calcium (-68.5%), and Enoxaparin Sodium (-67.7%).

The top-performing in the analysed period were drugs in ATC code [A] Alimentary tract and metabolism. The 67.1% growth in value purchases was mainly on account of the four-fold increase in demand for drugs used in diabetes. Fifty percent of the 2023 expenditures on purchases of drugs used in diabetes fell within INN-dapagliflozin (the key brand: Forxiga), INN-empagliflozin (Jardiance), and INN-insulin glargine (Toujeo SoloStar).

Figure 28

Structure of hospital purchases, by price segments, imported and localized drugs, in value, 2023

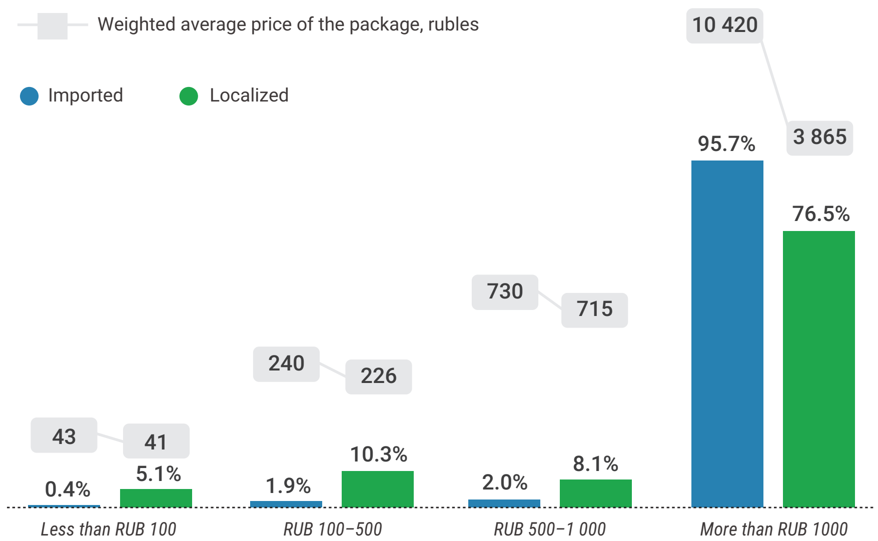


Table 18

Hospital purchase structure, by ATC code, 2023

ATC codes 1st level	Value purchases, mln roubles	Share in value terms	Volume purchases, mln packages	Share in volume terms
[L] Antineoplastic and immunomodulating agents	**175.9**	**42.2%**	**22.1**	**4.9%**
[J] Antiinfectives for systemic use	**105.9**	**25.4%**	**110.2**	**24.3%**
[B] Blood and blood forming organs	**39.5**	**9.5%**	**76.0**	**16.7%**
[A] Alimentary tract and metabolism	**22.5**	**5.4%**	**56.8**	**12.5%**
[N] Nervous system	**15.8**	**3.8%**	**53.5**	**11.8%**
[V] Various	**14.6**	**3.5%**	**21.3**	**4.7%**
[C] Cardiovascular system	**8.3**	**2.0%**	**51.9**	**11.4%**
[R] Respiratory system	**7.3**	**1.8%**	**13.1**	**2.9%**
[M] Musculoskeletal system	**6.3**	**1.5%**	**14.0**	**3.1%**
[~] non-ATC	**5.9**	**1.4%**	**1.2**	**0.3%**
[S] Sensory organs	**5.5**	**1.3%**	**4.1**	**0.9%**
[D] Dermatologicals	**3.8**	**0.9%**	**21.1**	**4.6%**
[H] Systemic hormonal preparations, excluding sex hormones	**3.5**	**0.8%**	**5.6**	**1.2%**
[G] Genitourinary System and Sex Hormones	**2.0**	**0.5%**	**2.9**	**0.6%**
[P] Antiparasitic Products, Insecticides and Repellents	**0.0**	**0.0%**	**0.2**	**0.0%**

Manufacturers in the hospital purchases segment

Table 19 shows the ranking of the top 20 manufacturers in the HCI segment at the end of 2023; it is much different compared to the previous year, both in terms of manufacturers as well as in terms of their positions. The top 3 manufacturers are companies with a high proportion of drugs for the treatment of oncological diseases.

Russian Biocad moved up in 2023 to rank first, despite a 20.4% drop in purchases compared to 2022. Over the year, HCI purchased 37 brands of the manufacturer, which substitute for foreign-made equivalents under the import substitution programme. The Russian manufacturer's flagship brand was Pembroria (INN — pembrolizumab), a generic of Merck & Co's original antineoplastic Keytruda; the year-end purchases of the drug amounted to 8.6 billion roubles. The drop in the purchases of Biocad's products was due to the interleukin inhibitor Ilsira (-97.5%), the antiestrogen Fazotikad (-42.4%), and the monoclonal antibodies Acellbia (-41.2%). The highest growth in the hospital expenditures was on the monoclonal antibodies Herticad (+12.8%) and Avegra (+12.7%), and the tumour necrosis factor-alpha inhibitor Infliximab (+10.4%).

F.Hoffmann-La Roche moved up from the fourth line to rank second (-2.9%). The company's hospital product mix comprises 39 brands, 22 of which are antineoplastic and immunomodulating agents. The maximum reduction in consumption was in Cotellic used in the treatment of melanoma (-32.7%), Alecensa used in the treatment of non-small cell lung cancer (-19.8%), and Evrysdi used in the treatment of spinal muscular atrophy (-17.6%). Purchases of Erivedge used in the treatment of basal cell carcinoma grew by 65.6%.

Public funds spent in 2023 on purchases of Merck & Co's drugs totalled 26.8 billion roubles, which is 35.1% less than a year earlier. As a result, the previous year's leader moved to rank third in the top 20. The number of brands purchased in the hospital segment shrank to 51. Supplies of Lagevrio, a molnupiravir-based antiviral used in the treatment of COVID-19, discontinued. Among the major brands, the highest drop was in the human papillomavirus vaccine Gardasil (-60.3%). At the same time, this HPV vaccine holds a major share in purchases (91.8% of spending within INN). Purchases of the pneumococcal vaccine Pneumovax decreased by 58.1%: HCI choose Russian Nanolek's Pnemotex and Pfizer's localized Prevenar. The manufacturer's major product Keytruda, an antineoplastic used in the treatment of a variety of malignant tumours, also saw a negative trend (-50.8%). Purchases of the antiviral for HIV Delstrigo, on the contrary, grew over the year as much as by 356%.

There are 5 domestic manufacturers in the top 20 by value of hospital purchases: Biocad (1st), Nacimbio (7th), Pharmasyntez (8th), ChemRar Group (18th), and R-Pharm (19th). Each of them saw a drop in sales compared to the previous year. Moreover, the drop in sales of R-Pharm (-73%) and Pharmasyntez (-56%) was the heaviest among the top 20.

Growth in purchases compared to 2022 was observed only for four manufacturers from the ranking. The highest growth was in: Astellas Pharma (+63.4%, +12 lines), Gilead Sciences (+18.4%, +4 lines), and Takeda (+11.7%, +10 lines).

Astellas Pharma supplies 19 brands to hospitals; over the year, one new drug appeared in the company's portfolio – Evrenzo used in the treatment of anemia in adult patients with chronic kidney disease. 90.3% of the manufacturer's sales in value is Xtandi, an antineoplastic used in the treatment of prostate cancer (+68.4% compared to 2022). The fastest-growing in the top ten were the oral antihyperglycaemic agent Suglat (+417.9%) used in the treatment of type 2 diabetes, and the protein kinase inhibitor Xospata (+139.7%) used in the treatment of acute myeloid leukaemia, launched on the market in 2022.

Drugs in the hospital purchases segment

Table 20 shows the top 20 brands in the HCI segment at the end of 2023. The top 20 brands in hospital purchases account for 32.4% – the same as in the previous year.

There are drastic changes in the ranking: in 2023, none of the top 20 drugs retained their previous year's positions. There are 8 new brands, including a new drug – the monoclonal antibodies Pembroria (ranking 5th).

The leader at the end of 2023 was GlaxoSmithKline's original Tivicay (+15%, +3 position lines over the year), localized at the Servier Rus plant. Tivicay (INN-dolutegravir) in the form of film-coated tablets (50 mg) is purchased by HCI for HIV patients. According to the State Register of Medicines, at the end of 2023 R-Pharm registered Russian unbranded generic Dolutegravir.

Swixx Biopharma's original Opdivo (INN-nivolumab) moved up one position line over the year to rank second among the brands, despite a 21.7% decline in purchases. The antineoplastic in the form of concentrate to prepare solution for infusion is used in the treatment of melanoma, NSCLC, renal cell carcinoma, cHL, and other tumours. At the moment, the drug has no equals in Russia.

The third in the top three is Merck & Co's antineoplastic Keytruda (-50.8%) used in the treatment of different types of cancer. The drug is also available in the form of concentrate to prepare solution for infusion. The drop was observed because hospitals choose to purchase Russian Biocad's new generic Pembroria (ranking 5th).

The highest growth dynamics were demonstrated by Forxiga used for diabetes (+785.9%), in film-coated tablets (5 and 10 mg). AstraZeneca's drug moved up 220 lines over the year. Positive dynamics were demonstrated also by Gilead Sciences' antiviral [HIV] Biktarvy (+149.7%, +61 lines over the year) and Astellas' hormonal antineoplastic Xtandi used in the treatment of prostate cancer (+68.4%, +18 lines).

Purchases of the anticoagulant Xarelto, which was prescribed to COVID-19 patients with predispositions to thrombosis, dropped by 47.9%.

The ranked drugs are composed of: antineoplastic, including hormonal, agents – 10 brands; antiviral (HIV) drugs – 4 brands; influenza vaccines – 2 brands; anticoagulants – 2 brands; drugs for diabetes – 1 brand; rehydrating and solvent agents – 1 brand.

Besides high-cost imported drugs, the top twenty include also the low-cost rehydrating and solvent agent Sodium Chloride (-18.9%, +2 position lines). Despite a major decline in the purchases of Sodium Chloride (-50.4% in packages), in 2023 the drug remains on top in volume, accounting for 8.6% of all packages purchased in the hospital segment. 36 manufacturers are marketing drugs under this brand. The 2023 leaders in rouble turnovers were Eskom, Mosfarm and Pharmasyntez.

Table 19

Top 20 manufacturers in the HCI segment in value, 2023

Note: *«manufacturer» means the parent company that may incorporate several production sites.*

Ranking	Change against 2022	Manufacturer	Purchases, mln roubles	Share	Growth to 2022
1	+1	Biocad	**29 258**	**7.0%**	**-20.4%**
2	+2	F.Hoffmann-La Roche	**28 375**	**6,8%**	**-2.9%**
3	-2	Merck & Co	**26 805**	**6.4%**	**-35.1%**
4	+2	AstraZeneca	**19 765**	**4.7%**	**-14.8%**
5	-	Swixx Biopharma	**19 753**	**4.7%**	**-29.0%**
6	+3	GlaxoSmithKline	**18 191**	**4.4%**	**-0.9%**
7	-	Nacimbio	**17 983**	**4.3%**	**-4.3%**
8	-5	Pharmasyntez	**13 603**	**3.3%**	**-56.0%**
9	+2	Bayer	**13 011**	**3.1%**	**-25.4%**
10	+4	Johnson & Johnson	**12 810**	**3.1%**	**1.1%**
11	+4	Novartis	**11 949**	**2,9%**	**-2,7%**
12	+1	Sanofi	**11 642**	**2.8%**	**-24.3%**
13	-1	Pfizer	**11 069**	**2.7%**	**-34.2%**
14	+12	Astellas Pharma	**7 929**	**1.9%**	**63.4%**
15	+4	Gilead Sciences	**7 878**	**1.9%**	**18.4%**
16	-	AbbVie	**7 234**	**1.7%**	**-16.6%**
17	+1	Amgen	**5 981**	**1.4%**	**-11.1%**
18	-1	ChemRar Group	**5 245**	**1.3%**	**-23.5%**
19	-11	R-Pharm	**4 964**	**1.2%**	**-73.0%**
20	+10	Takeda	**4 799**	**1.2%**	**11.7%**

Table 20

Top 20 brands in the HCI segment in value, 2023

Ranking	Change against 2022	Brand	Purchases, mln roubles	Share	Growth to 2022
1	+3	Tivicay	**12 224**	**2.9%**	**15.0%**
2	+1	Opdivo	**11 604**	**2.8%**	**-21.7%**
3	-2	Keytruda	**10 582**	**2.5%**	**-50.8%**
4	+2	Sovigripp	**10 297**	**2.5%**	**9.7%**
5	new	Pembroria	**8 612**	**2.1%**	**new**
6	+5	Avegra	**8 369**	**2.0%**	**12.7%**
7	+3	Perjeta	**7 804**	**1.9%**	**2.1%**
8	+18	Xtandi	**7 159**	**1.7%**	**68.4%**
9	+3	Kadcyla	**7 143**	**1.7%**	**-3.5%**
10	+7	Tecentriq	**6 488**	**1.6%**	**0.0%**
11	+12	Erbitux	**5 957**	**1.4%**	**35.5%**
12	+6	Isentress	**5 578**	**1.3%**	**-2.1%**
13	+2	Sodium Chloride	**5 333**	**1.3%**	**-18.9%**
14	+11	Elpida	**5 003**	**1.2%**	**17.0%**
15	+5	Ultrix	**4 772**	**1.1%**	**-10.8%**
16	-3	Xarelto	**3 835**	**0.9%**	**-47.9%**
17	+20	Herticad	**3 759**	**0.9%**	**12.8%**
18	+3	Brilinta	**3 596**	**0.9%**	**-26.9%**
19	+220	Forxiga	**3 529**	**0.8%**	**785.9%**
20	+61	Biktarvy	**3 478**	**0.8%**	**149.7%**

5. Dietary Supplements

The second best represented (after drugs) category in the pharmacy segment are dietary supplements (DS). DS rank second both by the volume of sales and by the average number of SKUs sold per pharmacy. In terms of dynamics, DS are perhaps the only group that has been growing in value in the recent years at a double-digit rate.

So, it is just to be expected that with the time the state control instruments that first apply to drugs also DS. One of such instruments is labelling. The pilot project on tracking the distribution of DS was launched far back in May 2021 and involved around 500 DS manufacturers and importers. Various packaging configurations as well as three labelling techniques were under testing. As from October 1, 2023, DS labelling became mandatory. The rules of labelling with identifying marks were approved as per RF Government Order No. 886 of May 31, 2023. The order defined the requirements to economic agents involved in circulation, procedures for communication of data on and registration of products in the monitoring system, and the deadlines for reporting data on release for use and withdrawal from circulation.

The rules will be introduced gradually, during several years, as was with drugs. Pursuant to the order document, the following DS labelling milestones were established:

- September 1, 2023: launch of the mandatory registration in the labelling system for all economic agents involved in circulation, registration in the Chestny Znak system;
- October 1, 2023: manufacturers and importers apply labelling codes on consumer packaging and communicate data on release for use to the Chestny Znak system;
- November 1, 2023: importers are required to submit declarations to report labelling codes for imported products;
- March 1, 2024: all economic agents involved in circulation enter item-by-item withdrawal data in the system;
- May 1, 2024: start of volume/control accounting — electronic document flow is mandatory in shipments and acceptance of products;
- September 1, 2025: start of DS item-by-item record keeping; economic agents involved in circulation are required to enter in the system data on each product unit and its digital code.

From now, labelling applies to vitamins, mineral mixtures, fish oil, gelatine, lozenges for sore throat, cough tablets, and other DS with state registration certificates. It means that monitoring over circulation of dietary supplements will apply not only to pharmacies but also to other sales channels.

The problem of online trading of non-certified DS grew worse in 2022. Wildberries, for instance, embarked on internal checks of the legality of adding new DS in product mixes. To do so, the platform even had to minimize DS sales for a few months in order to be able to check if all product items had state registration certificates. In fact, DS are included in the Chestny Znak system in order to make the DS market more transparent: buyers will be able to check the origin and composition of the product, and also complain about counterfeits.

DS hold around 7% in the pharmacy market structure. The key drivers of the DS market growth are:

- consumption during and after Covid-19;
- improved perception of DS by consumers;
- diversification of sales channels – intensive promotion of the DS segment in non-pharmacy e-commerce (marketplaces);
- dynamic promotion of DS by manufacturers and pharmacy chains.

The latter impacts and increases competition among manufacturers. In four years, the number of companies manufacturing DS has increased by one third to total over 1,200. Moreover, there are twice as many product names available exclusively in pharmacies alone: over 17,000 SKUs.

One of the SKU growth drivers is the development of private labels (PL) by pharmacies. The DS category has high potential to contribute to the growth of this segment. In 2023, the top brands are represented not only by manufacturers' branded products but also by PLs of individual pharmacy chains.

In 2023, PLs accounted for as much as 20.7% of pharmacy sales in roubles, and 28.5% in packages. A PL is a tool to increase profits and a high-margin product. That is why, supply on the PL market is constantly growing.

Compared to 2019, the mix of products offered by pharmacies increased almost six-fold: as many as around 3,000 PL SKUs were offered by pharmacies in 2023.

125 pharmaceutical companies manufacture PL dietary supplements for pharmacy chains. Leaders among them are Russian Kvadrat-C, Mirrolla, VTF, and Evalar accounting for nearly half of the traded PLs.

Expansion of the range of offered DS is observed also in non-core sales channels. For

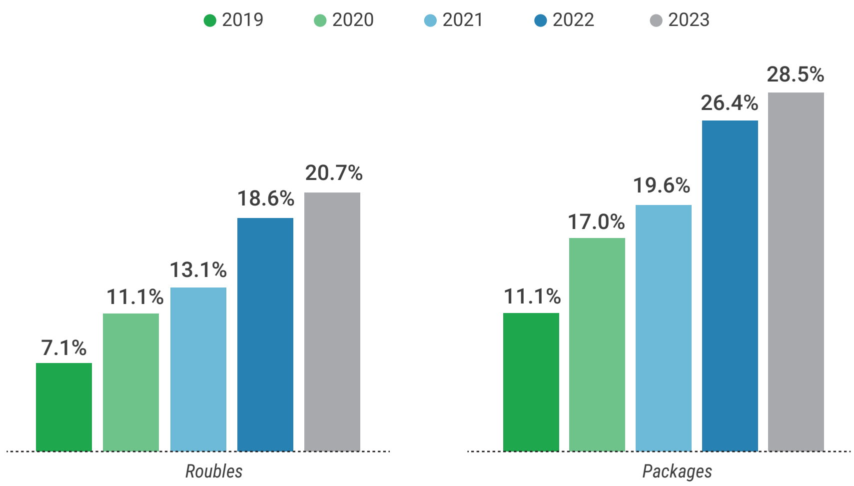


Figure 29

Private labels in pharmacy sales of DS example, Azbuka Vkusa launched production of its own PL line of dietary supplements, Azbuka Life, at production facilities of French Irati (12 product names). The retailer has 168 stores in Moscow and Moscow region, and Saint Petersburg. The stores are managed by LLC Gorodskoy Supermarket.

Similar initiatives are intended to be launched also by other chains. For example, Vkusvill's private label DS and vitamin line has more than 100 names of products made in Russia.

Today DS are offered also by multi-level marketing distributors and different websites. The consumer is already used to buying supplements through social media or using specialized platforms, so, it is easy for the consumer to switch to using instruments similar in format such as, in the first place, marketplaces. That's why the DS segment is rapidly developing on well and long known platforms.

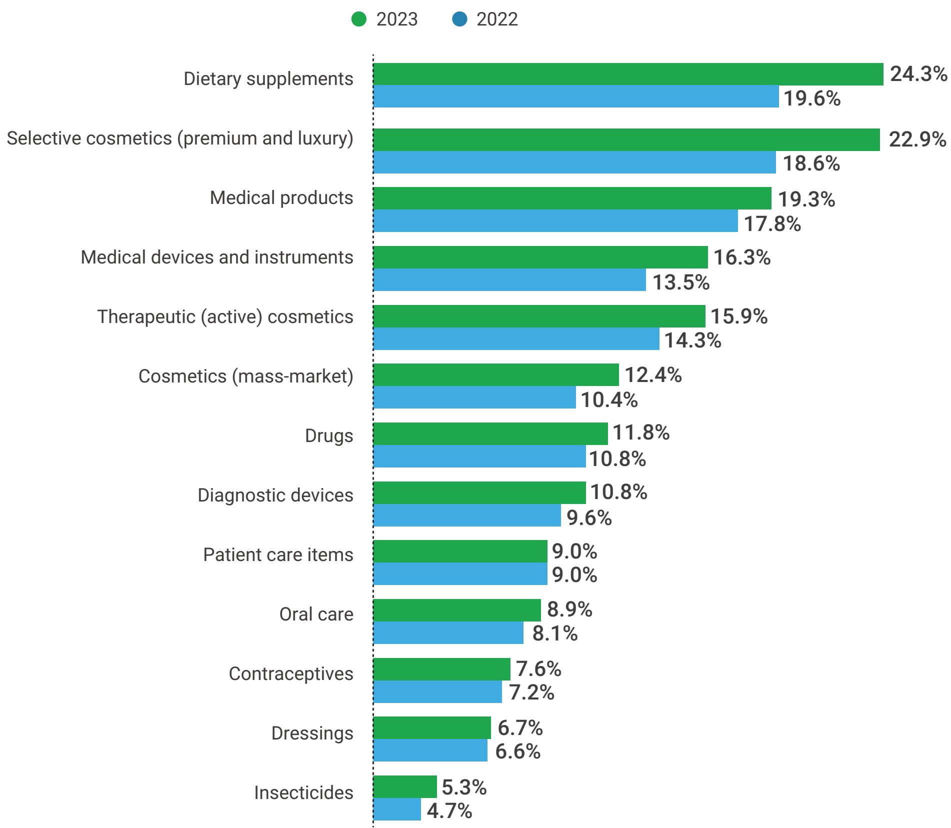
In the previous year, Wildberries alone offered more than 40,000 vitamin and DS names from more than 3,000 sellers. The sales in 2023 were approximately 9.5 billion roubles (+64%). Let us mention that marketplace promotion has a major impact on the sales structure and ranking. The top-ranking are dietary supplements by Zhiznivek that offers products in the high-price segment. In 2023, the company came ahead of the previous year's leaders GLS Pharmaceuticals and Evalar.

The Ozon marketplace also offers consumers a wide range of Vitamin and DS products: 55,000 SKUs; the category grew by 46% to 14.7 billion roubles. The marketplace's 2023 leader was Evalar; GLS Pharmaceuticals moved down to rank second.

Among the main types of pharmacy products, the DS category is one of those with the highest eCom share – 24.3% of the total 2023 year-end capacity of the pharmacy market for dietary supplements (excluding PLs).

Figure 30

Pharmacy eCom share, by product type, 2023



In 2023 as a whole, DS sales in pharmacies were worth 127.6 billion roubles and 415 million packages. As a result of the expansion of the PL category and the increasing popularity of online sites, dietary supplements became one of the fastest growing categories in the product mix. In the last four years, the market for food supplements has been growing at double-digit rates. In particular, in 2023 the market grew by 13.1% compared to the previous year. At the same time, in terms of packages sales remain on more or less the same level: compared to 2022, consumption decreased by less than 1%.

The year-on-year monthly dynamics analysis shows that only in March there was a drop in sales (-17.5% against the third month of 2022). Hence, exclusive of March, the pharmacy DS market grew by 17.4%.

The DS promotion strategy shifted towards “prevention and comprehensive treatment”. With health seen as a more valuable asset, dietary supplements were promoted as useful and essential nutrients. The Russian pharmaceutical market follows the “pharmacy/patient” archetype, i.e. to buy or not to buy a drug is often decided by the consumer right at the pharmacy, on the pharmacist’s advice or on their own.

For purposes of additional control over the distribution of DS, at issue is a legislative initiative to allow doctors to prescribe dietary supplements to their patients as treatment, by determining the treatment profile and drug doses and by making out prescriptions. Today, a doctor may just recommend vitamins or other remedies; only drugs can be prescribed.

During the pandemic, we could observe the growing consumption not only of age-old immunostimulators but also of pre- and probiotics needed for a healthy microbiome. In consequence, the demand for probiotics increased by 23%, and more than 100 new products emerged. In addition, in response to the risk of Covid-19 complications such as thrombosis, there was an increase in demand for substances acting on blood flow, which boosted the popularity of supplements containing Omega-3 polyunsaturated fatty acids: the product range increased by almost 180 product names, and sales grew by 17%.

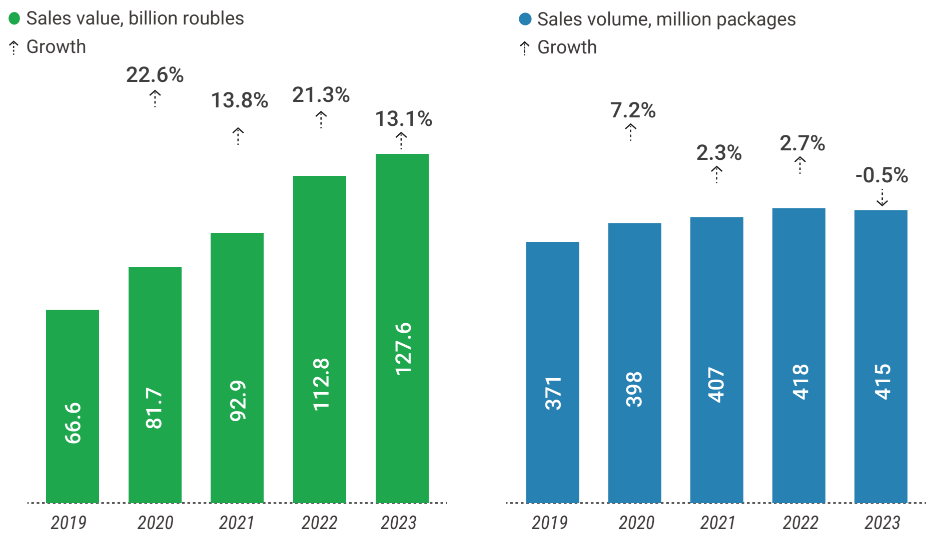


Figure 31

Dynamics of DS pharmacy sales in Russia, 2019-2023

Finally, stressed by anxiety, fearing for their health and well-being of their near and dear, people started buying more magnesium supplements — their sales rose by 14%. New trends emerged, too. For example, 2023 brought more popularity to collagen supplements – they grew by 30%, supplements for heart health rose by 26% in value.

On average, in 2023 one package of DS cost pharmacy customers 307.1 roubles (retail price), which is 13.8% more than a year earlier. Yet, the weighted average cost for pharmacies decreased by 3.5% to 194.3 roubles per package.

Customers switched to more expensive supplements and the prices grew. It had a significant impact on the sales structure by price categories. A considerable sales growth was witnessed by the high-price segment (+29.3% in roubles, and +29% in packages). As a result, the DS market structure in terms of the price categories changed giving predominance to supplements priced over 1,000 roubles, the share of this supplement group grew by 3.7% in value and by 1.3% in volume. Ultimately, the share of high-cost supplements grew to 30%.

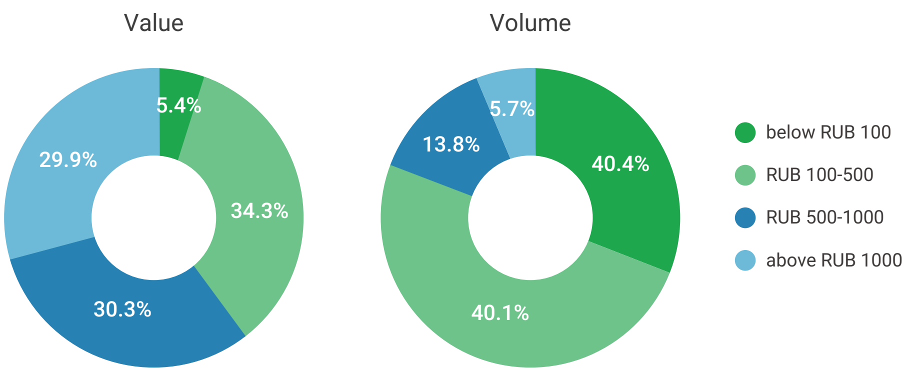
The categories “100-500 roubles” (34.3%) and «500-1,000 roubles» (30.3%) are still ahead of the most expensive supplements in value.

Cheap supplements are still the most highly demanded by Russian customers, despite a drop in their sales by 6.9% in roubles and by 12.2% in packages. In consequence, items priced «less than 100 roubles» are being gradually pushed off from shelves: in 2023, their share shrank by 5.3% to 40.4% of sold packages. Due to the low value in roubles, the lower segment is slightly above 5% (-1.2% in comparison with 2022). Hematogen and Ascorbic Acid brands account for 24% of the sales in packages in the «less than 100 roubles» segment.

The highest share of private labels is in the “100-500 roubles” segment (around 61% of the sales volumes in the price category in roubles, and 52.1% in packages). This segment grew to 2022 by 26.8% in roubles, and by 25.7% in packages. The top brands in this price segment are Consumed and Vitamir. However, across the whole market as well as in the PL segment, the highest growth was in high-cost supplements: the year-on-year increase exceeded 70%, both in roubles and in packages.

Figure 32

DS Sales Structure by price segments in 2023



When the buyer wants to save money, they choose to use online channels: as at the end of the previous year, high-cost DS packages sold through online channels were approximately three times as many as those sold at pharmacies. The decisive factor for this choice is often a price offer, and not convenience.

The changes in prices for dietary supplements have been analysed by using the Laspeyres price index. One of the reasons for the rise in the weighted average prices was the DS inflation rate. In 2023, DS prices in roubles rose by 10.7%, which is still lower than in 2022. Let us point out that most of all the prices grew in the autumn of 2023: before September, inflation was at 3%, while over the last four months the prices grew on average by 8%.

DS are marketed by manufacturers as nutritional supplements helping to prevent various diseases. The DS classifier by effect (developed by DSM) contains 16 chapters, most of which have the 2nd sub-level, and some – the 3rd.

After a year, the ranking remained almost the same. Thanks to higher growth rates, DS affecting sensory organs (+30%) ranked 11th, having replaced DS affecting the urinary system (+6.9%).

Multi-purpose supplements of group [V] DS affecting the whole body (a 29.3% share in roubles) are traditionally the most in-demand on the market. Compared to 2022, sales of this DS group only rose by 1%, which certainly contributed to a 3.5% drop in its share. The main DS brands in group [V] are: Solgar (14.1% in the group's sales in roubles) from the same-name corporation, and Dr. Reddy's Femibion (5.6%).

As before, ranking second is [A] DS affecting the digestive system (20%), its sales grew by 16.8%. The most demanded in this group are PharmaMed's Bac-Set (12.4% in the group's sales in roubles), and Russian Binnopharm Group's Maxilac (8.7%).

The third-ranking is [N] DS affecting the central nervous system function (10%), also with positive sales dynamics: +16.8%. The group is headed by Kvadrat-C's Vitamir supplements (7.8% in the group's sales in roubles) and Evalar's Anti-Age (6.4%).

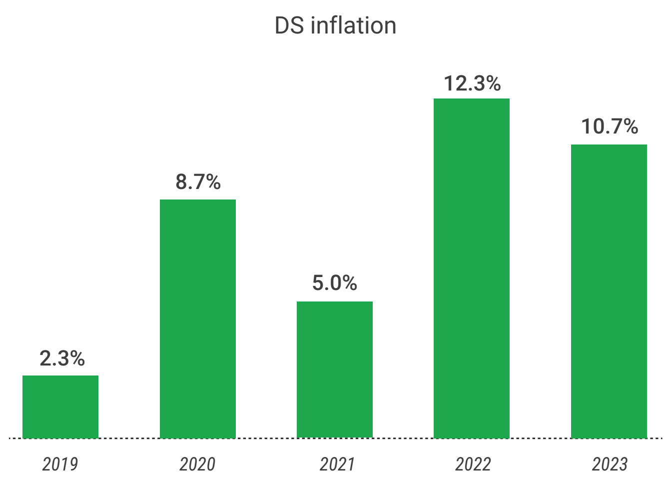


Figure 33

Change in DS prices on the Russian pharmacy market

Table 21

Sales ranking according to the DS classifier chapters, 2023

Ranking	Change against 2022	Group	Sales, mln roubles	Share	Growth to 2022
1	-	[V] DS affecting the whole body	**37 414**	**29.3%**	**1.0%**
2	-	[A] DS affecting the digestive system	**25 530**	**20.0%**	**16.8%**
3	-	[N] DS affecting the central nervous system function	**12 750**	**10.0%**	**16.8%**
4	-	[M] DS used for treatment of skeletal system conditions	**10 369**	**8.1%**	**23.8%**
5	-	[G] DS affecting the reproductive system	**9 423**	**7.4%**	**15.9%**
6	-	[C] DS supporting cardiovascular system functions	**6 459**	**5.1%**	**21.0%**
7	-	[R] DS for treatment of respiratory organs conditions	**5 673**	**4.4%**	**17.8%**
8	-	[D] DS for treatment of various skin and hair conditions	**3 432**	**2.7%**	**6.6%**
9	-	[I] DS supporting the immune system function	**3 428**	**2.7%**	**30.5%**
10	-	[B] DS affecting hematopoietic system	**2 912**	**2.3%**	**22.8%**
11	+1	[S] DS affecting sensory organs	**2 702**	**2.1%**	**30.0%**
12	-1	[U] DS affecting the urinary system	**2 248**	**1.8%**	**6.9%**
13	-	[W] Slimming and cleansing DS	**1 999**	**1.6%**	**10.6%**
14	-	[T] DS used in case of poisoning and intoxication	**1 713**	**1.3%**	**52.0%**
15	-	[H] DS affecting the endocrine glands function	**1 363**	**1.1%**	**70.5%**
16	-	[J] DS used to treat conditions caused by bacteria, viruses and fungi	**158**	**0.1%**	**-9.6%**

All groups except one showed positive dynamics. The maximum growth rates were observed in the following groups:

- DS affecting the endocrine glands function (+70.5%): the growth in group [H] was from Evalar's Evalar Laboratory (+3,058.9%) and Oligym (+387.5%) brands.
- DS used in case of poisoning and intoxication (+52%): sales of group [T] brands Evalar Transit Lymphotransit, Sorbipol and Alphasorb grew by 563.9%, 406.1% and 39.3%, respectively;
- dietary supplements supporting the immune system function (+30.5%) rank third by the annual growth rates: the group's growth was mainly owing to the Baby Formula brands (+187.2%), specifically, Evalar Immunity Gummy Bears Baby Formula, Evalar Baby Immunity and Evalar Baby Vitamin C, Bac-Set Cold/Flu (+170.4%) and Vitrum Immunactive (+169.2%).

Only group [J] DS used to treat conditions caused by bacteria, viruses and fungi, which is in demand in the months when people get colds, saw a 9.6% drop in sales. Sales of Lysolor/Muramidase and Vitamin B6 Complex (-73.5%), Consumed Antivirus Complex (-38.9%) and Viruksin (-16.8%) supplements dropped in 2023 significantly.

TOP 20 DS brands leading in sales value on the Russian market

At the end of 2023, pharmacies offered over 3,600 DS brands (around 17.1 thousand SKUs) from 1,200 manufacturers. About 300 new brands entered the market during the year. Earlier, it was easy for new products to get to the top in rankings thanks to their adequate promotion; now, it is more difficult to launch «attractive» products.

The most successful new product was PL Allvit (manufactured by several companies): its year-end sales made for 318 million roubles. The line offers 14 various products. The most demanded were Allvit Omega 3-6-9 Capsules 1,400 mg No. 60, and Allvit Vitamin D3 Capsules 2,000 ME 700 mg No. 120.

Several significant changes can be seen in the ranking of the top 20 brands leading by sales value. The top three changed, too. Now

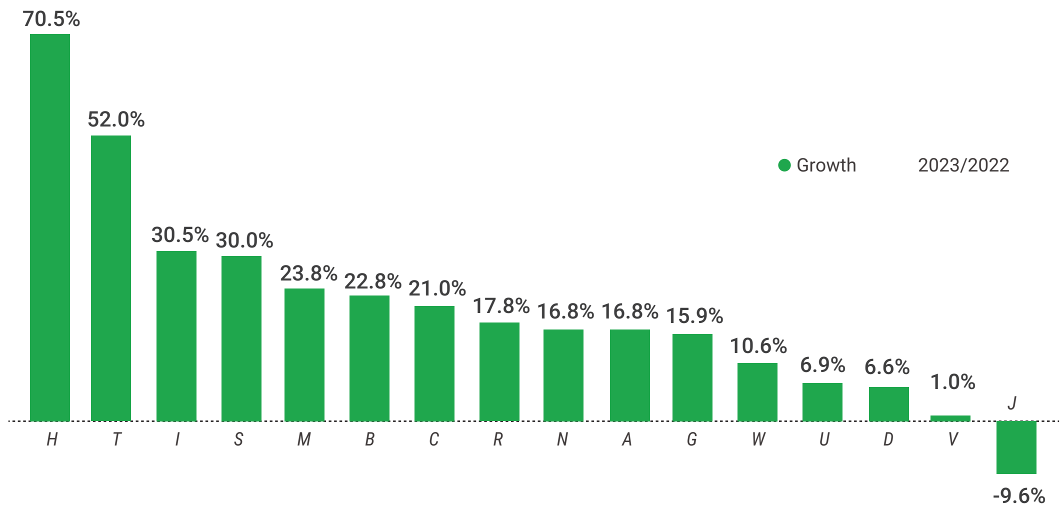


Figure 34

DS sales dynamics by classifier chapters, roubles

Table 22

TOP 20 DS brands in Russia in 2023

Ranking	Change against 2022	Brand	Sales, mln roubles	Share	Growth to 2022
1	-	Evalar	**15 576**	**12.2%**	**19.7%**
2	-	Solgar	**8 229**	**6.5%**	**1,5%**
3	+3	Vitamir	**3 647**	**2.9%**	**26.9%**
4	+3	Bac-Set	**3 312**	**2.6%**	**23.2%**
5	-1	Doppelherz	**3 135**	**2.5%**	**5.9%**
6	-1	Consumed	**3 091**	**2.4%**	**5.5%**
7	+16	Bud' Zdorov!	**2 290**	**1.8%**	**297.7%**
8	-	Maxilac	**2 222**	**1.7%**	**-2.9%**
9	-	Femibion	**2 081**	**1.6%**	**0.9%**
10	-	Detrimax	**1 919**	**1.5%**	**1.4%**
11	+16	Implovit	**1 767**	**1.4%**	**229.0%**
12	-1	Vitrum	**1 589**	**1.2%**	**6.1%**
13	+47	Gross Hertz	**1 430**	**1.1%**	**400.4%**
14	+1	Bificin	**1 126**	**0.9%**	**23.1%**
15	-1	Natures Bounty	**958**	**0.8%**	**-2.9%**
16	-4	Mirrolla	**901**	**0.7%**	**-30.0%**
17	+62	PL	**893**	**0.7%**	**301.5%**
18	+3	Vivacia	**861**	**0.7%**	**24.0%**
19	-1	Phytomucil	**833**	**0.7%**	**-1.8%**
20	-3	Elevit	**796**	**0.6%**	**-7.2%**

the top three are the lines with a wide range of products: Evalar (12.2%) and Solgar (6.5%) from the same-name manufacturers, and Kvadrat-C's Vitamir (2.9%).

There are five new ranked brands: "Bud' Zdorov!" (+297.7%, +16 lines), Implovit (+229%, +16 lines), Gross Hertz (+400.4%, +47 lines), PL (+301.5%, +62 lines), and Vivacia (+24%, +3 lines). All of these supplements are private labels.

The worst-performing of the year was the Mirrolla brand: following a 30% decline in sales, the brand moved down in the top 20 from the 12th line to rank 16th.

The DS market is dominated by products manufactured in Russia. Russian DS account for 81.9% of sales in volume and for 63.8% in value. Over the year, the DS market structure shifted in favour of Russian products: their share grew by 4% in roubles and by 1% in packages.

Given the political and economic situation, the share of Russian manufacturers will continue growing in future. In the summer 2023, the Ministry of Economic Development proposed prohibiting imports of DS from "unfriendly countries" to Russia. At the same time, the National Consumer Rights Protection Union proposed that restrictive import duties at a rate of 220% be set. By the way, Russian DS manufacturers welcomed the idea of introducing 50-70% safeguard duties on imports. None of the initiatives was supported by the ministry and Rospotrebnadzor (the Federal Agency for the Oversight of Consumer Protection and Welfare).

In addition, the Government facilitated the conclusion of special investment contracts (SPIC) for DS manufacturing, by adding the Gorbatov Federal Research Centre for Food Systems and the Federal Research Centre of Nutrition and Biotechnology to the list of research institutions that evaluate for investors the level of technologies in use, their adequacy and competitive performance for the conclusion of SPIC 2.0. It means that Russian investors will be provided with government support, specifically, preferences (such as, reduced or even zero corporate tax rates throughout the contract term) conditioned on performance of specific contractual obligations. This will ensure stability of the business environment for Russian companies.

In absolute terms, both categories grew in sales value, though at greatly varying rates: Russian supplements increased by 20.7% compared to 2022, while imported ones – by 1.9% only. In packages, sales of products of foreign manufacturers declined by 5.6%. The quantity of purchased Russian DS changed little, if at all, compared to the previous year (+0.6%).

The average per package price of a Russian DS in 2023 was 239 roubles (+20% against 2022), which is 3 times less than the per package price of an imported supplement – 615 roubles (+7.9%).

The leaders among foreign DS manufacturers are the US (42.5%), Germany (12.8%) and India (8.3%). The most popular American DS are from Solgar (Solgar DS line), PharmaMed (Bac-Set and Phytomucil), and Unipharm (Detrimax). The leaders among German manufacturers are Queisser Pharma (Doppelherz DS line) and Bayer (Elevit). The top-ranking among Indian manufacturers are Dr.Reddy's (Femibion) and Sun Pharmaceutical (Neotravisil).

TOP 20 DS manufacturers, leading in sales value on the Russian market

DS manufacturers' concentration on the pharmacy market is quite high – the TOP 20 companies hold 60.5% of the market.

For many years Russian Evalar has remained the market leader (14.4% in roubles). The company more than twice outperforms its nearest competitor, Solgar, in rouble turnovers. In 2023, the manufacturer's sales grew notably, by 19% compared to the previous year, yet, Evalar's market share grew by less than 1%. The positive dynamics in the company's performance was thanks to the increased consumption of the dietary supplement used for diabetes Oligym (+387.5% compared to 2022), marmalade chewable vitamin lozenges for children Baby Formula (+130.7%), and age management nutraceuticals Anti-Age (+61.9%). On the contrary, sales of The Calming Formula supplements to normalize CNS activations and inhibitions (-22.6%), Evalar Glycine supplements for brain function (-11.9%), and Ovesol supplements used in the treatment of liver and gallbladder disorders (-9.9%) declined.

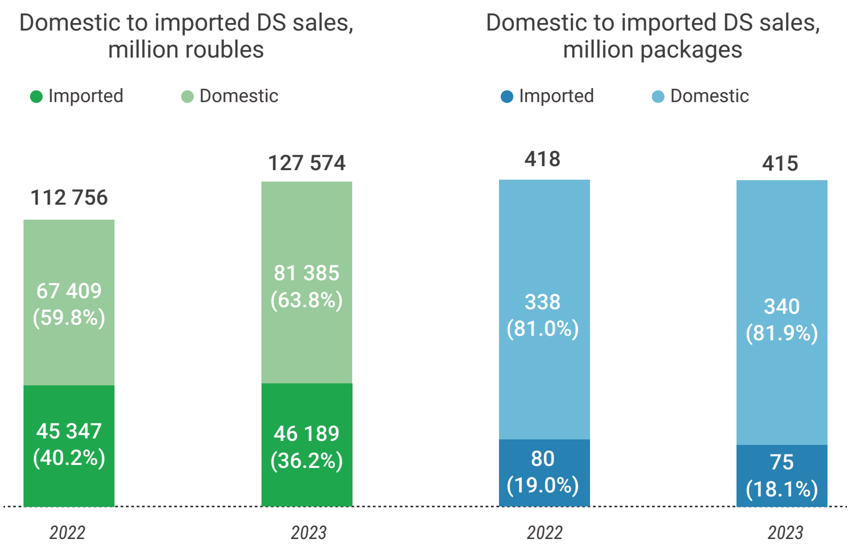
In 2023, Evalar's portfolio comprised 544 various DS product names, grouped in 121 one-brand product lines. Each year, the company launches new products on the market. In 2023, pharmacies started offering more than 70 new DS in terms of dosage forms. The best-selling new product is a supplement from the already existing line Evalar Transit Lymphotransit used to remove toxins from the body: Evalar Transit Lymphotransit Capsules 0.46 g No. 30 (earlier, the line comprised only two product forms: drink and effervescent tablets). Sales of the new product were worth around 59 million roubles.

At the end of 2023, the leader of the Russian DS market launched its own mobile application Fitomarket released under the brand of the manufacturer's marketplace. Over the year, the corporation's eCom share increased from 15% to 21%.

US Solgar (6.5%) steadily retains its second position. Holding the highest online sales share (44.9%), the company has only one brand, Solgar, that offers a variety of broad-spectrum dietary supplements: from DS affecting

Figure 35

Domestic to imported DS sales, 2022-2023



the whole body to DS supporting individual organ systems. While the manufacturer's sales growth in the market as a whole was only 1.5%, its online sales were significantly higher – 13.1%. In total, 113 product names were sold in pharmacies with a weighted average price of 1,563.4 roubles. Seven out of ten of the company's ten major product names fell in sales value. The biggest drop was observed in the products recommended by the manufacturer as an additional source of Vitamin D – Solgar Vitamin D3 (-29.1% compared to 2022), of zinc – Solgar Zinc Picolinate (-19.5%), and as a beauty supplement – Solgar Skin/Nails/Hair (-15.3%). One of the DS groups in the manufacturer's portfolio is growing in sales: Solgar Magnesium Citrate (+36.9%), Solgar Kangavites Complete Multivitamin/Mineral Formula (+26.7%), and Solgar Gentle Iron (+13%).

In 2023, Kvadrat-C (6.3%) moved up from the fourth position to rank third: the manufacturer's sales grew by 52.6%. The company's portfolio comprises two major lines: Vitamir (+26.9% compared to 2022) and Tetralab (+198.2%).

High growth rates are demonstrated by the manufacturers with a considerable proportion of PLs in their portfolios: Kvadrat-C (+52.6%), Mirrolla (+56.4%), Polaris (+68.9%), Apteka Service Plus (+49.8%), and Green Side (+110%). The manufacturers hold less than 6% in eCom.

The manufacturer that gained in the ranking most of all (+16 position lines over the year) was Russian Erzig (+124.8% compared to 2022), with its major Erzig product line.

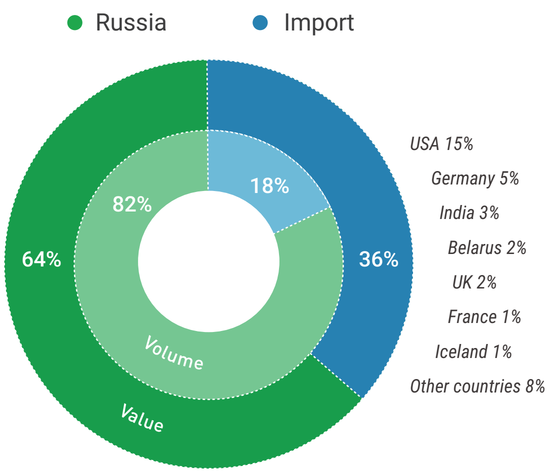


Figure 36

Domestic to imported DS sales by countries, 2023

Table23

TOP 20 DS manufacturers in Russia in 2023

Note: *«manufacturer» means the parent company that may incorporate several production sites.*

Ranking	Change against 2022	Manufacturer	Sales, mln roubles	Share	Growth to 2022	Share of online segment in the company's sales
1	-	Evalar	**18 419**	**14.4%**	**+19.0%**	**20.6%**
2	-	Solgar	**8 229**	**6.5%**	**+1.5%**	**44.9%**
3	+1	Kvadrat-C	**8 083**	**6.3%**	**+52.6%**	**5.1%**
4	-1	PharmaMed	**5 868**	**4.6%**	**+4.4%**	**22.1%**
5	+1	Mirrolla	**4 771**	**3.7%**	**+56.4%**	**2.9%**
6	-1	VTF	**3 858**	**3.0%**	**-21.2%**	**2.5%**
7	+1	Queisser Pharma	**3 136**	**2.5%**	**+5.9%**	**21.8%**
8	-1	Unipharm	**3 131**	**2.5%**	**+3.4%**	**22.8%**
9	-	Stada	**2 934**	**2.3%**	**-0.8%**	**22.1%**
10	+3	Polaris	**2 508**	**2.0%**	**+68.9%**	**3.5%**
11	-1	Dr.Reddy's	**2 462**	**1.9%**	**+5.4%**	**25.2%**
12	-1	Binnopharm Group	**2 222**	**1.7%**	**-3.1%**	**15.3%**
13	+3	Apteka Servis Plus	**1 746**	**1.4%**	**+49.8%**	**0.1%**
14	-	Bausch Health	**1 706**	**1.3%**	**+20.8%**	**12.9%**
15	+12	Green Side	**1 643**	**1.3%**	**+110.0%**	**5.2%**
16	+16	Erzig	**1 536**	**1.2%**	**+124.8%**	**5.9%**
17	-2	OTCPharm	**1 381**	**1.1%**	**+2.4%**	**21.4%**
18	-1	Laboratoires Ineldea	**1 272**	**1.0%**	**+11.4%**	**8.9%**
19	+5	Akvion	**1 153**	**0.9%**	**+32.0%**	**40.9%**
20	-2	Spectrum	**1 131**	**0.9%**	**+7.8%**	**4.7%**

6. Cosmetics

Cosmetics remain the third largest category in terms of pharmacy sales. However, the prevailing trends in recent years are likely to lead to a decline in the share of cosmetics in the pharmacy channel. A key factor in this process will be the general trends emerging in the self-care market as a whole. Most of the changes are due to the impact of the 2022 sanctions.

For instance, the exit of international cosmetics brands from the Russian market has led to a boom in the emergence of new brands. According to the major retailers, Gold Apple (Russian: Zolotoe Yabloko) introduced 1,000 new cosmetic products and Magnit Cosmetics added 400 products in 2022. Rive Gauche has 100 new Russian brands, about 170 brands of manufacturers from other countries, the company has made pharmacy and professional cosmetics as a separate line. L'Etoile has added more than 800 new brands, including 200 Russian ones.

The changes in the market have also caused changes in consumer behaviour. According to the B1 survey (conducted among 1,000 respondents in May 2023), 17% of Russians are willing to give up famous perfume brands that have left Russia and are therefore ready to switch to something else. As a result, there has been an increased interest in Russian brands, especially those with a history of market presence. It is most noticeable in the body care, face care and hair care categories. Russian manufacturers themselves are helping to bring about this change: quality formulation, focus on ingredients, product effectiveness, competitive packaging (when it is very difficult to immediately tell whether it is a foreign or a Russian brand), increased promotional activity. The perception that "imported means high quality" no longer applies to the cosmetics category.

The impact of economic factors (lower incomes of the population, higher growth in cosmetics prices) leads to a redistribution of demand within some cosmetics categories. Categories such as shampoos, shower gels and facial cleansers have started to sell more in both the high-price and low-price segments at the same time: sales of very expensive and very cheap products have increased, while sales of mid-priced products have fallen. In contrast, categories such as lip care, body and hand care, and face care have averaged out: shifted to the mid-price segment due to declining sales in the high-price and low-price segments.

Overall, cosmetics sales in 2023 grew by 10% in value terms and fell by 9% in volume terms (according to NielsenIQ). A more pessimistic trend is seen in offline sales of cosmetics. This is due to the dynamic expansion of product ranges on online marketplaces: they continue to offer some brands that have officially left the market. According to the marketplaces, sales in the categories are growing manifold. On Wildberries, for example, cosmetics sales in the first nine months of 2023 were up 95% year-on-year, with face masks up 108%, creams up 91%, deodorants up 93% and shampoos up 82%. On

Ozon, sales of products in the beauty and health category increased by 58% and the number of orders almost doubled. On Megamarket, sales of cosmetics and perfumes in 2023 increased by 3.6 times year-on-year, on Yandex.Market – by 126%.

The expansion of the range of products on offer can lead to an increase in the proportion of counterfeit products (especially on marketplaces with a low level of quality control of the goods offered for sale). The control instrument will be the labelling of certain types of perfumes, cosmetics and household chemicals. The experiment with these categories will begin in Russia on January 15, 2024. It will run until February 28, 2025. The experiment will cover the labelling of make-up, hair care, toothpaste and other oral hygiene products, shaving products, deodorants, soaps and detergents. As a result, the range of "labelled" products sold in the pharmacy channel will also expand.

On September 1, 2023, Russian Government Decree No. 870 of May 30, 2023 on mandatory labelling of antiseptics came into force. Traceability of each unit of hand hygiene cosmetic products with a declared antimicrobial activity will begin on September 1, 2025.

Cosmetics sold in pharmacies account for about 6-7% of the total self-care market. Let's see which of the above trends are relevant to pharmacy cosmetics.

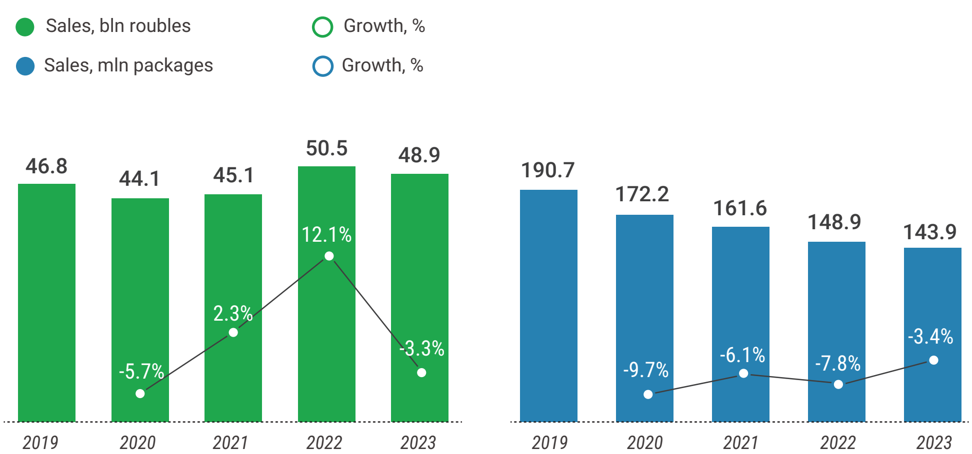
After a good year for the cosmetics market in 2022, we see a negative trend again in 2023. Pharmacy customers spent 3.3% less than a year earlier. The value sales were 48.9 billion roubles. The decline in cosmetics sales was mainly driven by lower demand for selective cosmetics, which declined by 8.9% in value terms.

Over the past few years, we have seen a negative trend in consumption in packages. In 2023, it slowed down: the rate of decline was only 3.4% compared to 2022. Pharmacies sold 143.9 million packages during the year.

Comparing monthly sales with those of the previous year, we can see that the main decline was in March (-36.7% compared to March 2022). If this month is excluded, the pharmacy cosmetics market shows an increase of 1.8%. Therefore, we can expect pharmacy sales of cosmetics to return to positive growth in 2024.

Figure 37

Pharmacy cosmetics sales dynamics in Russia, 2019-2023



In 2023, cosmetics ranked third in the structure of pharmacy sales (after pharmaceuticals and dietary supplements).

Every year pharmacies expand their range of cosmetic products, both through the introduction of new brands and the expansion of existing product lines. In 2023, Russian pharmacies sold over 2,800 different brands of cosmetics (33,000 SKUs). Manufacturers offered consumers about 150 new brands. However, none of the new products made it into the top 300 by value. The most successful among them was the 313th place brand – the therapeutic hair cosmetics Sebolept (Pharmtek) for dandruff, itchy scalp and improved hair growth. The range includes two shampoos and a conditioner, with total sales of over 21.5 million roubles in the reporting period.

Cosmetics rank high in terms of the eCom share in pharmacies' non-pharmaceutical product ranges. The combined share of cosmetics ordered through online pharmacies in 2023 was 17.1% or 8.4 billion roubles, 1.3% higher than the same figure in 2022 (in absolute terms, online sales increased by 4.3%). The products most frequently booked online are selective cosmetics (eCom share 22.9%), which are mainly available in pharmacies (brands such as La Roche-Posay, Vichy, Bioderma, etc.). This is also because consumers actively use online shopping sites to find the best price. Premium cosmetics have the highest weighted average cost per package (1,250 roubles), so price sensitivity is higher in this category.

Cosmetic products can be classified according to various parameters: price, intended use, age and social group, effect or indications for use. The **DSM Group** analysed the items and proposed its classification of cosmetic products according to purpose, activity and price. Cosmetic products sold through pharmacy chains were divided into three key groups:

Selective cosmetics (premium and luxury) are luxury, upmarket products with specialised lines that are clearly differentiated and designed for specific skin or hair conditions (e.g., La Roche-Posay, Vichy, Bioderma brands). These are usually high-priced products.

Therapeutic (active) cosmetics are products used for the treatment and prevention of specific diseases, containing biologically active substances (these include brands such as Boro Plus, Loshadinaya Sila (Horsepower), 911 Vasha Sluzhba Spaseniya (911 Your Emergency Service), etc.).

Mass-market cosmetics are affordable skin, hair and nail care products sold in both pharmacies and other retail outlets (EVO, Nivea, Floresan, etc.).

During the year, the market structure shifted in favour of private label cosmetics, whose share increased by 2.1% in roubles and 3.8% in packages. However, at the end of the year, private label products accounted for only 6.1% in value terms and 10.6% in volume terms of the total sales of cosmetics in pharmacies. It is worth noting that this category continues to grow actively for the second year in a row (+45.6% and +50.9%, respectively).

In absolute terms, selective cosmetics experienced the most significant decline compared to the 2022 figures. Value sales decreased by 8.9%, and volume sales fell by 14.6%. Among the top 10 luxury cosmetics brands, the highest decline rates were recorded by Ducray (-12.5% in roubles), Librederm (-11.5%)

and Vichy (-10.8%). Thus, the share of selective cosmetics decreased by 2.2% to 34.8% in roubles and by 1.2% to 9.4% in packages.

Active (therapeutic) cosmetics remain the most popular segment, accounting for nearly half of all cosmetics sales in pharmacies. This is why therapeutic cosmetics play a vital role in the overall performance of the market: -1.9% in roubles and -5.8% in packages. Their share increased by 0.6% in value terms, but decreased by 1.3% in volume terms. During the year, pharmacies sold 1,075 active cosmetics brands produced by 519 companies (about 5,500 SKUs). These products can be marketed as something in between non-pharmaceutical and pharmaceutical products, and demand for this category of cosmetics is driven by low pricing policies.

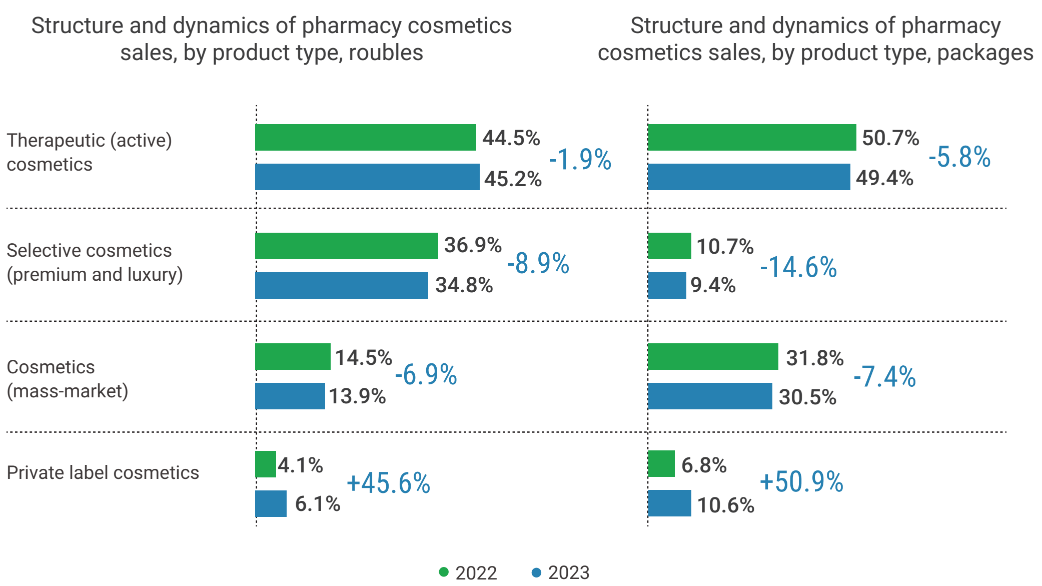
Sales of mass-market cosmetics are on the decline as well. It should be noted that pharmacies are not the main distribution channel for mass-market cosmetics. Due to a significant drop in sales, the share of this type of cosmetics decreased by 0.5% in value terms and 1.3% in volume terms. Although mass-market cosmetics account for 30.5% of all sales in packages, their share in roubles is only 13.9%, as this category is dominated by low-priced products. Most sales of mass-market cosmetics in pharmacy retail outlets are made due to impulse buying and cross-selling.

In 2023, the average weighted price of a cosmetic product in retail pharmacy prices was 340 roubles per package. Compared to 2022, the price is practically unchanged (+0.1%). Looking at each market segment, we can see that prices have increased in all categories, except for private label products (-3.5%). Premium cosmetics saw the largest increase, with the weighted average price per package rising 6.6% to 1,250 roubles compared to 2022. The price of active cosmetics per package increased by 4.1%, while the price of mass-market cosmetics was up 0.5%.

Looking at cosmetics in terms of intended use, the most popular are still multi-purpose

Figure 38

Structure of pharmacy sales by type of cosmetic product



cosmetics (30% of sales in packages), intended for all types of consumers. In terms of roubles, multi-purpose products dropped to third place in 2023, while face care (24%) and body care (22.2%) products had the highest share.

Three of the top five groups showed negative sales dynamics. Face care products (-8.1% in roubles), as well as multi-purpose cosmetics (-5.6%) and hair and scalp care products (-4.3%). Intimate care products (+13.3%) showed the highest growth rate of all groups.

The situation is similar in volume terms, with hair and scalp care cosmetics showing the most significant decline (-12.3% in packages). At the same time, sales of lip and body care cosmetics rose by 2% and 0.6%, respectively.

The largest share in the cosmetics sales structure by age belongs to cosmetics for all age groups (over 80% in value and volume terms). Next come cosmetics for babies and children (from 0 to 14 years old): 7.8% in roubles and 13.2% in packages. In third place are cosmetics for young adults (over 25), with a market share of 5.4% in roubles. There is a preponderance of high-priced premium and luxury cosmetics in this category – 78% of value sales come from selective cosmetics.

Russian cosmetics are more popular than imported brands on the pharmaceutical market, with domestically produced cosmetics accounting for over 79.9% of volume sales. As for value sales, it should be noted that the market is almost equally divided, but Russian products are slightly ahead (around 54.8% of sales).

Within segments, the ratio of Russian to imported cosmetics varies considerably (Fig. 43).

In 2023, premium cosmetics were mostly represented by imported products, which held 88% of the market in roubles and 70% in packages. The Russian brands Librederm and 8.1.8 Beauty Formula account for 99% of Russian selective cosmetics sales in roubles.

The segment of therapeutic (active) cosmetics is represented, on the contrary, mostly by Russian brands that lead both in value (77%) and in volume (83%).

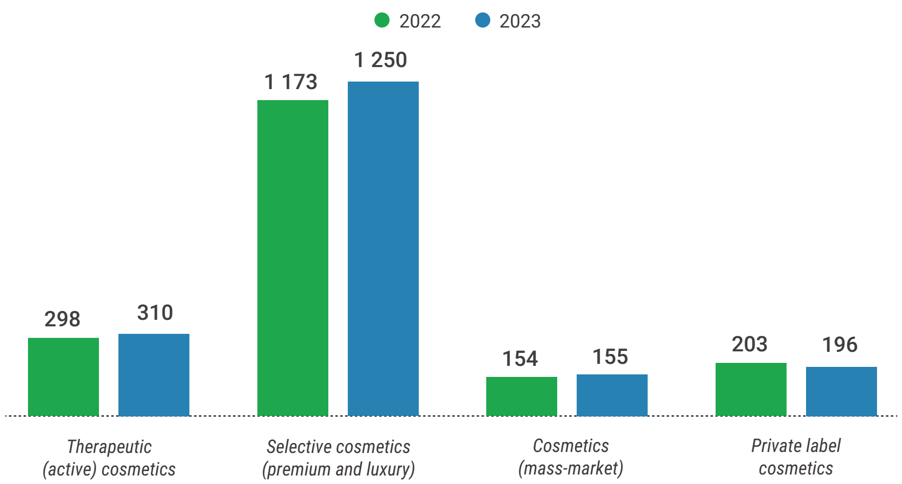


Figure 39

Weighted average price of a cosmetic product in pharmacies

The share of Russian cosmetics, which prevail in the mass-market segment, increased by another 10.9% in roubles and 6.8% in packages over the year. The key made-in-Russia brands are EVO, Moyo Solnyshko (My Sunshine) and Detskiy Krem (Baby Cream), which together hold a 17.3% market share in roubles.

Selective cosmetics

In 2023, pharmacies sold 13.6 million packages of premium cosmetics for about 17 billion roubles. Compared to 2022, the number of packages sold decreased by 14.6% and the amount spent fell by 8.9%. Only the second half of the ranking was reshuffled. Two new brands – 8.1.8 Beauty Formula (+4 places) and Eucerin (+3 places) – entered the top 10.

Due to a significant drop in sales, CeraVe (-84% and 12th place in 2023) and Filorga (-57.1% and 11th place) dropped out of the ranking of leading brands.

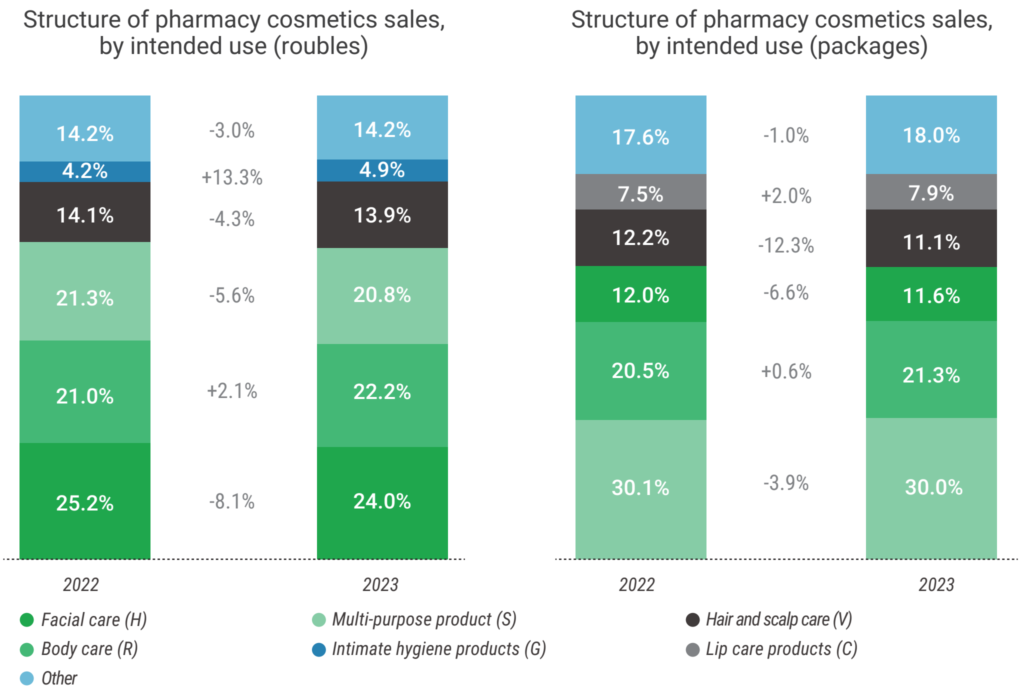
L'Oreal's brand La Roche-Posay (+3.3% compared to 2022) holds the top spot. The brand's market share increased significantly: by 3.5% to 29.6%. La Roche-Posay cosmetics based on thermal spring water are specifically designed for problem skin, which is why 40.6% of the brand's sales come from the lines Effaclar (a special range of products for oily and acne-prone problem skin) and Lipikar (care products for dry, dehydrated and sensitive skin prone to atopic dermatitis). In total, there are about 300 full trade names in the brand's portfolio.

In second place is another of L'Oreal's cosmetics products, Vichy (-10.8%), which is designed to maintain healthy and beautiful skin. Vichy's share of the selective cosmetics segment declined by 0.4% to 17.3%. 30.2% of the brand's sales come from the anti-ageing category ([A13] Ageing skin, wrinkles): the Neovadiol range for menopause, Liftactiv anti-wrinkle and skin tightening products, Slow Age products for the first signs of ageing, and Capital Ideal Soleil sunscreens (the anti-ageing products in the range). In total, 420 SKUs were sold in pharmacies with a weighted average price of 1,794 roubles.

Third place in the selective cosmetics category belongs to Bioderma Laboratories' brand Bioderma: its market share in value terms rose from 11.2% to 12.8%, as sales increased by 3.8% compared to 2022. The product range

Figure 40

Cosmetics sales structure by intended use, 2023



comprises 174 items, with face care products accounting for the largest share (around 50%). The key lines within the brand are: Sensibio (35.4%) for sensitive skin prone to redness, irritations, allergies, couperosis, rosacea and dermatitis; Atoderm (27.8%) for atopic, dry, very dry and sensitive face and body skin; Sebium (20%) for oily and combination face skin prone to acne, which helps normalise sebum production, shrinks pores and reduces oily shine.

The strongest growth was recorded by Uriage dermocosmetics (+23.3%; +1 place), which soothe irritated skin, reduce redness and improve the skin's barrier function. Leading within the brand are cosmetics for skin prone to allergic reactions, for oily, acne-prone problem skin, and for atopic dermatitis (65.1% share). The main brand ranges are: Bariesun sunscreens, Xemose products for dry and atopic skin, Eau Thermale products based on thermal spring water.

It is also worth mentioning the new products: Eucerin pharmacy cosmetics for skin and hair care (+16.6%) and 8.1.8 Beauty Formula (+9.4%) products to prevent and protect the skin from signs of fatigue and nervous tension.

The leading premium brands have quite a high level of online sales. The largest eCom shares were recorded by Eucerin (43.3% share in roubles), Ducray (41.8%) and Topicrem (34.8%).

Therapeutic cosmetics

Active cosmetics are skin care products that are positioned by manufacturers as having therapeutic properties in addition to solving aesthetic problems. This group's cosmetic products are leaders in the pharmacy market. Unlike premium cosmetics, which are mainly aimed at solving face skin problems, active cosmetics have a wider range of indications. The largest share of sales in this product group comes from products for sprains, bruises, inflammatory joint diseases (9.4% share in roubles), for dry and very dry, irritated skin (9.4%), for various skin injuries and diseases (fissures, abrasions, lacerations, burns) (8.7%).

The top 10 brands account for 27.9% of active cosmetics sales, which is significantly lower than in the luxury brands segment (89.6%). This is partly due to the fact that selective cosmetic ranges are very broad and aim to treat multiple conditions at once. As for active cosmetics brands, they are usually marketed as products that address a specific condition. Consequently, the category range is quite wide: pharmacies offer more than 1,075 brands of therapeutic cosmetics.

Compared to 2022, the rating has changed significantly, with only two brands retaining their positions from last year (Loshadinaya Sila

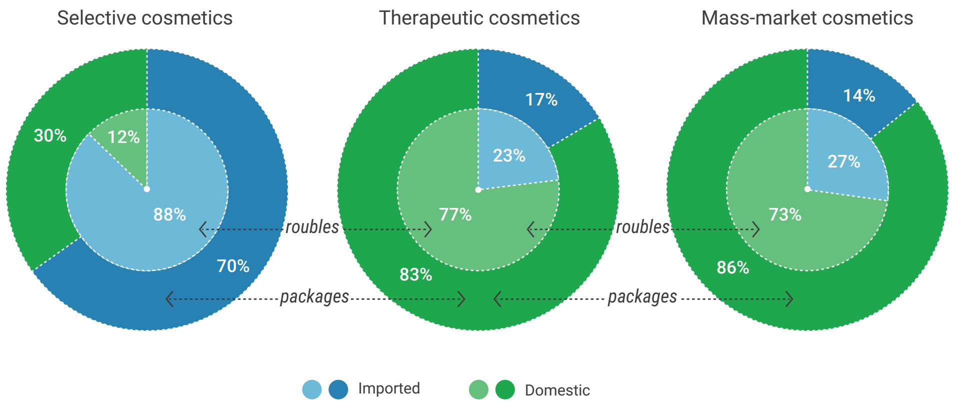


Figure 41

Domestic to imported cosmetics sales, according to type of cosmetic product, 2023

(Horsepower) and Dry Dry). Two new brands – Boro Plus line (+4 places) and Epigen intimate hygiene gel (+2 places) – made the top 10.

Esvicin hair and scalp care products (13th place) and Cetaphil cosmetic products for sensitive skin care (56th place) left the ranking.

Lipobase cosmetics for dry, very dry and atopic skin (+34.7% and +3 places) made by Pharmtek moved up to number one in 2023. Leader in 2022, Lactacyd (+5.3%), a daily intimate care range based on natural lactic acid that gently cleanses and protects women's health by preventing odour and discomfort, moved to second place. The Russian brand Horse Force is in third place, with sales of the brand down 9.6%. Body care products account for 71.5% of the brand's sales in roubles, while hair and scalp care products account for 18.6%.

Apart from the market leader, strong growth was recorded by Cinovit products (+16.7%), based on zinc for skin prone to irritation and flaking, for dandruff and acne, and the Boro Plus line (+11.2%), based on vegetable ingredients.

The worst performer of the year was the brand Alerana (-12.9% and -2 places) – a range of hair loss treatments and professional hair growth, treatment and restoration products for men and women. 73% of the products manufactured under this brand are shampoos.

The brands Dry Dry (24.3% share in roubles), Epigen (24.1%) and Lipobase (17.7%) account for the largest share of online sales.

Mass-market cosmetics

Multi-purpose cosmetics account for 32% of mass-market products, mainly for cleansing (23% share in roubles).

During the year, the rating saw a significant reshuffle, with three new brands entering the top 10: Klinsa (+6 places), Ullex (+4 places), Novosvit (+1 place).

Johnson & Johnson announced in 2022 that it would be suspending shipments of personal care products to Russia. As a result, the company's brands Johnsons (-84.2% and 29th place) and Neutrogena (-93.4% and 111th place) left the top 10 in 2023.

The only brand to retain its 2022 position was Nivea (6th place). The cosmetic skin care products are manufactured by the German company Beiersdorf.

The first three positions are occupied by brands produced by the Russian company Avanta.

For the second year in a row, the EVO range of specialised products, which provide special and daily care to restore and maintain healthy skin and hair, showed strong growth (+20.1% compared to 2022). The brand is now in first place, having moved up two places over the year.

The hypoallergenic children's cosmetics Mojo Solnyshko (My Sunshine) (+9.9%) moved up from 4th to 2nd place. The brand Children's Cream is in third place (-11.1%). Four manufacturing companies produce products under this brand, but the cosmetic cream made by Avanta accounts for 80.5% of the sales.

Five of the top ten brands showed growth. In addition to the brand EVO mentioned above, it is worth mentioning the Klinsa brand products (+29.7%) manufactured by Protek: wet wipes, antiseptic hand gel and baby powder. During the year, the brand with the strongest growth moved up 6 places in the ranking.

Table 24

Top 10 selective cosmetics brands, 2023

Ranking	Change compared to 2022	Brand	Sales, mln roubles	Share	Growth compared to 2022	Share of online sales in brand sales
1	-	La Roche-Posay	5 023.2	29.6%	+3.3%	21.5%
2	-	Vichy	2 935.9	17.3%	-10.8%	22.2%
3	-	Bioderma	2 172.6	12.8%	+3.8%	31.1%
4	-	Librederm	1 810.6	10.7%	-11.5%	12.9%
5	-	Avene	1 122.1	6.6%	-6.8%	25.3%
6	+1	Uriage	887.7	5.2%	+23.3%	21.3%
7	+3	Topicrem	362.4	2.1%	+7.1%	34.8%
8	+1	Ducray	338.8	2.0%	-12.5%	41.8%
9	+3	Eucerin	310.3	1.8%	+16.6%	43.3%
10	+4	8.1.8 Beauty Formula	252.4	1.5%	+9.4%	8.7%

Table 25

Top 10 brands of active (therapeutic) cosmetics, 2023

Ranking	Change compared to 2022	Brand	Sales, mln roubles	Share	Growth compared to 2022	Share of online sales in brand sales
1	+3	Lipobase	983.2	4.5%	+34.7%	17.7%
2	-1	Lactacyd	823.9	3.7%	+5.3%	17.2%
3	-	Horse Force	685.3	3.1%	-9.6%	8.1%
4	-2	Alerana	672.1	3.0%	-12.9%	11.5%
5	+1	Cinovit	641.8	2.9%	+16.7%	17.2%
6	-1	911 Vasha Sluzhba Spaseniya (911 Your Emergency Service)	602.6	2.7%	-6.7%	9.4%
7	+4	Boro Plus	489.8	2.2%	+11.2%	7.2%
8	+2	Sulsen	438.0	2.0%	-2.0%	12.3%
9	-	Dry Dry	430.0	1.9%	-7.7%	24.3%
10	+2	Epigen	392.1	1.8%	-2.6%	24.1%

Table 26

Top 10 mass-market cosmetics brands, 2023

Ranking	Change compared to 2022	Brand	Sales, mln roubles	Share	Growth compared to 2022	Share of online sales in brand sales
1	+2	EVO	**316.5**	**4.7%**	**+20.1%**	**11.0%**
2	+2	Mojo Solnyshko (My Sunshine)	**281.1**	**4.1%**	**+9.9%**	**7.6%**
3	-1	Children's Cream	**261.7**	**3.8%**	**-11.1%**	**6.1%**
4	+5	Ginocomfort	**196.2**	**2.9%**	**+14.0%**	**13.1%**
5	+3	Floresan	**186.6**	**2.7%**	**+3.0%**	**12.0%**
6	-	Nivea	**172.7**	**2.5%**	**-6.4%**	**10.8%**
7	+6	Klinsa	**164.9**	**2.4%**	**+29.7%**	**5.6%**
8	+4	Ullex	**147.6**	**2.2%**	**-2.8%**	**5.7%**
9	+1	Kora	**132.6**	**1.9%**	**-17.6%**	**12.2%**
10	+1	Novosvit	**129.8**	**1.9%**	**-14.5%**	**18.3%**

Ginocomfort cosmetics (+14%) for daily intimate area care and women's health improvement, made by Vertex, also moved up 5 places.

The newcomers to the ranking – Ullex total skin care cosmetics (-2.8%) and Novosvit face and body skin care products (-14.5%) – saw their sales fall. The most significant decline in the mass-market cosmetics segment was recorded by the brand Kora (-17.6%).

A distinctive feature of the ranking of mass-market cosmetics sold in pharmacies is the variety of baby/children brands. 22% of products sold are for babies and children (0-14 years old). There are two children's brands in the 2023 ranking, Mojo Solnyshko (My Sunshine) and Children's Cream. They are the main brands in this category (they account for 37% in roubles of all mass-market children's cosmetics sold through pharmacies).

The largest share of online sales comes from the following brands: Novosvit (18.3% share in roubles), Ginocomfort (13.1%), and Kora (12.2%).

7. Pharmacy chains

The main question, which has not lost its relevance for many years, is when the number of pharmacies operating in Russia will stop growing. Indeed, we have seen a positive trend in this number since 2009. At that time there were 50,000-51,000 pharmacies, but by the end of 2023 the number of pharmacies had reached almost 79,000. Before 2016, the number of pharmacies grew by 1-2% per year, but in the last seven years it has been growing by 5-6% (except for the pandemic year 2020 – less than 1%).

At the beginning of 2024, there were 78,900 pharmacies operating in Russia, which is 6,000 more than at the beginning of 2023. This resulted in a 9% increase in absolute terms, which means that average sales per pharmacy grew more slowly than the market as a whole, reaching 1.9 million roubles by the end of the year.

Thus, the year was marked by increased competition. It should be noted that the main battle is between the federal chains. However, the increase in the number of stores of the major players is creating additional challenges for both independent pharmacies and local chains.

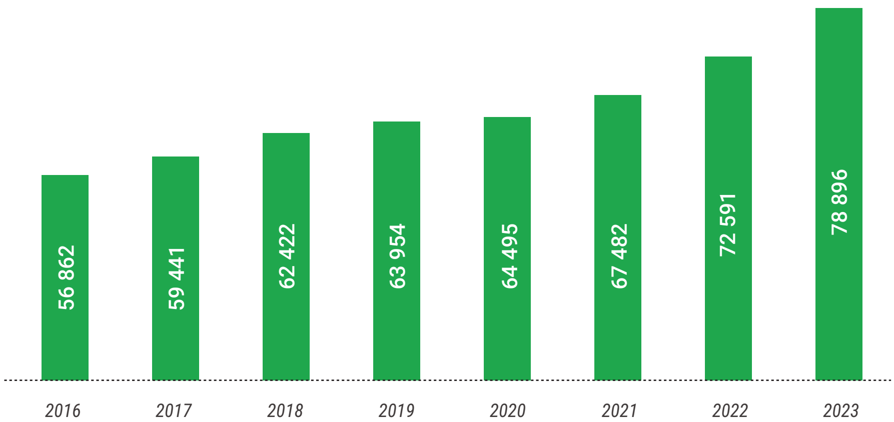
The pharmacy chain Aprel is still the leader in opening new stores. The chain added more than 2,000 stores in 2023. In two years, the chain has expanded by 4,300 new pharmacies. This trend allows the chain to maintain its number one position in terms of the number of stores. Aprel had 7,434 stores at the end of the year.

In 2023, another chain passed the 5,000-pharmacy milestone – Implosia, which now operates mainly under the AptekiPlus label. The chain has increased its number of stores by 1,500 and now has 5,800 pharmacies.

Other leaders in terms of growth in the number of stores are the federal chains: Rigla (+440 stores), Pharmland (+325 stores), Vita (+210 stores). In general, all chains operating in more than 20 regions are showing growth. By the end of the year, there were 14 such players. The total number of pharmacies increased from

Figure 42

Number of pharmacies in Russia



26,800 to 31,900, i.e. by almost 5,100 stores. As a result, the main increase in the number of operating pharmacies was generated by the federal chains.

However, both interregional and regional chains are also opening new stores. In total, there are around 170 pharmacy chains with a positive trend and only 50 with a negative trend in terms of the number of stores.

In 2023, the decline in the number of independent and local chain pharmacies has slowed, but their share of the total pharmacy market continues to fall. For example, in 2022 it was 30.7%, but at the end of last year it was already 29%.

In general, the capacity of the pharmacy market in 2023 was 1,788 billion roubles (+6% compared to the previous year). The market continues to consolidate due to the federal chains, most of which are in the top 20. In 2023, the combined share of the top 20 chains was 63%, 6% higher than in 2022.

Figure 44 shows the growth in sales and the number of stores for the top 20 pharmacy chains in 2020-2023. In 2023, the top 20 had 38,500 pharmacies, only 15% more than in 2022. In the 2023 ranking, 10 chains had over 1,000 stores, and all were ranked 1 through 10.

Further consolidation will be driven by acquisitions and takeovers of regional chains. 2023 also saw some chain acquisitions that increased the number of stores owned by federal players. However, in the last two years there have been far fewer outstanding deals than before.

The largest deal in 2023 was concluded by Aptechnaya Set 36.6. In autumn, the chain announced that it would buy the pharmacy chains Lekopttorg and Rodnik Zdorovya. The deal included 170 pharmacies and warehouses in Saint Petersburg and the Leningrad Oblast. The pharmacies will continue to operate under their existing brands, which have already won the loyalty of local customers. After the deal, the total number of pharmacies in the chain was 2,220.

In August 2023, Aptechnaya Set 36.6 also acquired Pharmakon, which operated 18 pharmacies in Ramenskoye, Moscow Oblast.

In June 2023, the pharmacy retailer Rigla, part of the Protek Group, bought the Krasnodar-based chain Trik Pharma, which consists of five pharmacies. In August the company acquired Pharm, a chain of 31 pharmacies operating mainly in Ussuriysk. These were the first pharmacies owned by the chain in Primorye, where Rigla had previously operated only through franchisees. The deal is

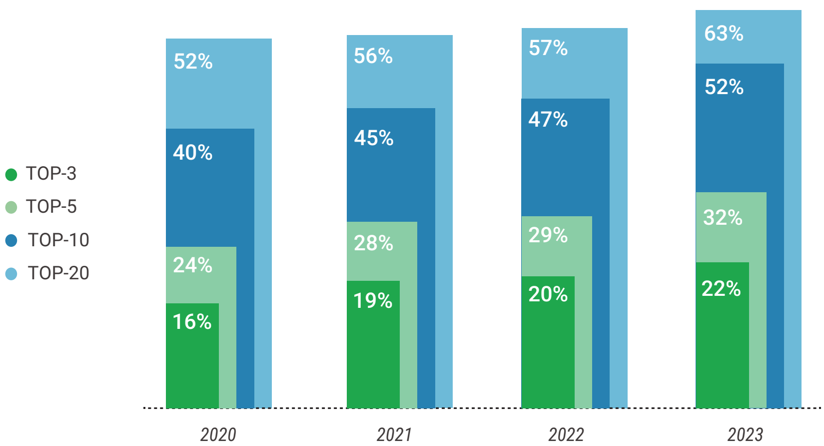


Figure 43

Concentration of the top 20 pharmacy chains estimated at 100-150 million roubles. The new pharmacies operate under the brand Zdravcity Apteka. The chain plans to operate both offline stores and a marketplace of the same name. The company's objective is to continue to expand its chain through acquisitions and by increasing the number of its own pharmacies. This is why Rigla entered the ranking in terms of growth in the number of chain stores.

The top chain in terms of size is still Aprel, although it is in second place in terms of sales. The chain Rigla tops the list in terms of sales with a share of 8.6%.

The year 2023 saw some losses. In autumn, after the bankruptcy and the decision to liquidate the Perm distributor Godovalov, the pharmacy chain Apteka ot Sklada, which was part of the general structure, began to close its stores. Godovalov was the sole supplier to the chain Apteka ot Sklada. At the end of the first half of the year, the chain had 800 pharmacies and was ranked 20th. Finding a buyer for such a large chain is rather difficult. As a result, the premises previously occupied by the chain Apteka ot Sklada began to be taken over by other chains: in the Moscow region and Tyumen Oblast, 35 stores were acquired by the pharmacy chain Pharmland; in a number of towns in the Yamalo-Nenets Autonomous District, the premises previously occupied by Apteka ot Sklada were taken over by Rigla, etc.

The company's website has also been transformed. The new marketplace Sklad Zdorovya, which replaced the website Apteka ot Sklada, was created by a former top manager of the chain. So far, the company has a single partner, Planeta Zdorovya. However, work is underway to connect other pharmacies as well.

It should be noted that the online pharmacy format continues to be appealing to pharmacy chains and independent pharmacies. Participants take every opportunity to attract customers and generate additional traffic. Recently, we have seen the rapid development of various services that offer both online ordering of pharmacy products and home delivery of OTC drugs. Previously, a pharmacy or a chain would join one online portal, but now the company's price offers can be found on different platforms, both on its own website and on various pharmacy aggregators and marketplaces.

In 2023, attempts to "switch" consumers to pharmacies' own websites and chain pharmacy

Figure 44

Dynamics of growth in sales and the number of stores of the top 20 pharmacy chains

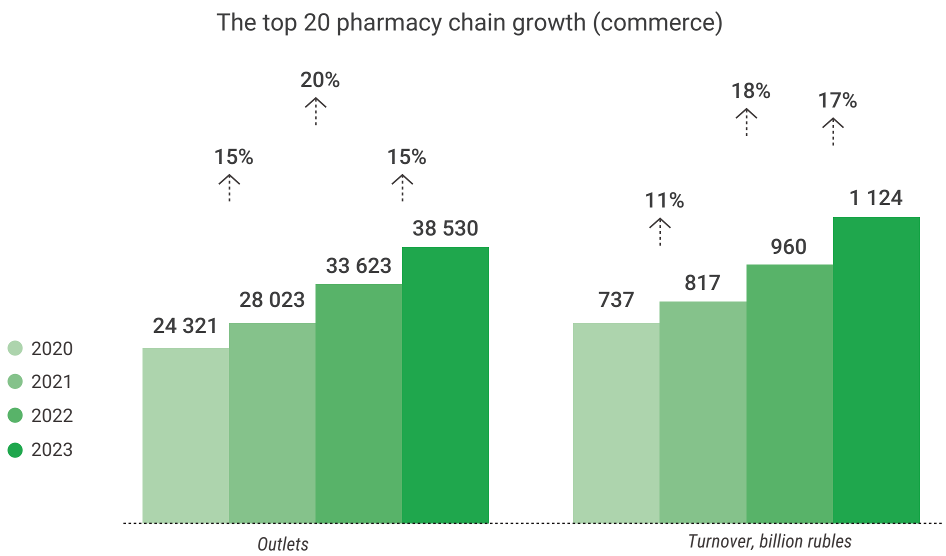


Table 27

Ranking of pharmacy chains by sales in 2023

Ranking	Pharmacy chains	Sales, billion roubles	Share in commercial segment, 2023	Sales increase compared to 2022	Number of outlets
1	Rigla	153.4	8.6%	15.0%	4 100
2	Aprel	124.2	7.0%	10.5%	7 434
3	Planeta Zdorovya	110.9	6.2%	15.0%	2 383
4	Implosia	95.2	5.4%	47.5%	5 821
5	United AS ERKAFARM and MELODIYA ZDOROVYA	92.4	5.2%	14.0%	2 233
6	Neo-Pharm	75.3	4.2%	12.0%	1 244
7	Aptechnaya Set 36.6	73.9	4.2%	12.3%	2 220
8	IRIS	72.2	4.1%	15.0%	2 738
9	Vita (Samara)	64.0	3.6%	8.0%	2 588
10	Pharmland	62.0	3.5%	14.0%	2 198
11	E-apteka	32.2	1.8%	30.0%	257
12	Maxavit	24.8	1.4%	-0.2%	981
13	Pharmaimpex	22.7	1.3%	10.1%	790
14	Zdorov.ru	21.9	1.2%	12.1%	101
15	Magnit	17.8	1.0%	27.0%	936
16	Social'naya Apteka	17.5	1.0%	-7.6%	648
17	Aloe	17.2	1.0%	6.7%	576
18	Gubernskiye Apteki	17.0	1.0%	12.0%	357
19	Apteka Nevis	16.1	0.9%	2.0%	661
20	Monastyrev.rf	12.6	0.7%	14.0%	284
21	Zdorovye (Ust'-Labinsk)	11.3	0.6%	20.0%	245
22	Edelweiss	10.8	0.6%	19.0%	362
23	Apteka-Timer	10.6	0.6%	-27.8%	44

Note:
**Sales of Aptechnaya Set 36.6 are shown cumulatively with Rodnik Zdorovya&LekOptTorg from November 2023; sales of Rodnik Zdorovya&LekOptTorg are shown for January-October 2023.*

Source:
*DSM Group's estimates. **ISO 9001:2015**, own data of pharmacy chains*

Ranking	Pharmacy chains	Sales, billion roubles	Share in commercial segment, 2023	Sales increase compared to 2022	Number of outlets
24	Vasha No. 1	10.2	0.6%	40.7%	124
25	Antey	10.1	0.6%	38.8%	709
26	Nadezhda-Pharm	8.9	0.5%	12.0%	434
27	Garmoniya Zdorovya	8.7	0.5%	32.0%	312
28	Pharmeconom	8.2	0.5%	11.1%	187
-	LekOptTorg&Rodnik Zdorovya *	7.1	-	-	168
29	Vita-plus	6.9	0.4%	23.0%	366
30	Peterburgskiye Apteki	6.2	0.4%	-4.4%	85
31	Volgopharm	5.7	0.3%	1.0%	154
32	Arbik	5.5	0.3%	23.0%	226
33	Oblastnoy Aptechnyi sklad (Chelyabinsk)	5.4	0.3%	1.0%	286
34	Economnaya Apteka	5.4	0.3%	12.0%	169
35	Sovetskiye Apteki	4.7	0.3%	12.0%	396
36	Apteka dlya berezhlivykh	4.5	0.3%	9.2%	165
37	Aliya-Pharm	4.5	0.3%	-15.8%	175
38	MFK Severo-Zapad	4.3	0.2%	16.4%	109
39	Fitopharm	4.1	0.2%	182.0%	285
40	Lucky-Pharma	4.0	0.2%	34.8%	244
41	Bashpharmatsiya	3.9	0.2%	-14.8%	261
42	Nizhegorodskaya Oblastnaya Pharmatsiya	3.8	0.2%	-7.7%	247
43	Semeynaya Apteka (Blagoveshchensk)	3.5	0.2%	8.1%	309
44	Dialog	3.3	0.2%	-1.8%	85

Ranking	Pharmacy chains	Sales, billion roubles	Share in commercial segment, 2023	Sales increase compared to 2022	Number of outlets
45	Floria (Chita)	3.2	0.2%	-2.6%	125
46	Pharmia	3.1	0.2%	15.0%	268
47	Apteka25.rf	3.0	0.2%	54.7%	36
48	O'Vita	2.9	0.2%	-15.7%	113
49	Trika (Moscow)	2.9	0.2%	-20.1%	54
50	Novosibirskaya Aptechnaya Set	2.7	0.2%	1.6%	76
51	Deshevaya Apteka	2.7	0.2%	33.4%	80
52	Vita Nord	2.6	0.1%	10.0%	91
53	Serdtse Rosii	2.5	0.1%	-1.0%	194
54	Mir Lekarstv	2.4	0.1%	5.1%	135
55	Tabletochka	2.4	0.1%	10.1%	93
-	Arnika (DNR)	2.2	-	11.0%	104
56	Vita Apteka (Tomsk)	2.1	0.1%	4.0%	86
57	Aptechnye Traditsii	1.9	0.1%	24.0%	108
58	Mosoblmedservis	1.9	0.1%	30.4%	270
59	Bryanskpharmatsiya	1.8	0.1%	-13.8%	136
60	LipetskPharmacia	1.8	0.1%	-6.0%	105
61	Ekonom	1.7	0.1%	2.8%	20
62	Pharmsklad	1.6	0.1%	7.0%	104
63	Tattechmedpharm	1.6	0.1%	3.9%	180
64	Industria Zdorovia	1.5	0.1%	22.0%	36
65	Dobraya Apteka	1.5	0.1%	0.1%	96

platforms continued. Therefore, the share of pharmacy marketplaces fell from 60% to 56.5%.

The issue of competition with traditional marketplaces (Ozon, Wildberries, Yandex) remains unresolved. But pharmacy companies are using a collaborative model as a solution. For example, the online portal Zdravcity became a supplier of pharmacy products on the Ozon platform: the catalogue contains about 5,000 products, including up to 70% of prescription drugs. As part of the partnership, the Ozon marketplace is a showcase for the drugs being sold. The project has been implemented in a way that allows orders to be collected from Zdravcity's partner pharmacies. Zdravcity has also partnered with the Yandex. Delivery service. By the end of 2023, there were 30,226 outlets of the Zdravcity remote ordering service in 83 regions of the Russian Federation.

The pharmacy chain Aloe started its partnership with the retailer Lenta in August 2021. In 2023, the partnership was extended online: Lenta Online service users can now order over-the-counter drugs from Aloe pharmacies. The retailer is planning to add the delivery of pharmacy products to the Utkonos ONLINE service.

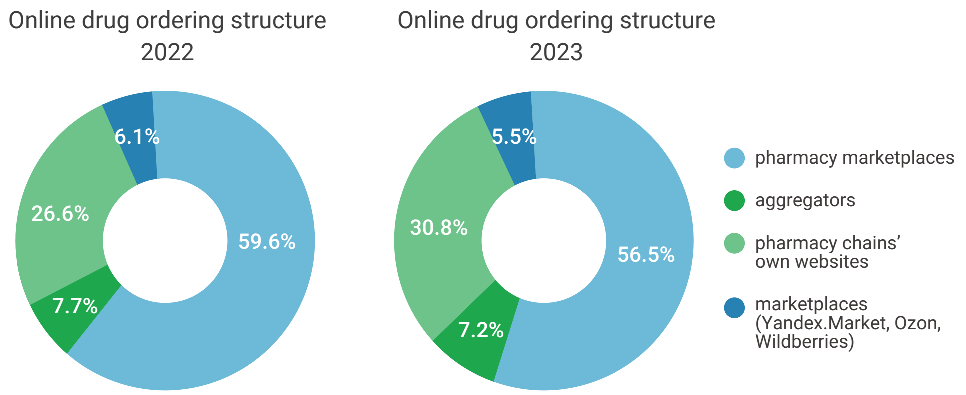
The pharmacy chain partnership IRIS launched the shop Vek Zhivi in March 2023, where you can buy drugs online and have them delivered to your home the next day. The shop is available on the Yandex.Market platform. In this project, IRIS uses the Fulfilled by Shopee (FBS) solution (delivery from the seller's warehouse).

But if we talk about the quantitative results of the online channel, we can see a slowdown in the growth rate. Pharmacy eCom sales in 2023 were approximately 226 billion roubles (drugs and parapharmaceuticals combined), accounting for 12.7% of the pharmacy market. While sales growth in the market as a whole was around 6%, online sales were 16% higher than in 2022. This means that eCom's multi-digit growth has come to an end, and in the future its growth rate will continue to outpace the market, but not by so much. eCom's share is forecast to reach 14% in 2024, driven by the growing share of online ordering in the regions. In Moscow, for example, the share has not increased in the last two years, after reaching the psychological level of 19-20%.

Additional eCom growth in Moscow was made possible due to the permission granted to make home deliveries of prescription drugs. An experiment in remote delivery of prescription

Figure 45

Online drug ordering structure



drugs began in March 2023. It was launched in Moscow, Moscow Oblast and Belgorod Oblast. But the results are rather modest. In the incomplete first year, less than 1,100 orders were delivered in Moscow and Moscow Oblast. Pharmacy chains believe that the reasons for these pilot results are the complicated ordering process for customers and the lack of demand for the service due to the large number of offline pharmacies. All the more so because even now the share of Rx drugs ordered online accounts for about 63% of the total sales of all drugs (this figure is around 53% for the market as a whole).

In 2023, the consolidation of pharmacy market players was not just about the increasing share of the largest chains. A large number of players announced their joining various unions and associations, both commercial and non-commercial, during the year.

For example, four new pharmacies from Ivanovo Oblast, Khabarovsk Krai, the Republic of Bashkortostan and Kamchatka Krai joined the Association of State Pharmacy Chains (AGAS). The Russian Association of Pharmacy Chains (RAAC) was joined by five regional pharmacy chains: the Rostov chain Sotsialnaya Apteka; Arkhangelsk Oblast State Unitary Enterprise Pharmatsiya; Belgorod chain Tabletochka; Nizhny Novgorod chain Maxavit; and Moscow-based chain Dialog.

As part of its long-term development strategy, the IRIS Pharmacy Chain Partnership announced a revised and significantly expanded opportunity to collaborate with pharmacy chains. Large chains now have the opportunity to collaborate with the IRIS on particular tools to increase profitability (private labelling, conditional private labelling, contracts) without entering into a partnership.

Table 28

Ranking of remote ordering services by sales in 2023

Ranking	Distance selling service	Sales, billion roubles	Share in commercial segment, 2023	Sales increase compared to 2022	Number of pickup points
1	Apteka.ru	**73.1**	**4.1%**	**-0.4%**	**33 718**
2	Eapteka *	**28.9**	**1.6%**	**31.0%**	**15 048**
3	ZdravCity	**16.3**	**0.9%**	**21.0%**	**30 226**
4	Uteka	**14.2**	**0.8%**	**79.9%**	**47 763**
5	Asna.ru	**3.8**	**0.2%**	**0.0%**	**11 000**
6	polzaru	**3.1**	**0.17%**	**226.0%**	**27 496**
7	Ozon **	**1.9**	**0.11%**	**72.7%**	**-**
8	009.RF	**1.2**	**0.07%**	**27.0%**	**32 000**
9	SberMegaMarket **	**1.1**	**0.06%**	**37.5%**	**-**
10	Yandex.Market **	**0.4**	**0.02%**	**5.0%**	**-**

Note:
** The sales are shown only for the products ordered online.*
*** The sales are shown only for the drugs ordered online.*

Source:
DSM Group's estimates. ***ISO 9001:2015,*** *own data of companies*

The first agreements on the distribution and promotion of IRIS private labels have been reached with the pharmacy chain Apteka Nevis.

The pharmacy chain 36.6 announced the creation of its own union. The chain plans to use it to provide professional support to the market players. The company is already accepting applications to join.

The Ryazan pharmacy chain Pharma, in turn, launched its own franchise. The project is aimed at independent pharmacies and small chains of up to 10-15 pharmacies and will handle all business management processes for the franchisee.

Overall, however, the trend of pharmacies joining marketing alliances has slowed. Although new associations continue to form. For example, 2023 reported on a new pharmacy association, Svezhaya Planeta, which has about 1,000 retail outlets. Svezhay Planeta managed to establish and scale up the pharmacy association because of its experience in the pharmaceutical industry: the company has been distributing drugs and dietary supplements for several years now.

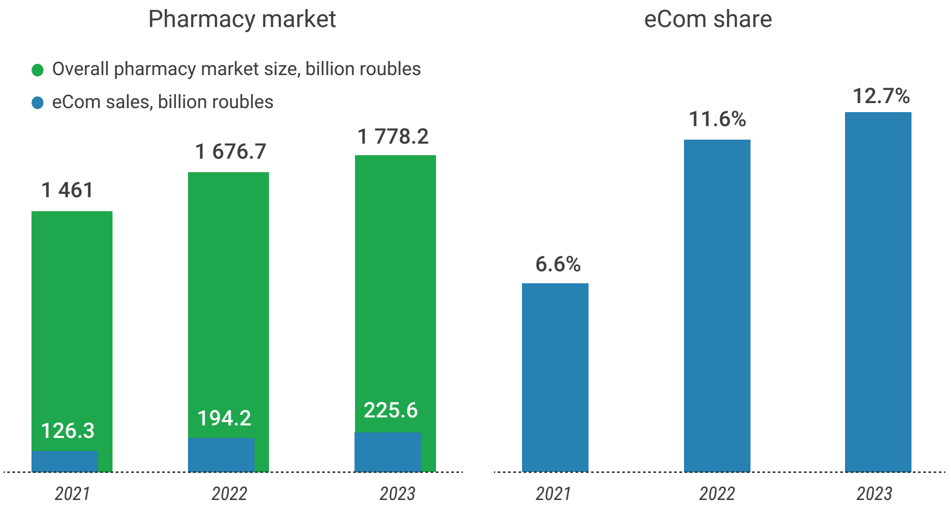
Overall, the balance of power between marketing associations remains stable. The leader among them is ASNA with 17.7 thousand members and a 18.0% share of the total pharmacy market.

Obviously, the abnormal growth in the number of pharmacies that we have seen in recent years will have to come to an end sooner or later. Although we cannot yet say that all administrative units have pharmacies within walking distance. There are about 155,800 populated places in Russia, but less than 6,000 of them have pharmacies. And, of course, they are more concentrated in big cities. Places with populations of more than 100,000 account for 54% of all operating pharmacies – and that's just 170 towns and cities.

Russia has a pharmacy density of 54 pharmacies per 100,000 people. However, in many cities it is significantly higher. For example, Sochi has 127 pharmacies per 100,000 people, Pyatigorsk has 126 pharmacies, and Bryansk has 111 pharmacies. Moscow has one of the lowest densities among cities – 38 pharmacies per 100,000 people.

Figure 46

Pharmacy eCom dynamics, 2021-2023



There were plans for Russian Post to become a player that would focus on opening pharmacy outlets in rural areas based on its post offices. It would have solved the problem of delivering drugs to sparsely populated areas. In 2021, the postal operator had planned to establish a chain of 25 rural pharmacies by 2025 and to train staff. However, the project was deemed unprofitable and closed in early 2023: the pilot could not even be scaled up to several regions. But the company is not giving up its pharmaceutical business. Russian Post will focus on the delivery of online orders.

What could be a tool to increase the availability of drugs in rural areas is a draft law that would allow any separate subdivision of medical institutions located in rural communities to sell drugs, not just outpatient clinics, feldsher stations, feldsher/midwifery stations, and general medicine departments, as is the case now. However, if there is a pharmacy in the rural community, this eligibility would not apply. Another draft law is being prepared that would create mobile pharmacy stations that would travel to hard-to-reach areas.

Table 29

Ranking of marketing associations by sales in 2023

Ranking	Marketing Association	Sales, billion roubles	Share in commercial segment, 2023	Sales increase compared to 2022	Number of outlets
1	ASNA	**320.9**	**18.0%**	**11.0%**	**17 756**
2	ProApteka	**228.3**	**12.8%**	**22.0%**	**11 457**
3	MFO	**223.1**	**12.5%**	**44.0%**	**11 206**
4	Sozvezdiye	**135.6**	**7.6%**	**8.0%**	**8 043**
5	PharnHub Platform	**76.7**	**4.3%**	**13.0%**	**5 015**
6	Vesna	**55.5**	**3.1%**	**45.0%**	**4 300**
7	AnnA	**15.9**	**0.9%**	**96.3%**	**1 270**

Source: *DSM Group's estimates.* ***ISO 9001:2015,*** *own data of companies*

8. Distributors

Wholesalers in the pharmaceutical market have always been the "stronghold" of stability and success among the members of the distribution chain. The news most often discussed in the mass media used to be the growth or success of this or that distributor, while reports of problems and bankruptcies used to cause a kind of sensation. Things have changed in recent years; in 2023, the distribution segment was more frequently in the news as a result of various court cases.

During 2023, three wholesalers went bankrupt, whereas three years ago these distributors had a combined market share of around 6%. Biotec began to experience difficulties back in 2021, ProfitMed was reported to be facing possible bankruptcy in late 2022, and the Perm distributor Godovalov faced financial problems in mid-2023.

Biotec Holding has been going through tough times for several years. In 2021, the company left the public procurement market due to the prosecution of its owner. During 2022, several of Biotec's creditors sought to bankrupt the company: counterparties filed claims against the company for a total of 1.1 billion roubles. In March 2023, the Moscow Arbitration Court initiated an observation procedure at Biotec. Attempts were made during the year to develop Biotec's production and pharmacy divisions separately, but bankruptcy proceedings were also initiated against the holding company's subsidiaries: Marbiopharm (manufacturer), Interregional Pharmaceutical Production and Distribution Corporation Biotec, Pharmatsiya OJSC (a pharmacy chain in Penza Oblast).

In late 2022, news broke of the problems faced by the distributor ProfitMed and its impending bankruptcy. At the end of 2022, the company was ranked tenth with a share of 2.6%. But it stopped deliveries in early 2023. According to the SPARK (System of Professional Analysis of the Market and Companies), a total of 38 lawsuits were filed against the company in 2022, amounting to 541 million roubles. In 2023, the number of lawsuits increased by 115, while the amount of claims increased by 1.9 billion roubles.

The problems of the distributor Godovalov have been developing faster. It was not until September 2023 that the first bankruptcy petitions were filed, and in October the wholesaler itself decided to liquidate the company: such a measure makes it possible to implement a controlled bankruptcy. The Perm distributor now faces claims worth more than 4.6 billion roubles. Godovalov is one of the major players in the regional pharmaceutical market, it operated in 37 regions. The company owned five warehouse complexes and logistics centres in Perm, Sholokhovo, Kirov, Tyumen and Novosibirsk. In January 2024, the court declared Godovalov bankrupt and initiated bankruptcy proceedings for the sale of its property and subsequent liquidation. The distributor's problems also affected the pharmacy chain that belonged to the holding company. In autumn, its stores rapidly closed or were taken over by other chains.

In addition to companies going out of business due to financial problems, there are a number of other events that will affect the situation in the wholesale sector.

In the summer of 2023, the retailer Magnit announced its intention to close its distribution business. It had been run by Magnit Pharma, the former SIA, which Magnit bought from its shareholder Marathon Group in 2018. Magnit Pharma was created several years ago primarily as a platform for the launch of the company's pharmacy chain and also covered a number of important functions for the Magnit Cosmetic format. Now these formats work independently and there is no need for an in-house distributor.

There is also a big question mark over the future of the GDP company. In recent years, the distributor has been focusing on public contracts. The distributor ranked 5th in 2022. But in 2023, it didn't even make it into the top 50. At the end of 2022, the company changed ownership: it was bought by the Dominanta Group. Throughout the year, there were more than a few news stories about changes in leadership at GDP.

Again, distributors have had problems and exited the market before, but this is the first time it has happened on such a regular basis and with such a wide range of participants. Therefore, it is not just these companies that could be in trouble. All the more so as the working conditions of both suppliers and pharmacy retailers with wholesalers are becoming tougher. Companies are reducing shipping limits, tightening the conditions for granting payment deferrals and the proportion of trade payables covered by bank guarantees. This policy will primarily affect small players with limited financial resources. Big players, however, will have to spend time increasing bank guarantees and raising limits.

Overall, the "vacating" of a certain part of the market had a positive effect on the remaining players. Against the sluggish trend in drug sales in 2023, the results of some companies look optimistic.

In 2023, the pharmaceutical market at distributor prices was worth 2,184 billion roubles, which is only 0.3% more than in 2022. Looking at the results for the year as a whole, the market only broke even in Q4; growth in the commercial segment was 7.8%, but the trend in the public segment remained negative in all months. This is due to a decrease in the procurement of

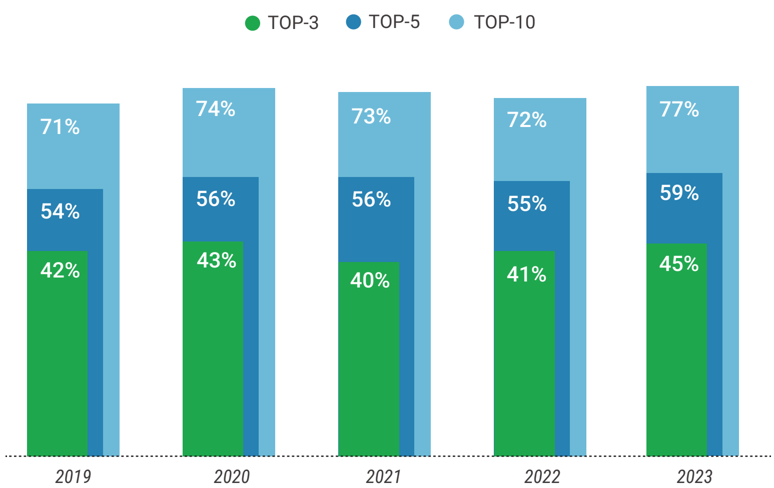


Figure 47

Concentration in the distribution segment

Figure 30

Ranking of distributors on the pharmaceutical market, 2023

Note: *sales are given in purchase prices with VAT (including sales in the pharmacy segment taking into account non-pharmaceutical products, public procurement market – only drugs).*
Source: *DSM Group's estimates.* ***ISO 9001:2015,*** *own data of companies*

Ranking	Distributor	Value, billion roubles	Growth	Share
1	Pulse	335.7	8.0%	15.4%
2	Protek	333.8	14.0%	15.3%
3	Katren	314.8	9.3%	14.4%
4	Grand Capital	156.6	15.0%	7.2%
5	R-Pharm	145.2	-19.6%	6.6%
6	BSS	108.1	10.2%	4.9%
7	Pharmcomplect	91.9	2.2%	4.2%
8	Irwin 2	80.4	11.8%	3.7%
9	Pharmimex	72.3	24.8%	3.3%
10	Lancet	53.7	6.2%	2.5%
11	Asfadis Association	53.4	5.8%	2.4%
12	Avesta Pharmaceuticals	42.0	-3.4%	1.9%
13	Agroresursy	39.7	4.7%	1.8%
14	ZdravServis	29.1	20.0%	1.3%
15	Interlek	25.8	22.0%	1.2%
16	GC Euroservice	23.3	16.0%	1.1%
17	Pharmstore	18.9	-3.0%	0.9%
18	Medipal-Onco	17.2	22.2%	0.8%
19	Medintorg	15.2	38.0%	0.7%
20	Pharmservice	14.8	5.0%	0.7%
21	Severo-Zapad	13.9	-1.1%	0.6%
22	Magnit	13.2	-44.6%	0.6%
23	Farmkompleks	9.5	216.7%	0.4%
24	VITTA	8.4	20.0%	0.4%
25	Medical Leasing-Consalting	7.4	0.0%	0.3%
26	Primapharm	7.1	-56.4%	0.3%
27	ArchiMed	4.8	6.0%	0.2%
28	Trading house BF	3.4	-27.0%	0.2%
29	Volgopharm	3.0	0%	0.1%
30	Rinpharm	2.6	14.7%	0.1%

COVID drugs (antibiotics, anticoagulants, etc.). The subsidised programmes maintain the upward trend in drug purchases.

At the end of 2023, the 10 largest distributors in the pharmaceutical market collectively accounted for 77.5%. Such a high concentration in the market was observed before 2016. Compared to 2022, this figure has increased by more than 5%. The increase in concentration in the pharmaceutical market is driven by two factors: the vacated market shares due to companies “leaving the market” and an increase in the market share of the commercial segment.

Comparing the top 5 distributors in the commercial segment of the market, we see an average growth of 5.9%, while in the public segment the top 5 distributors are growing at an average of 5.6%. Growth in the commercial segment ranges from -4% to +12%, while in the public segment the range is much wider – from -32% to +21%. It should be noted that whereas previously the top 10 public sector companies included only one distributor from the commercial market ranking, there are now many more crossovers – BSS, Protek and FK Grand Capital.

The year 2023 was once again marked by a battle for the number one spot in the ranking. The top 3 has included the same companies for 8 years (since 2016), with each of them rising to the top spot in different periods. For three quarters of the year, Protek was at the top of this ranking. But it was Q4 sales that decided the winner.

As a result, the distributor Puls has maintained its position at the top of the annual ranking for 4 years in a row. In 2023, the distributor’s growth rate was 8% and the company’s share increased by 1.3%. It should be noted that the difference between first and second places is only 0.1%. In addition, Puls is ranked second in the pharmaceutical industry list in the Expert-400 ranking of Russia’s largest companies published in Expert magazine – 72nd place (+6 places compared to 2021).

Puls continues focusing on the commercial market, enhancing its solutions for the pharmacy segment. In 2023, for example, the FK Puls mobile application was launched, which allows you to quickly find any information on delivery notes and goods details, check receivables, request a reconciliation act and send claims.

For the past two years, the company has been actively marketing its own online solution, Polza.ru. By the end of the year, more than 27,000 pharmacies had joined the marketplace – an almost twofold increase on the previous year. This is comparable to the long-term operating platforms Apteka.ru and Zdravcity.

According to Ipsos Agency’s research (September 2023), 49% of respondents named Puls as the most important distributor in terms of satisfaction with the quality of service, range of products and conditions of cooperation with the largest distributors.

In 2023, Protek remained in second place with a share of 15.3% – 2% more than in 2022. The company achieved the highest sales growth of the top 3 players (14%). Although distribution is Protek’s core business, it is not the only one. The company was one of the first to diversify and now operates in all segments of the supply chain and related areas, which is why it tops the pharmaceutical industry list in the Expert-400 ranking of Russia’s largest companies. At the end of 2022, the Protek Group was ranked 61st (+6 places compared to 2021).

The Protek Group comprises: the distributor CV Protek, the chain of private medical clinics Atlas and two pharmaceutical companies, Sotex and Rapharma, specialising in injectables and other products. The Group's retail operations comprise the pharmacy chain Rigla (which also includes pharmacies under the brands Bud Zdorov!, Zhivika and Zdravcity Apteka).

In 2023, Protek acquired the assets of Bion, a company specialising in the production of pharmaceutical ingredients. The deal included three legal entities: Bion LLC, Khimpharmkomplekt LLC and Pharmintellekt LLC. The company's portfolio includes antioxidants, anaesthetics, beta-adrenergic blocking agents, anticoagulants, antineoplastics, antivirals, etc. Bion also develops industrial technologies and advances the production of substances in the field of fine organic synthesis. Bion does not intend to limit its activities to the needs of its own companies – Sotex and Rapharma – but will also do business with other market players.

In addition, Anvilab, a subsidiary of Protek JSC, acquired a 19.6% stake in Vega LLC. This is a holding company that invested 1.2 billion roubles in Activniy Komponent JSC (which produces active pharmaceutical ingredients). Thus, in 2023, Protek became co-owner of two pharmaceutical ingredient manufacturing plants.

The operation and development of its own facilities is ongoing. In Pushkino, on the outskirts of Moscow, Protek completed the upgrading of a warehouse complex for the storage of pharmaceutical products, investing 1.3 billion roubles. With the new space, the capacity of the facility has been increased by 30 Euro trailers per day and 32,000 pallet positions. This complex is a structural subdivision of the Protek Group called Transservis, which is used by pharmacies for storage.

The distributor Katren remained in third place in 2023 with a 9% increase in sales. Katren is ranked 79th in the pharmaceutical industry list in the Expert-400 ranking of Russia's largest companies (+8 places compared to 2021). Katren is one of the few companies in the pharmaceutical market that are assigned a credit rating. In the autumn of 2023, the ACRA (Analytical Credit Rating Agency) assigned Katren a credit rating of AA-(RU), outlook "Stable". The credit rating was assigned to NPK Katren JSC (research and production complex) for the first time on the national scale for the Russian Federation on the basis of the Methodology for assigning credit ratings to non-financial companies on the national scale for the Russian Federation, as well as the Basic Concepts used by the Analytical Credit Rating Agency in rating activities.

The company operates exclusively in the commercial segment of the pharmaceutical market and continues to develop the online platform Apteka.ru, having expanded the list of project participants to 33,700 pharmacies. 23% of the company's sales in value terms come from orders generated through the Apteka.ru service. It should be noted that the distributor Katren turned 30 years old in 2023.

Some of the top 10 players have improved their ranking: the distributors FK Grand Capital and Lancet moved up one place.

Irwin 2 ranks first among the "classic" public segment distributors (excluding manufacturers who may also be winners and suppliers in tenders), with its share rising from 8.2% in 2022 to 10.1% in 2023. The company is actively involved in deliveries under government programmes Krug Dobra, health initiatives for patients with cancer and cardiovascular diseases, and the supply of orphan drugs.

Table 31

Top 10 distributors by segment

	Pharmacy segment		Public procurement	
Ranking	**Distributor**	**Share**	**Distributor**	**Share**
1	Pulse	**22.6%**	Irwin 2	**10.1%**
2	Katren	**21.8%**	R-Pharm	**9.0%**
3	Protek	**19.7%**	BSS	**6.8%**
4	Grand Capital	**10.0%**	Pharmimex	**6.8%**
5	Pharmcomplect	**5.9%**	Protek	**3.9%**
6	BSS	**3.9%**	Lancet	**2.6%**
7	Agroresursy	**2.8%**	Medipal-onco	**2.2%**
8	Asfadis Association	**2.6%**	Grand Capital	**1.8%**
9	Avesta Pharmaceuticals	**2.5%**	Severo-Zapad	**1.8%**
10	Zdravservis	**1.7%**	Pharmservice	**1.7%**

R-Pharm is in second place among public procurement companies. In general, the company's development is more focused on the production segment. While international pharmaceutical manufacturers have significantly reduced the number of clinical trials in Russia, R-Pharm has opened the Research Lab medical centre in Moscow. It will test the company's marketed generics.

The company's production capacity may be increased by another site: it is considering buying the plant owned by Japan's Takeda in Yaroslavl.

R-Pharm is opening two R&D centres for the development of biological and chemical drugs at its Sputnik Technopolis plant. Its main mission is to develop originator and import substitution drugs for the treatment of socially significant diseases. The first new drug could be an innovative gene therapy drug for spinal muscular atrophy, which R-Pharm has agreed to develop with Kazan Federal University.

In 2023, the company began clinical trials of Olokizumab in advanced pulmonary fibrosis (an expansion of the indication for the originator drug Artlegia). In October 2023, the manufacturer received a permanent registration certificate from the Russian Ministry of Health for the proprietary drug Remdesivir, intended for coronavirus disease. The registration certificate, valid until 2028, was obtained in accordance with the EAEU Registration and Examination Regulations.

Despite the low growth rate of the public segment in 2023, it remains attractive to its participants. "Retail" distributors, among others, are actively pursuing this business. For example, in 2023, Grand Capital increased the share of government procurement in its sales by being included in the state-sponsored High-Cost ICD programme and signing a contract with the Federal Centre for Planning and Organisation of Drug Provision to Citizens of the Ministry of Health under the state-sponsored programme "14 high-cost nosologies" for the supply of the drug Eculizumab.

Meanwhile, the balance of power in the public procurement market may shift. At the end of the summer of 2023, a law was signed to allow the procurement of drugs from a single supplier. This supplier may be a state unitary enterprise of a region of the Russian Federation or a joint-stock company wholly owned by a region. The law will apply to the procurement of drugs, medical devices, medical foods, consumables, disinfectants, as well as the storage and delivery of the respective goods and the repair and maintenance of medical equipment. The new law will take effect on July 1, 2024. However, regions may start using the mechanism before this date.

9. Production of drugs

Although the Production section is the last in our annual report, it is the first in terms of importance and issues raised. The Russian market remains highly dependent on foreign pharmaceutical companies. And as sanctions get stricter, ensuring access to a full range of medicines has become even more pressing. Any difficulties with the supply and possible shortage of any drug are perceived more strongly. In general, it is safe to say that, for the most part, all foreign companies continue to operate in Russia in one way or another. Only a handful of manufacturers have announced that they have ceased operations:

- Eli Lilly is the second US pharmaceutical manufacturer, after Bristol-Myers Squibb, to decide to permanently withdraw from Russia. However, the rights to import the company's products, to sell them in Russia and to ensure the fulfilment of current obligations relating to local production have been transferred to the Swiss company Swixx Biopharma.

- The Finnish pharmaceutical company Orion, the largest producer of methylprednisolone, has exited Russia. The company planned to close its Russian office before the end of 2022. At the same time, the Russian manufacturer Valenta Pharm acquired the rights to the Rehydron line of gastrointestinal products from Orion Pharma.

Yes, there is some information and examples of certain foreign drugs no longer being imported into Russia, but the reasons are not necessarily related to 'political' decisions. Companies such as MSD, Amgen and Novo Nordisk have reduced their portfolios in Russia.

The logistics issue remains significant in 2023. While in 2022 this was a serious problem for all companies, in the reporting period it was mainly addressed by Russian companies, which continue to experience difficulties in the purchase and delivery of foreign equipment and components. Therefore, the issue of import substitution in the pharmaceutical market has expanded into new areas: production of medical equipment in Russia, production of spare parts and after-sales service. It has even affected the choice of terms used: speaking to pharmaceutical manufacturers, Prime Minister Mikhail Mishustin urged them to stop using loanwords and replace terms such as "target" and "R&D" (research and development) with their Russian equivalents.

The 2022 sanctions forced the Russian pharmaceutical industry to become more active in developing drugs that can replace foreign products on the market. As a result, 2023 saw a record amount of news about new pharmaceutical manufacturing facilities being launched or invested in, the majority of which involved the production of active pharmaceutical ingredients.

The production of active pharmaceutical ingredients in Russia is becoming one of the main tasks. China and India are now the main suppliers of ingredients, and no more than 20% of the drugs produced in the country are made from the country's own APIs. This is another reason why the Pharma-2030 strategy adopted in 2023 gives priority to ensuring drug independence and national security through local full-cycle production of strategically important groups of drugs.

Mechanisms to support Russian producers have already been developed and implemented:

- concessional loans from the Industrial Development Fund
- supporting the development of drugs and their scale-up from the laboratory to commercial quantities through the resources of the PharmMedInnovations venture fund;
- special investment contracts (SPICs);
- offset agreements;
- concessional investment loans for the establishment of full-cycle production facilities and the production of active pharmaceutical ingredients through the Cluster Investment Platform. It can help companies obtain concessional investment loans from 1 to 100 billion roubles at 30% of the Bank of Russia's key interest rate, increased by 3 percentage points per annum. Loans are granted for the duration of the investment phase plus 2 years.

Russian companies are using these financial instruments more and more every year. For example, Moscow signed a record number of offset agreements in 2023, with a total of nine deals, four of which related to pharmaceutical production (Velpharm, Pharmasyntez, R-Pharm). The first deliveries of drugs to healthcare institutions (HCIs) under these offset agreements will begin in 2025-2026. In 2023, the Saint Petersburg government signed its first offset agreement for the full-cycle production and supply of drugs with the manufacturer R-Pharm.

A SPIC was signed in 2023 between the Ministry of Industry and Trade of the Russian Federation, the Government of Kaluga Oblast, the Karpov Institute of Physical Chemistry and the Obninsk Administration. The contract will run for 8 years, until the end of 2030. The investment in the project will exceed 12 billion roubles. The contract includes the implementation, development and deployment of radiopharmaceutical production. Construction of the plant began in January 2023. The company expects to complete its construction in 2024 and to start producing and selling drugs in 2025.

In addition to financial instruments, other measures have been developed to support domestic producers. The government decree establishing the "two's company, three's none" mechanism has been in place for several years now. However, it is now being amended to change the "two's company, three's none" principle to the "one's company, two's none" principle for drugs produced on a full-cycle basis in the EAEU.

A pharmaceutical ingredient traceability system will be established to confirm full-cycle production. The experiment began on December 29, 2023 and will continue until December 31, 2024, when the platform should be ready for launch. To implement such a traceability system, it is necessary to combine data on production capacity, ERP material balance and imports of active pharmaceutical ingredients and intermediates.

The "two's company, three's none" rule was one of the reasons why foreign manufacturers started to relocate their production operations to Russia. And this process is not over yet. Examples of projects in 2023 are as follows:

- Petrovax, a Russian biotechnology company, together with South Korea's ISU Abxis, will complete the transfer of full-cycle production technologies (synthesis of active ingredients and production of finished dosage forms) of the agalsidase beta biosimilar Fabagal by summer-autumn 2024. The drug is intended for the treatment of orphan Fabry disease and will be available to patients aged 8 years and older.
- India's SAFFARM, a new business resident of the Russian Federation's Arctic Zone, will

Table 32

Key production sites launched on the Russian pharmaceutical market in 2023

Initiator	Region	Description	Capacity	Investments
Renewal (PFK Obnovlenie JSC)	Novosibirsk Oblast	A new site was launched for the production of liquid dosage forms: sprays, solutions for internal and external use.	Up to 21 million packages annually	
Solopharm (Grotex LLC)	Saint Petersburg	The fourth phase of the plant was commissioned for the production of liquid dosage forms: ophthalmic, urological, neurological, ENT and other drugs.	60 million packages annually	1.5 billion roubles
Solopharm (Grotex LLC)	Saint Petersburg	In Q1 2026, the company will commission a pharmaceutical plant for the development and production of 40 hormonal drugs, namely for the treatment of bronchial asthma, inflammatory eye diseases (conjunctivitis, keratitis), skin diseases (eczema, dermatitis, psoriasis), sinusitis, rhinitis and otitis.	5 production lines with a maximum total capacity of 1.19 billion units (vials, bottles, tubes and other forms, excluding tablets) of products annually	9.5 billion roubles
Avexima OJSC»	Yesipovo Industrial Park, Solnechnogorsk, Moscow Oblast	In 2024 - 2025, the manufacturer plans to commission the first phase of construction of a pharmaceutical plant. The company will develop and manufacture drugs, including antibiotics and antineoplastics.		3 billion roubles for the first stage and at least 6.5 billion roubles for the whole project.
Argumentum Pharma LLC	SEZ Dubna, Dubna, Moscow Oblast	The company has started construction of a facility to manufacture drugs, including those on the VED list: drugs for normalising blood pressure, treating arrhythmia, tachycardia, myocardial infarction, analgesics. The manufacturer intends to complete construction and launch the 1st phase of the research and production complex by the end of Q2 2025.	In the 1st stage: 55+ million units of drugs annually	1.8 + billion roubles
Artsellens LLC (part of Promomed Group)	Pechatniki and Alabushevo sites, SEZ Technopolis Moscow, Moscow	A modern research laboratory will be built at the Pechatniki site to develop new drugs, including originator drugs. A production facility for Russian biopharmaceuticals will be built at the Alabushevo site.	The estimated capacity is 150 kg of active pharmaceutical ingredients (APIs) annually, or about 750,000 bottles. The 1st stage will yield approximately 250,000 bottles annually	About 4.3 billion roubles

Initiator	Region	Description	Capacity	Investments
Biokhimik JSC (part of Promomed Group)	Saransk, Republic of Mordovia	The production of APIs has been launched, comprising 7 sites: 2 sites – synthesis of molecules for the production of antineoplastics; the other sites – synthesis of molecules for synthetic antibiotics, antiviral and antiretroviral drugs, myorelaxants.	340 tonnes annually for 150 types of APIs	4.7 billion roubles
B-PHARM LLC (B-pharm)	Vorsino Industrial Park, Kaluga Oblast	A new production site with high-tech equipment is planned to be launched to produce socially important products, including drugs on the VED list: cerebrin, sugammadex, etelcalcetide, teduglutide, terlipressin, eptifibatide.	Capacity will increase up to 2 million packages annually	A loan from the Industrial Development Fund 105 million roubles
Velpharm-M LLC (part of Bright Way Group)	SEZ Technopolis Moscow, Moscow	A plant has been opened to produce vital and essential drugs for the respiratory and musculoskeletal systems, digestive tract, antimicrobial drugs and drugs of other therapeutic groups – more than 80 items in total.		2.5 billion roubles
Vertex JSC	Novoorlovskaya site, SEZ Saint Petersburg, St. Petersburg	The pharmaceutical company will have opened three new production sites by the end of 2024.		2.1 billion roubles
Geropharm LLC	Pushkin, Saint Petersburg	Upgrading the production of insulin APIs.	Capacity will double	1.8 billion roubles
Geropharm LLC	Obolensk, Moscow Oblast	The manufacturer has opened a new site for the assembly of insulin injection pens	7 million injection pens annually Total capacity has increased up to 21 million injectors annually	163 million roubles
Globalkhimpharm LLC	Dolgoprudny, Moscow Oblast	The facility will produce the APIs of strategically important pharmacological groups: antineoplastics, hormonal and immunomodulating agents, drugs for diseases of the musculoskeletal and respiratory systems.		750 million roubles

Initiator	Region	Description	Capacity	Investments
Kronopharm Industries LLC (part of Kronopharm Group	Shchelkovo, Moscow Oblast	The new pharmaceutical complex will be the company's first own production facility. Its commissioning will help "substitute imports" of a number of drugs from Belgium, the USA, Germany, Hungary, France and other countries. Production at the plant is expected to start in Q1 2027.		1.4 billion roubles
Moscow Endocrine Plant (Federal State Unitary Enterprise) Lefortovsky Branch	Moscow	A new laboratory research complex has been opened, which includes: an API production site, a pilot drug production site, and a reference standard development and production site.		944 million roubles
Moscow Endocrine Plant (Federal State Unitary Enterprise) Endopharm (Federal State Unitary Enterprise)	Pochepsky District, Bryansk Oblast	Construction of an API full-cycle production plant (more than 65 active pharmaceutical ingredients) began in October 2023. By 2026, the company will have completely substituted imports of analgesics, which will be produced from domestic herbal raw materials.		30 billion roubles, supplementary subsidy – 45 billion roubles
Nanolek LLC	Kirov Oblast	The company intends to implement the investment project within 7 years (2025-2032), which includes construction of new facilities for the production of biotechnological substances and vaccines for the prevention of socially significant diseases. The drugs to be produced include: the manufacturer's own HPV vaccine, chickenpox vaccine, meningococcal vaccine, etc.	14 million packages annually	5 billion roubles
Octapharma-Pharmimex LLC	Skopinsky District, Ryazan Oblast	The company has begun construction of a blood plasma processing plant. The plant is expected to be commissioned in early 2026.	600,000 L annually	At least 5 billion roubles under a special investment contract (SPIC)

Initiator	Region	Description	Capacity	Investments
OTCPharm Pro JSC (part of OTCPharm JSC)	Khrabrovo Industrial Park, Kaliningrad	A pharmaceutical plant has been opened to produce a wide range of medical products in tablet and capsule form.	Up to 320 million packages annually	4.7+ billion roubles
NPO Petrovax Pharm LLC	Podolsk, Moscow Oblast	In 2024, the company will complete construction of a pilot biotechnological complex for the production of APIs and genetically engineered drugs. Including a drug to treat patients with a rare genetic disease – Fabry disease, under the brand name Fabagal (international non-proprietary name (INN) – agalsidase beta).		2 billion roubles
PMK-PHARMA LLC (subsidiary of PMK-MEDEK)	Republic of North Ossetia – Alania	The manufacturer planned to complete the design phase and start construction of a plant for the production of infusion solutions and concentrates by the end of 2023. Five drugs are pending registration, three of which are oncology drugs. Production of the drugs will begin in 2025.	Up to 5 million packages annually	About 1 billion roubles
Polex-Pharm LLC	SEZ Saint Petersburg Saint Petersburg	An investment project has been approved for building a new pharmaceutical facility that will develop and manufacture generic and innovative drugs not previously produced in Russia.		2 billion roubles
PSK Pharma LLC (part of Rus BioPharm Group)	SEZ Dubna, Moscow Oblast	Developing the technology and organisation to manufacture drugs for respiratory diseases, cancer, cardiovascular diseases, rheumatoid arthritis and autoimmune diseases.		5 billion roubles
R-Pharm JSC (part of R-Pharm Group)	Saint Petersburg	Construction of pharmaceutical production facilities		4+ billion roubles Where: 2.9 billion roubles will be spent on construction, 1.2 billion roubles – on R&D and technology adoption

Initiator	Region	Description	Capacity	Investments
Favorit Trade JSC (part of Binergia Group)	Chernogolovka, Moscow Oblast	The company plans to complete construction of a drug manufacturing plant with a finished goods warehouse in Q3 2024.		About 4 billion roubles
Pharmasyntez-Kaluga LLC (part of Pharmasyntez Group)	Vorotynsk Industrial Park, Kaluga Oblast	The company has signed three agreements under which, by 2026, it will have commissioned a complex for the production of APIs, including those for oncology drugs, and built a plant for the production of finished pharmaceutical products.	Up to 1,000 tonnes of ingredients annually	20+ billion roubles
Pharmasyntez-Nord JSC (part of Pharmasyntez Group)	Saint Petersburg	The second phase of the plant has been opened. The project involves the establishment of a pharmaceutical research and production complex specialising in the development and production of biotechnological drugs and drugs for the treatment of oncological and autoimmune diseases. The third phase is currently under construction and is expected to be commissioned in 2026. Construction of the fourth phase of the plant will begin in 2026 and continue until 2029.	Biotechnological API production to increase from 150 to 250 kg annually	5 billion roubles, including 1 billion roubles – concessional loans from the Industrial Development Fund
Fitopharm Group	Anapa, Krasnodar Krai	The Group plans to build an industrial park by 2027. The industrial park will be home to the Group's companies specialising in the production of pharmaceuticals and dietary supplements, as well as other manufacturers.		1.6 billion roubles
FSAG LLC (belongs to Moscow's Innotekhnologii JSC)	Republic of North Ossetia – Alania	The manufacturer plans to build a plant to produce active pharmaceutical ingredients.		4,2 billion roubles
Cytomed (Medical-Biological Research-Industrial Complex)	Novoorlovskaya site, SEZ Saint Petersburg, Saint Petersburg	The manufacturer has started construction of the second plant, which will produce 15 ingredients for originator peptide drugs (3 of which have already been licensed), as well as an innovative drug for the treatment of atrophic gastritis. Construction is expected to be completed in autumn 2024.		About 2 billion roubles

Initiator	Region	Description	Capacity	Investments
Advanced LifeScience LLC	SEZ Dubna, Dubna, Moscow Oblast	The company's business plan to build a pharmaceutical plant has been approved. There are plans to produce APIs and finished products for the treatment of malignant neoplasms of the lung, breast, thyroid, etc. The plant will start producing drugs in Q2 2026.		1.1 billion roubles
NPK Eskom OJSC (research and production complex)	Stavropol Krai	BIn 2024, the company will start building a new workshop for the production of active pharmaceutical ingredients.		500 million roubles
Yaroslavl State Pedagogical University named after K.D. Ushinsky in partnership with Medisorb JSC	Yaroslavl Oblast	A new production site has been opened to synthesise APIs.	Small batches of APIs	

commission a pharmaceutical complex in Murmansk with an annual capacity of 1.3 billion units of drugs in Q4 2027. The new plant will focus on the production of common, hormonal and oncology drugs. Under the agreement, investment in the project will exceed 9.2 billion roubles, including Indian capital.

- Germany's Stada Group has localised the full-cycle production of Vipidia (INN alogliptin) for patients with type 2 diabetes at Nizhpharm's site in Russia.

- In 2024, the production site of Pharmstandard-UfaVITA (part of Pharmstandard Group) in the Republic of Bashkortostan will begin the full-cycle production of commercial batches of Pfizer's innovative originator drugs: axitinib, palbociclib, bosutinib and crizotinib (all on the VED list).

According to the Federal State Statistics Service (Rosstat), the Russian pharmaceutical industry produced only 1.9% more drugs and medical supplies in 2023 than in 2022.

The share of localised drugs at the end of 2023 was 45.1% in value terms. It is equal to the 2022 figure. The changes were due to the growth in the public sector: financing the purchase of expensive programmes pushed up the share of imported drugs in this segment, which has affected the overall market. Thus, the share of medicines manufactured abroad and purchased through tenders was 57% in 2022 (60% in 2023). The import substitution in the public segment strongly affects the structure of purchases of specific INNs, and some emerging domestic drugs lead to almost complete displacement of foreign alternatives. But new originator drugs put on the market are more expensive and most often turn out to be imported. As a result, the overall results of the shift to localised drugs are offset in monetary terms. However, we can see an increase in the share of localised drugs in packages: from 83.7% in 2022 to 84.8% in 2023.

In the commercial segment, there was a slight shift in consumer preference towards localised drugs (48.1%), which increased the share by 1.3%. A more aggressive marketing policy by Russian companies and a decline in the activity of foreign manufacturers are also contributing to a growing share of Russian-made drugs in pharmacy sales.

Meanwhile, some of the targets set out in the Pharma-2030 strategy appear to have been achieved. In the baseline scenario, the share of home-produced drugs in total consumption is expected to increase from 61.8% to 66.6% in volume terms by 2030 (at the moment, it is already 68.6%). And here are the targets still to be achieved: "the volume of drug exports in monetary terms will increase from 1.28 billion to 3.4 billion US dollars; the share of Russian drugs listed as strategically important ones, which are produced on a full-cycle basis, will increase from 67.44% to 80%."

Partly for the purpose of meeting export targets, projects are emerging to "localise" the production of Russian drugs in other countries. For example, Geropharm will transfer insulin production technologies to the plant of Karaganda Pharmaceutical Complex LLP in Kazakhstan and to the plant of SAIDAL Industrial Group, a state-owned pharmaceutical company, in Algeria. Another Saint Petersburg-based pharmaceutical manufacturer, Biocad, also intends to localise the production of drugs for the treatment of oncological diseases in Algeria at Saidal.

The ranking of manufacturers is highly volatile. Manufacturers with a high share of public procurement were more affected. Merck and Biocad dropped 8 and 6 places respectively in the ranking due to a decline in government purchases – the largest change in the top 20.

Table 33

Top 20 manufacturers by sales value on the Russian pharmaceutical market in 2023

Note: *sales value is in end-user prices including VAT.*

Ranking	Change against 2022	Producer	Sales value, million roubles	Growth against 2022	Share
1	-	Bayer	**77 137.3**	**-9.1%**	**3.5%**
2	-	Novartis	**76 449.6**	**1.5%**	**3.4%**
3	-	Sanofi	**67 667.6**	**-5.0%**	**3.0%**
4	-	AstraZeneca	**65 654.2**	**8.5%**	**2.9%**
5	+3	F.Hoffmann-La Roche	**61 878.9**	**13.0%**	**2.8%**
6	-	Johnson & Johnson	**58 036.8**	**0.4%**	**2.6%**
7	+2	Stada	**56 069.6**	**8.1%**	**2.5%**
8	+5	Abbott	**46 635.0**	**0.1%**	**2.1%**
9	-2	OTCPharm	**45 635.5**	**-17.5%**	**2.0%**
10	+4	Servier	**44 875.5**	**5.7%**	**2.0%**
11	+5	KRKA	**42 780.8**	**9.3%**	**1.9%**
12	+3	Teva	**42 424.0**	**5.6%**	**1.9%**
13	-8	Merck	**41 317.1**	**-29.7%**	**1.9%**
14	+4	Binnopharm Group	**40 786.4**	**11.6%**	**1.8%**
15	+5	Pharmstandard	**40 538.5**	**14.8%**	**1.8%**
16	-6	Biocad	**39 652.4**	**-17.7%**	**1.8%**
17	+4	Ozon	**37 013.2**	**8.7%**	**1.7%**
18	-6	Pfizer	**36 688.4**	**-21.4%**	**1.6%**
19	-	GlaxoSmithKline	**34 241.0**	**-4.5%**	**1.5%**
20	+3	Gedeon Richter	**32 954.5**	**9.5%**	**1.5%**

Table 34

Top 20 manufacturers by sales volume on the Russian pharmaceutical market in 2023

Ranking	Change against 2022	Producer	Sales volume, million packages	Growth against 2022	Share
1	-	Pharmstandard	**321.8**	**-4.2%**	**6.3%**
2	-	Ozon	**232.1**	**-0.5%**	**4.6%**
3	+2	Binnopharm Group	**184.2**	**4.2%**	**3.6%**
4	-	Stada	**180.0**	**-2.6%**	**3.5%**
5	-2	OTCPharm	**169.5**	**-10.5%**	**3.3%**
6	+1	Renewal	**137.7**	**8.7%**	**2.7%**
7	-1	Teva	**130.3**	**0.1%**	**2.6%**
8	-	Polpharma	**113.8**	**3.0%**	**2.2%**
9	-	Grotex	**109.1**	**-1.2%**	**2.1%**
10	+1	Vertex	**108.7**	**3.7%**	**2.1%**
11	+1	Dr.Reddy's	**105.2**	**4.8%**	**2.1%**
12	+3	Tula Pharmaceutical Factory	**92.7**	**5.6%**	**1.8%**
13	-3	Sanofi	**92.2**	**-12.2%**	**1.8%**
14	-	KRKA	**91.8**	**3.0%**	**1.8%**
15	+2	Pharmasintez	**89.0**	**7.3%**	**1.8%**
16	+2	Servier	**83.4**	**2.9%**	**1.6%**
17	+2	Genel	**79.6**	**-0.6%**	**1.6%**
18	-5	Novartis	**78.0**	**-19.9%**	**1.5%**
19	+2	Abbott	**76.4**	**-0.8%**	**1.5%**
20	+3	Gedeon Richter	**69.9**	**0.8%**	**1.4%**

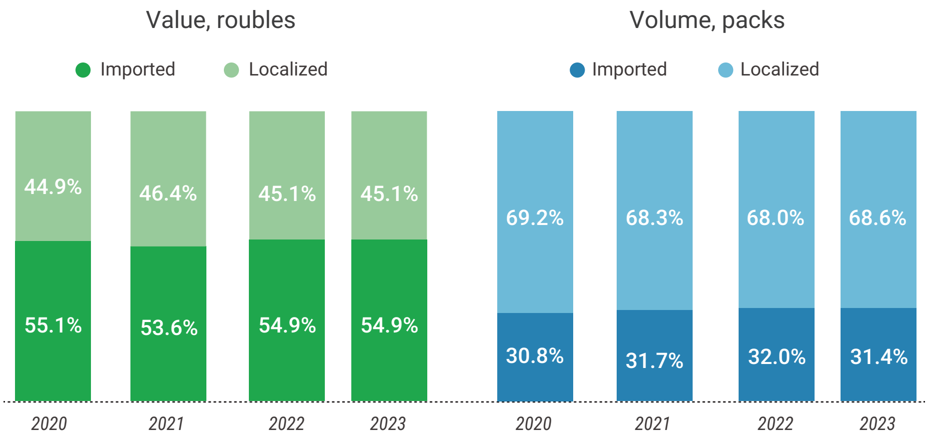
In 2023, the top 20 manufacturers had a combined share of 44.3%. Bayer was the top performer in 2023 despite a 9.1% drop in sales. In second place is Novartis with a 3.4% share. The gap to the leader is tiny – just 500 million roubles. Sanofi remains in third place.

There are now five Russian companies in the ranking, down from six last year. Vertex dropped out of the ranking.

In terms of packages sold, Russian and foreign manufacturers are equally represented in the ranking, with 10 companies each. However, unlike the ranking by sales value, the top three are all Russian companies.

Figure 48

Imported/localized drug sales ratio



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