



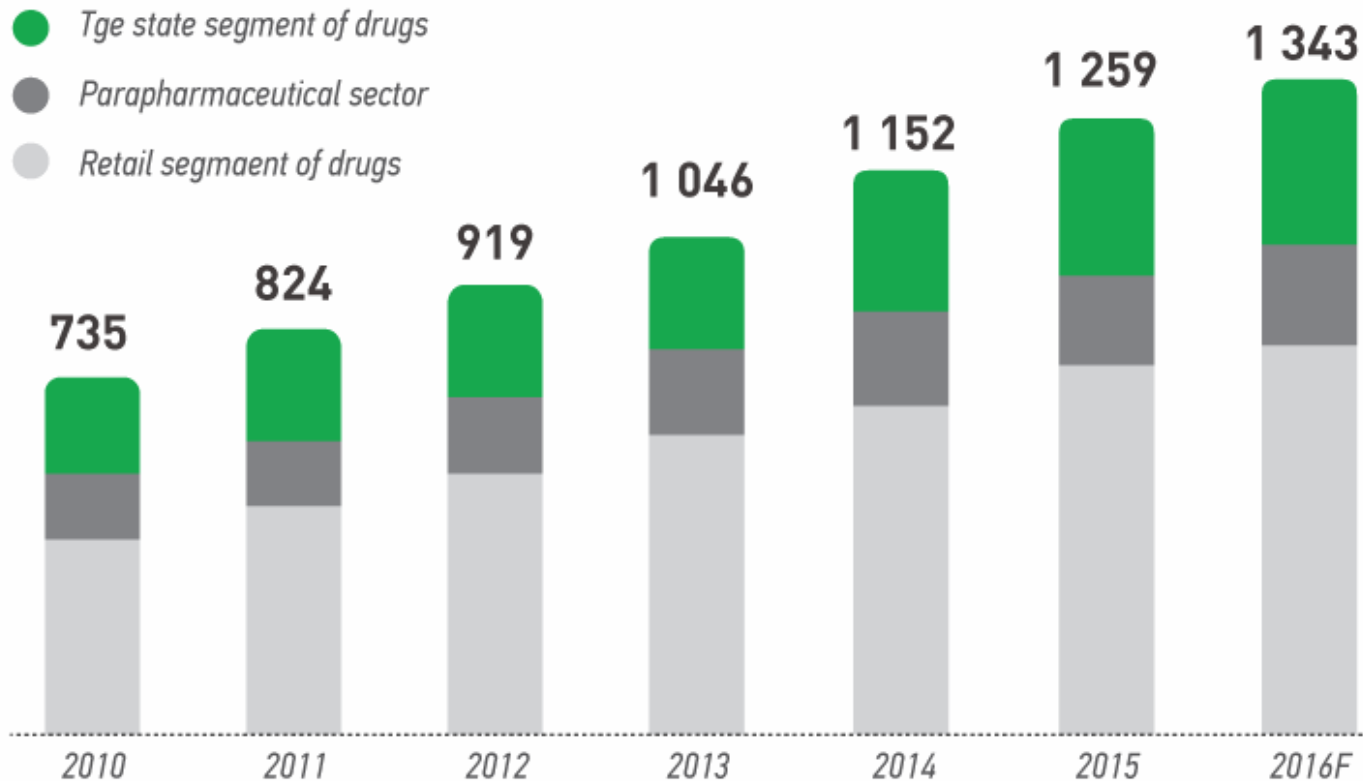
Pharmaceutical market 2015: CRISIS

Sergey Shulyak
CEO DSM Group

St. Petersburg
17 May, 2016

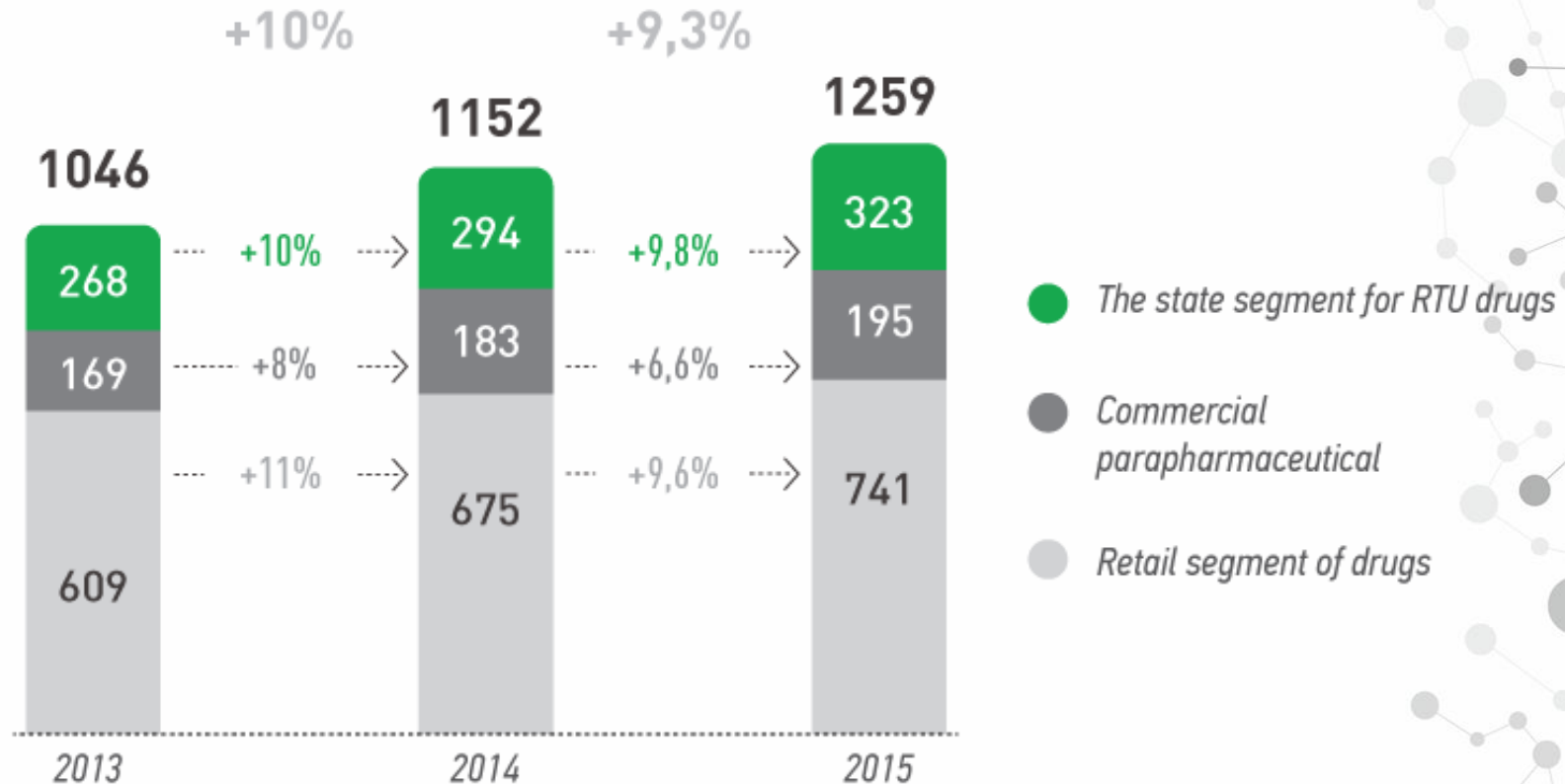
Over the past 5 years, the average growth of the Russian pharmaceutical market makes 11% in rubles

Market dynamics in billion of rubles

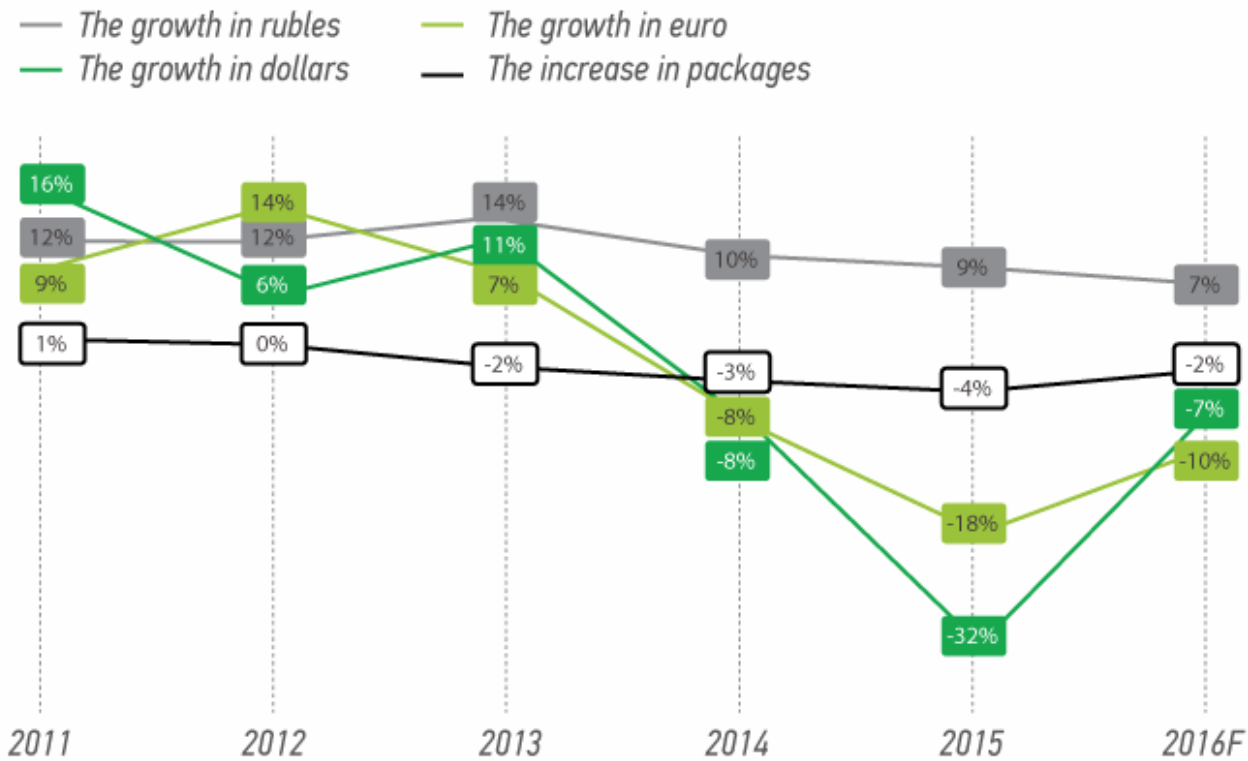


Results 2015 in rubles

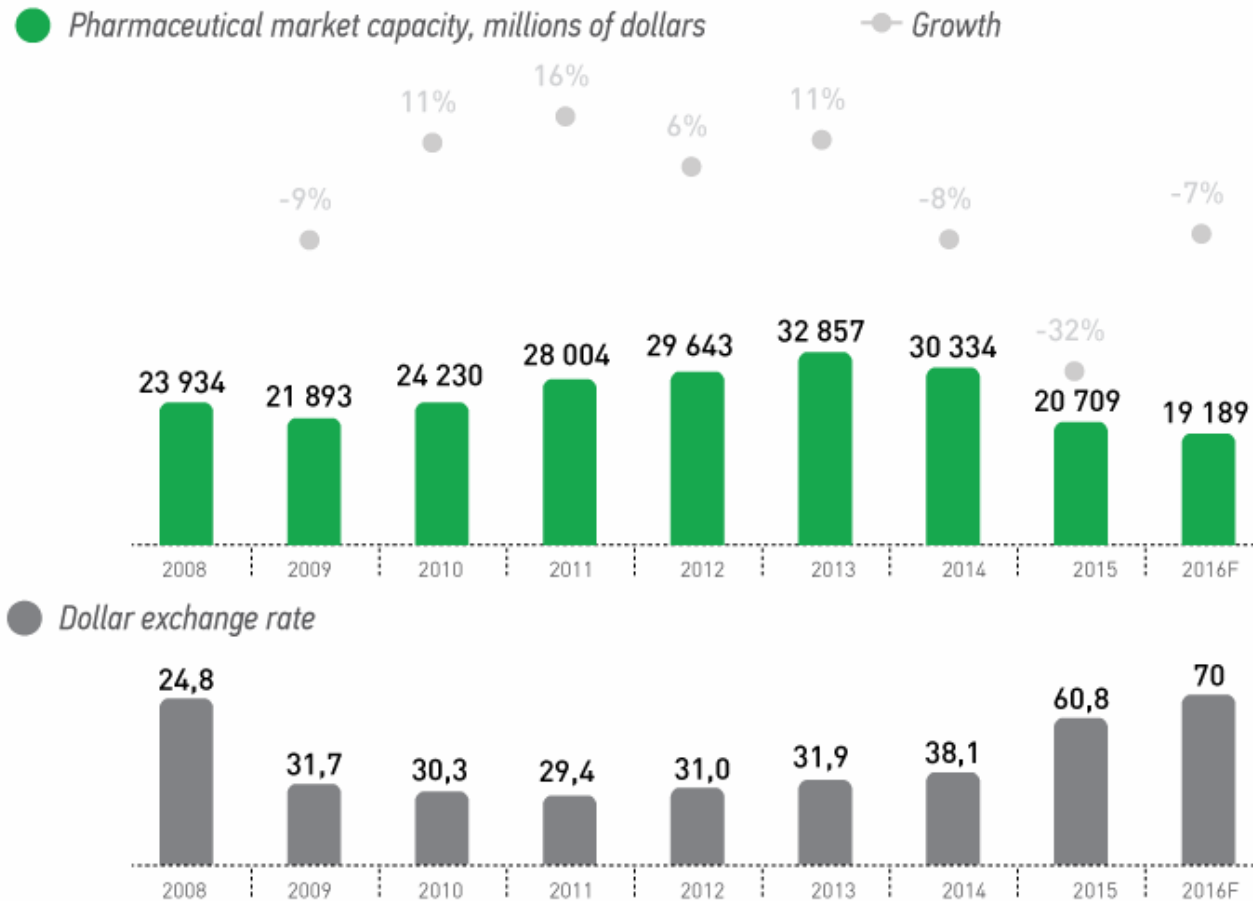
Pharmaceutical market capacity billions of rubles in ultimate prices



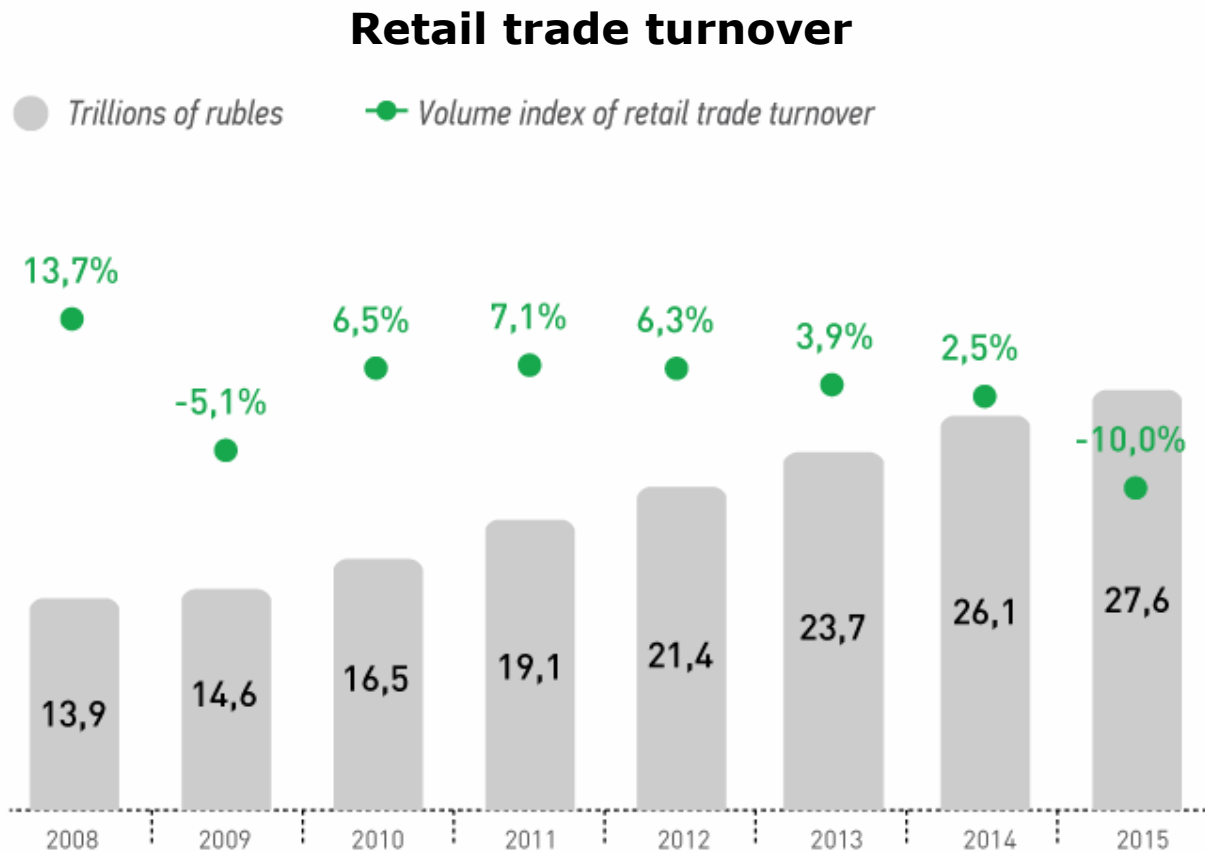
The biggest fall was in USD value – currency roller coaster



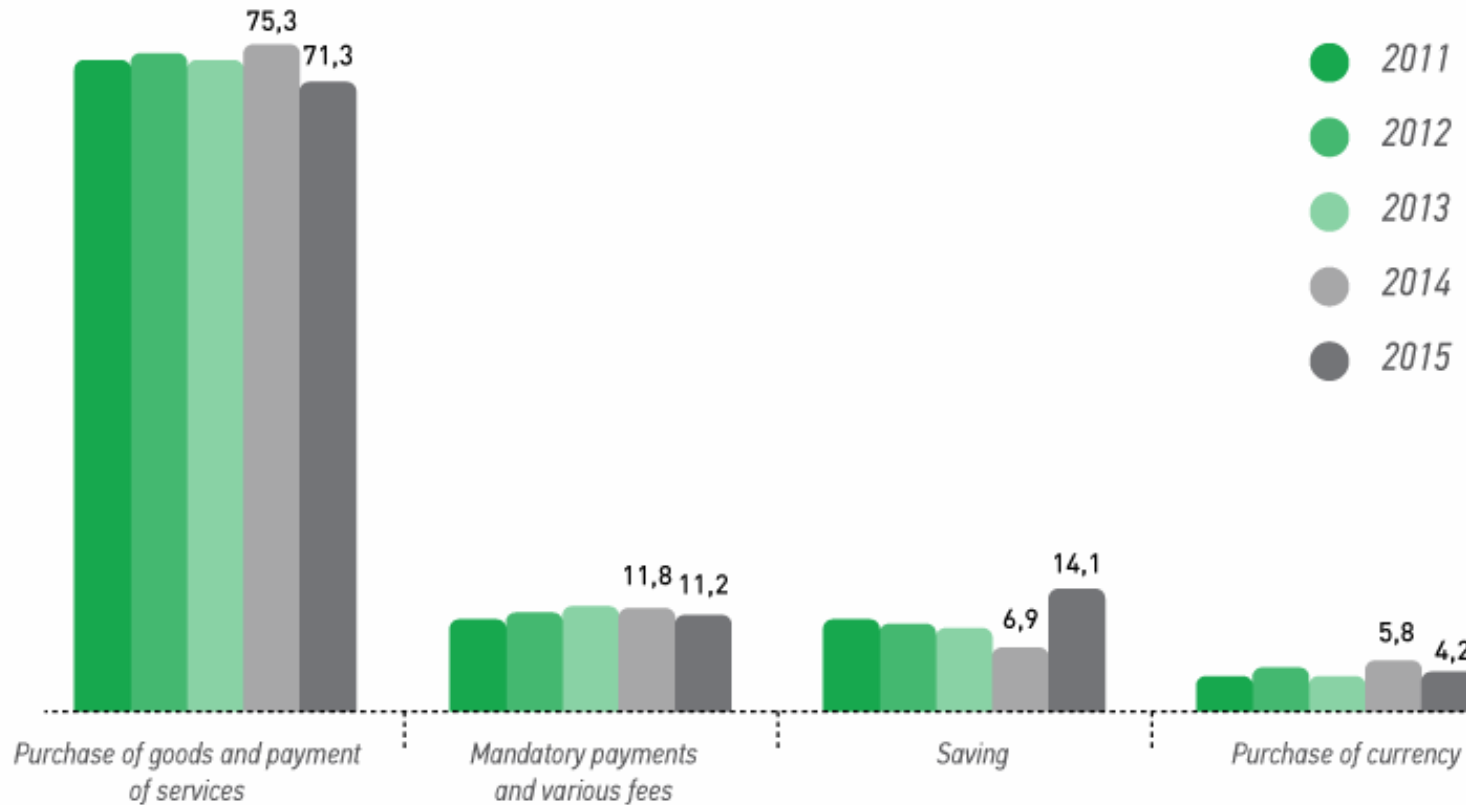
In USD value the market will fall to levels of 2006-2007



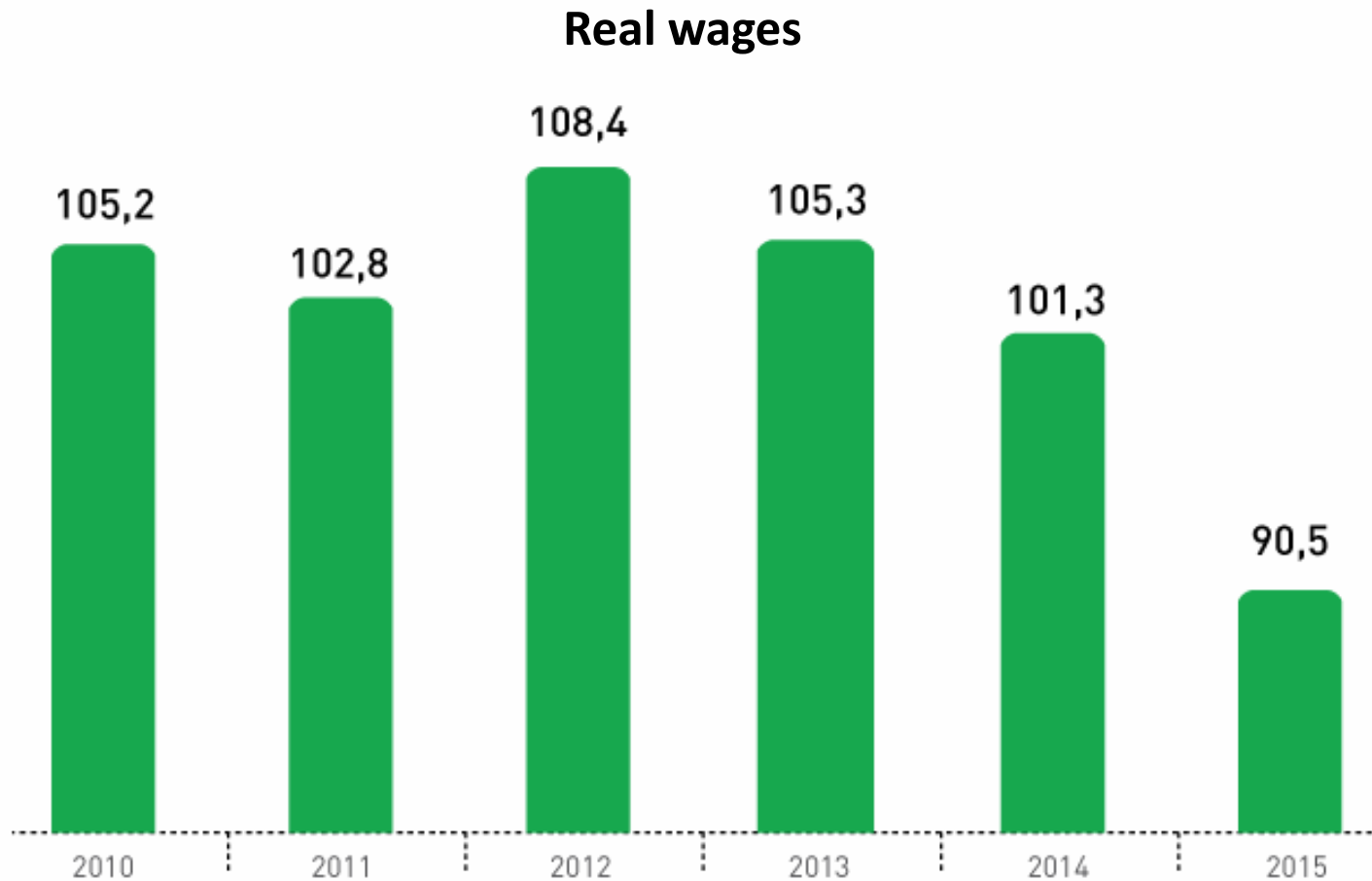
Retail trade turnover - in 2015, the turnover of retail trade fell more than at any time in the previous 45 years



The structure of cash income consumption (dynamics)

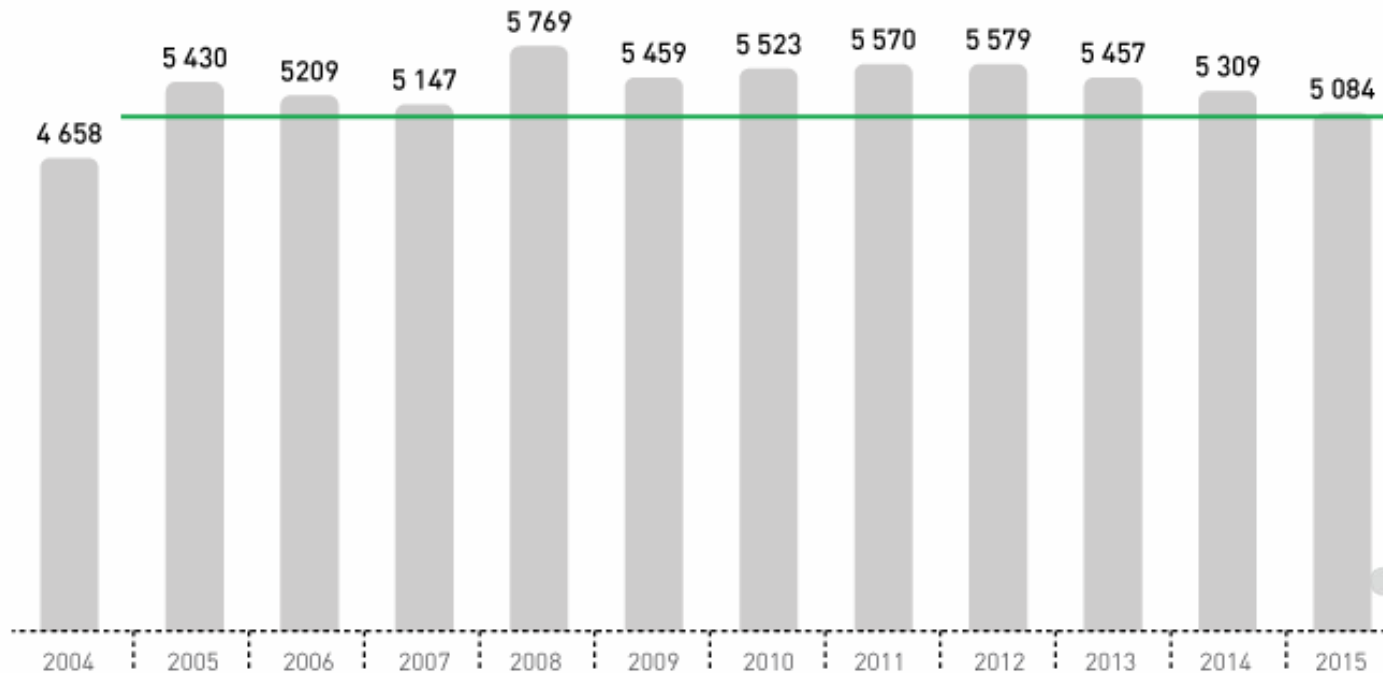


Real wages decreased by 9.5%



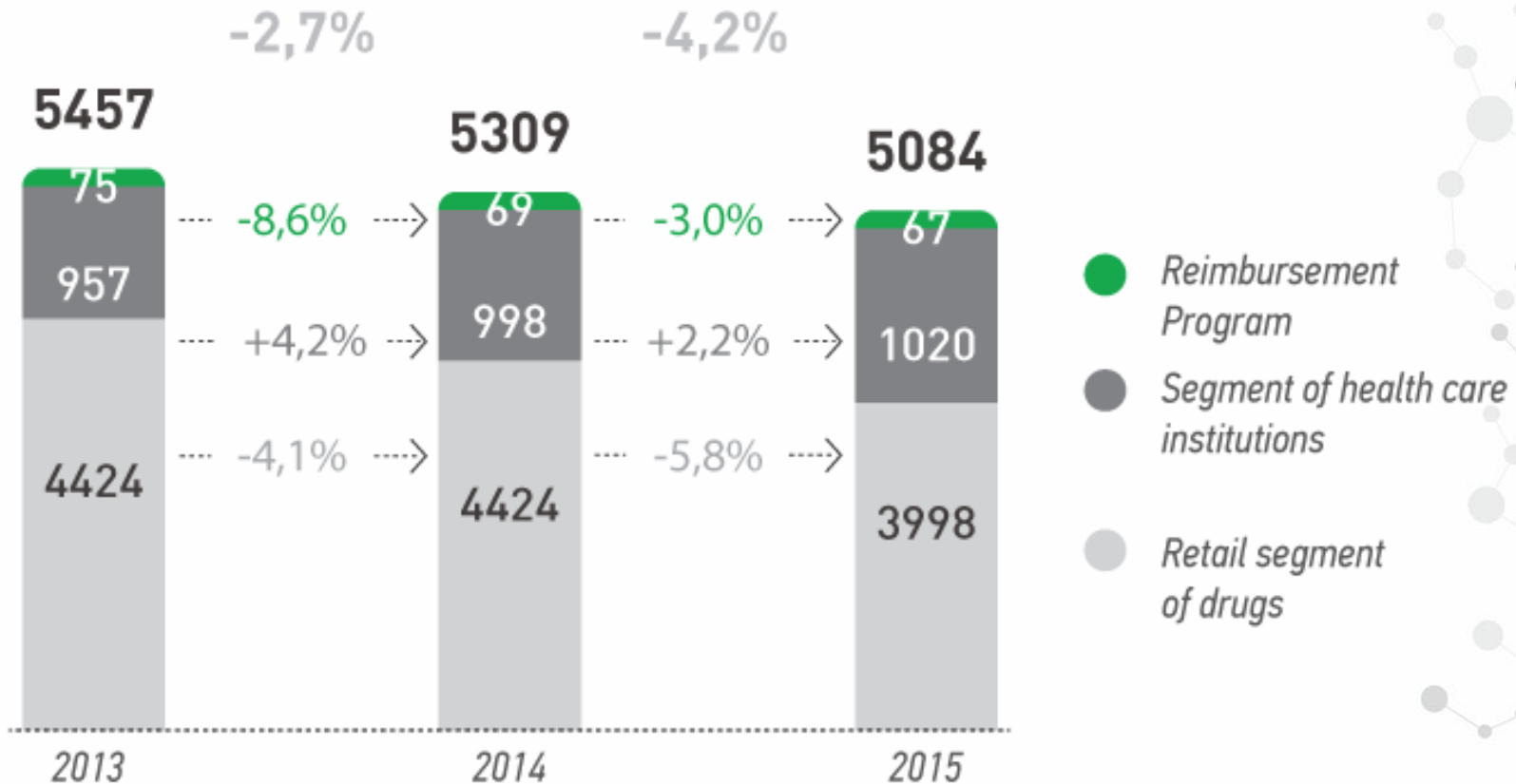
Market fell in packages to the level of 2006-2007

The dynamics of drug consumption in millions of packages



Results 2015 in packages

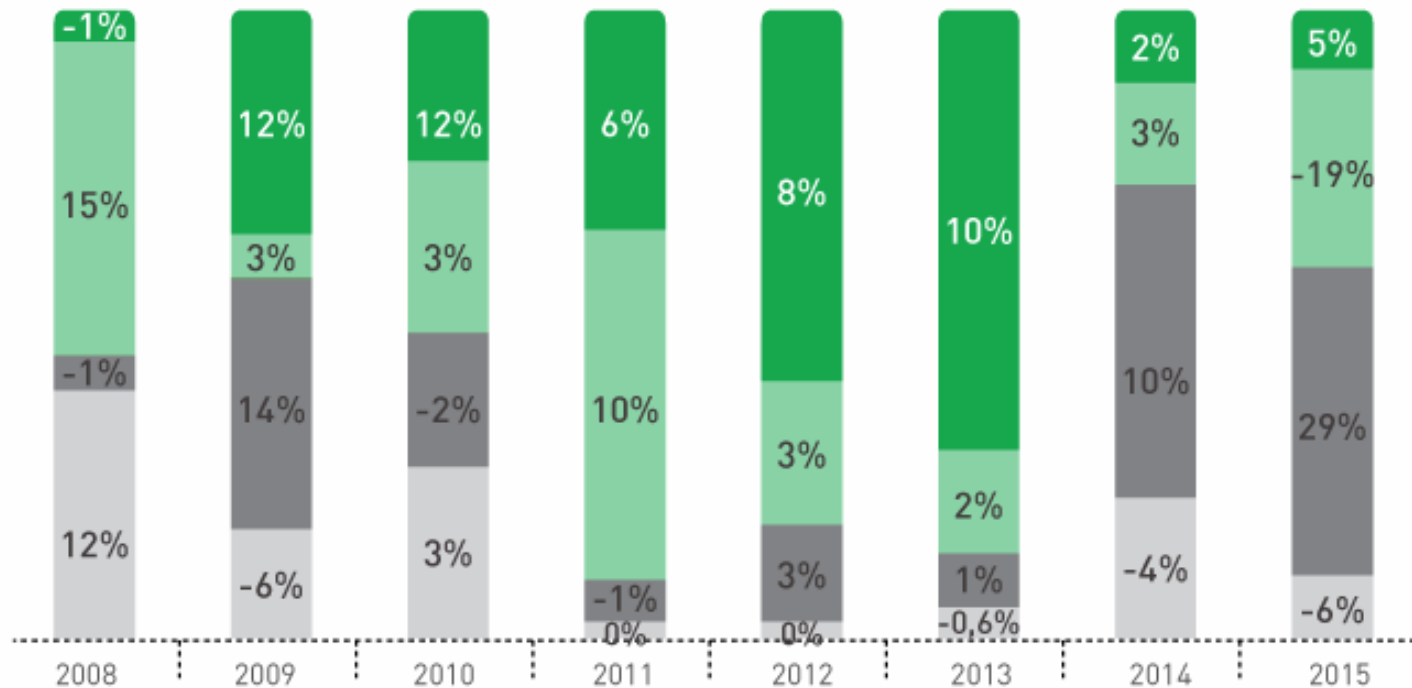
Pharmaceutical market capacity millions of packages



Currency factor: who pays

Growth factors of the Retail segment of drugs

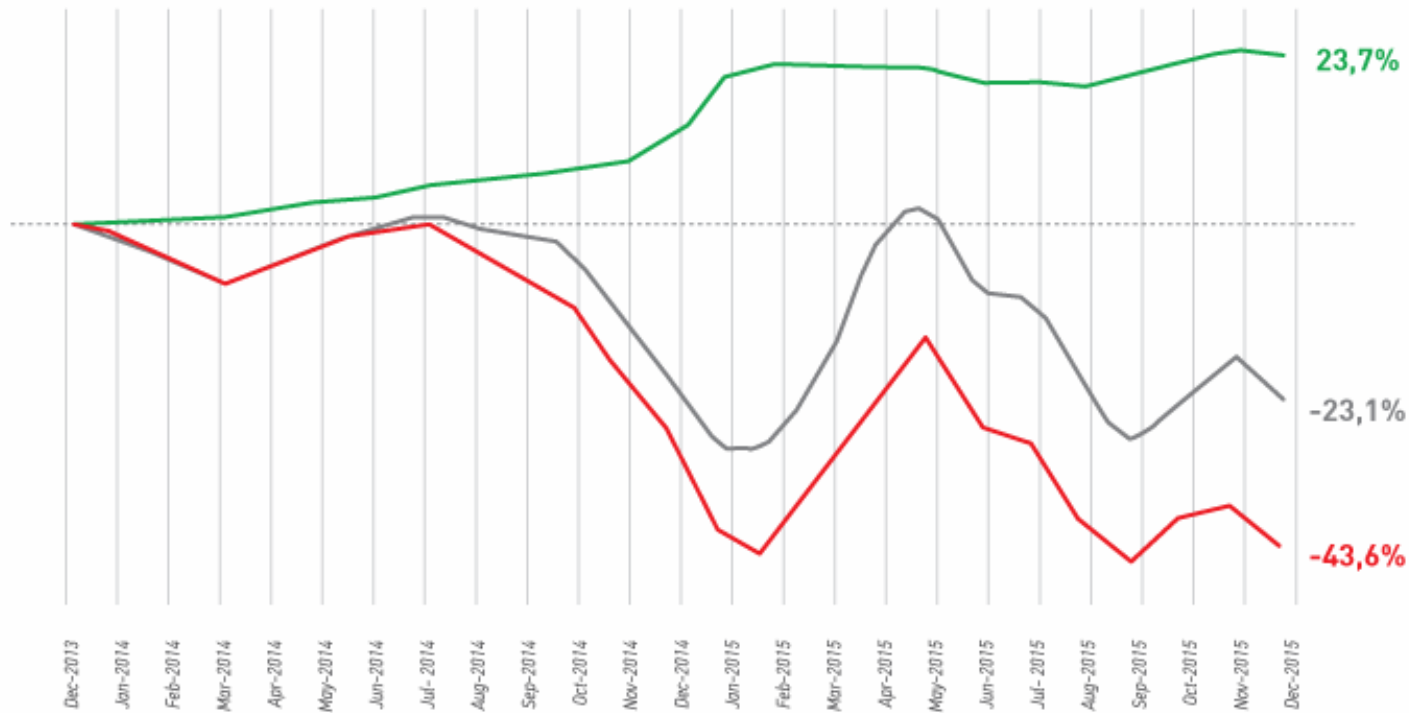
- Increase due to changes in the structure of drugs consumption
- Inflation-related gain
- Foreign exchange growth
- Increase due to packages



Prices are rising only in rubles

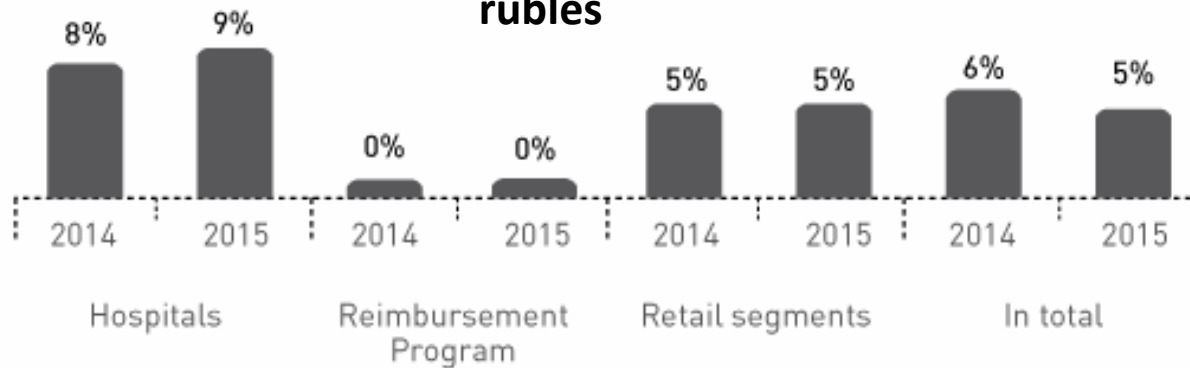
	2014	2015	For 2 years
In Euro	-22,7%	-0,4%	-23,1%
In dollars	-30,2%	-13,4%	-43,6%
In rubles	12,7%	10,3%	23,0%

— In Euro — In dollars — In rubles



50 rubles - a lot or a little?

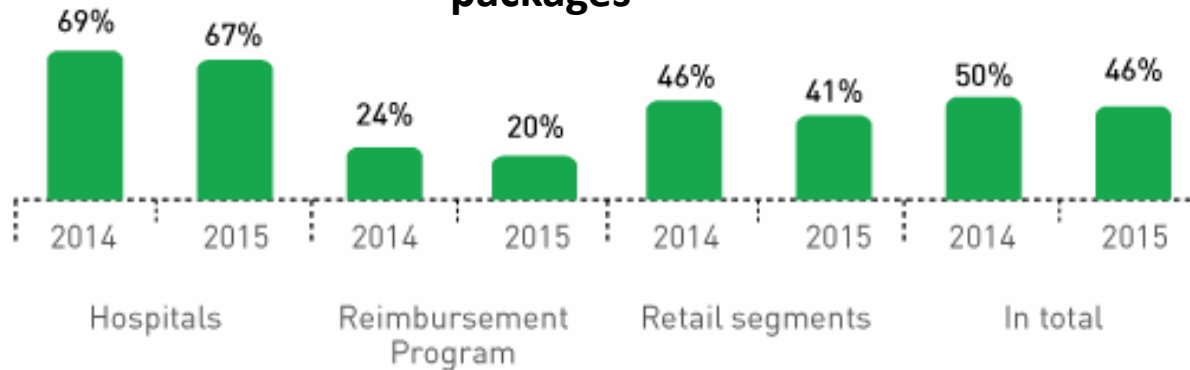
The share of "cheap" (50 rubles) drugs, in rubles



Sales of "cheap" drugs

56 billion rubles

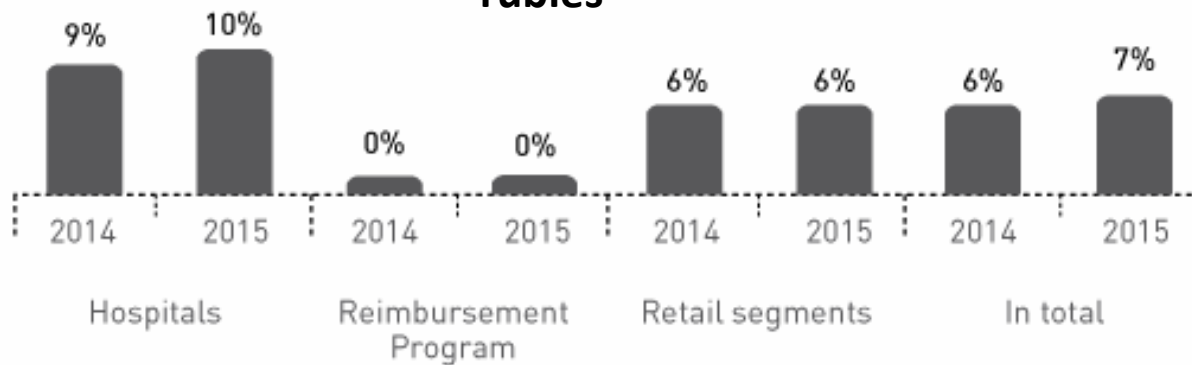
The share of "cheap" (50 rubles) drugs, in packages



2,3 billion packages

"Cheap" vital drugs

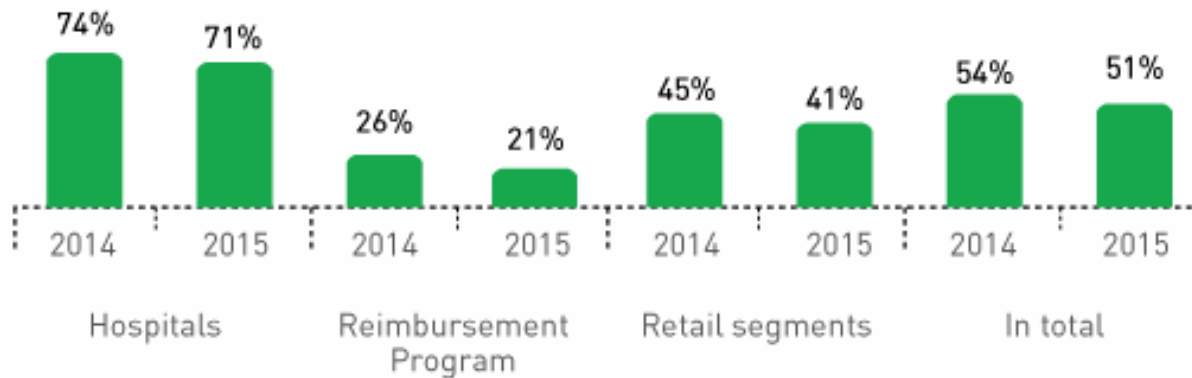
The share of "cheap" (50 rubles) vital drugs, in rubles



Sales of "cheap" vital drugs

33,7 billion rubles

The share of "cheap" (50 rubles) vital drugs, in packages

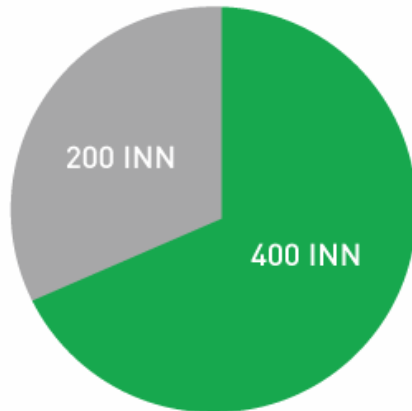


1,3 billion packages

Case №1: «cheap» vital drugs disappear from the market

INN number in different price segments

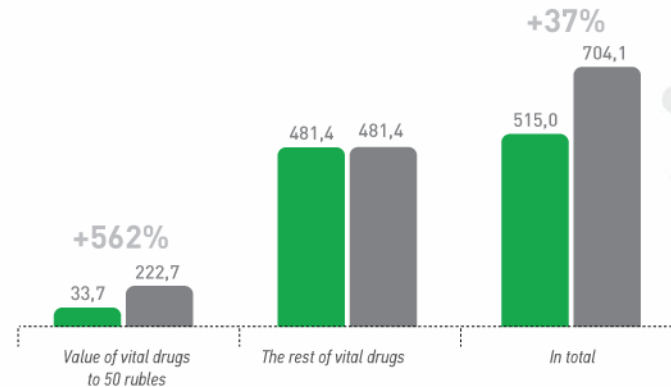
● more than 50 rubles ● to 50 rubles and more than 50 rubles



Conclusion: in the market there is no INN represented only by cheap drugs.

Change of the vital drugs market value billions of rubles

● Current situation ● The situation - there is no cheap drugs

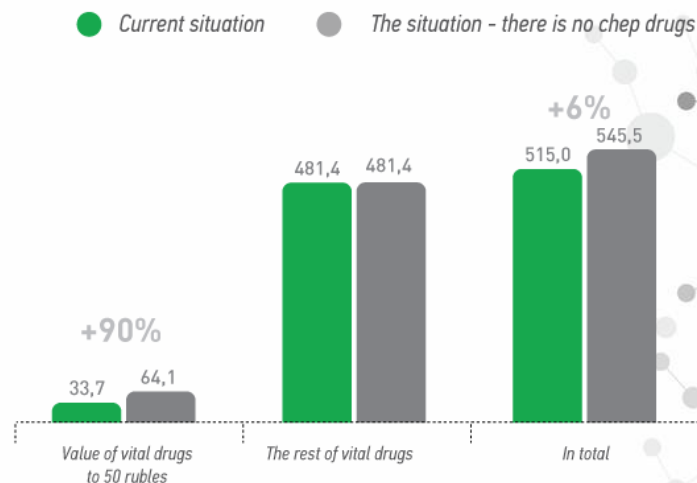


Conclusion: in case “cheap drugs” disappear, value of the vital drugs market will grow by 37% or by 189 billion rubles. At the same time additional expenses will fall on the “state” - segment of hospital procurement and reimbursement program will have to be increased by 162 billion rubles.

Case №2: fix price - «all for 49»

INN	The share of "cheap" products, packages	The average weighted price of "cheap" drugs, rubles
SODIUM CHLORIDE	18,8%	28,8
ACETYLSALICYLIC ACID	6,2%	12,7
CEFTRIAXONE	5,2%	35,3
XYLOMETAZOLINE	4,0%	28,9
DEXTROSE	3,7%	30,9
PARACETAMOL	3,6%	9,9
CEFOTAXIME	3,5%	30,4
HYDROGEN PEROXIDE	3,2%	9,9
CHLORHEXIDINE	3,1%	15,6
CEFAZOLIN	2,5%	20,5
Top 10 in packages	53,7%	

Change of the vital drugs market value billions of rubles



Conclusion: In case the price of “cheap drugs” is fixed at the level of 49 rubles, value of the vital drugs market will grow by 6% or by 30 billion rubles.

Case №3: the state pays

Subsidies from the state (plan):

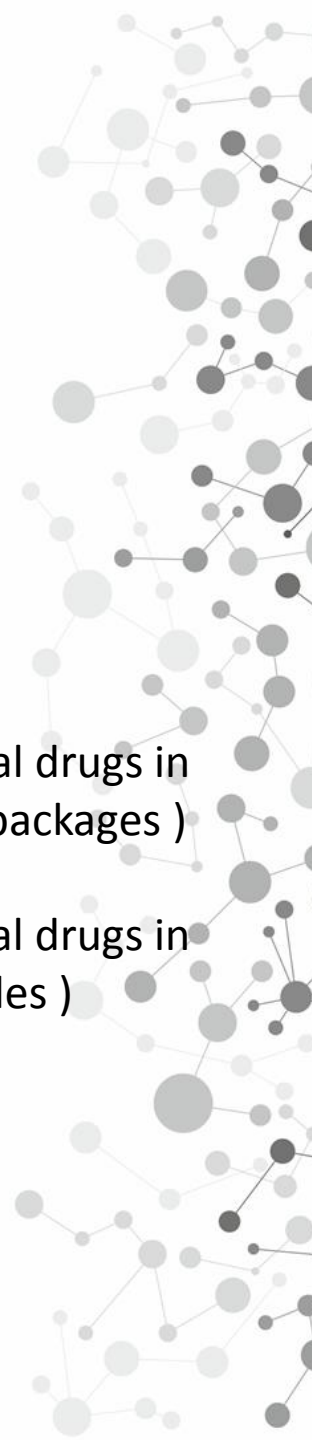
- 5 million packages
- Over 40% of vital drugs in circulation
- More than 300 employees in the company

	The amount of drugs with a price less than 50 rubles, Mln. Pkg.	The share of vital drugs, rub.
PHARM-CENTER	97,0	73%
BIOTEC	83,7	60%
GEMATEK	72,0	100%
ESKOM NPK	65,6	95%
OZON	62,2	78%
MEDPOLIMER FIRM	36,6	99%
KRASFARMA	31,1	97%
BIOTICS PBMCS	27,1	94%
DALKHIMPHARM	27,0	41%
VEROPHARM	26,3	70%
Number of companies according to the criteria - 25		

25 companies provide:

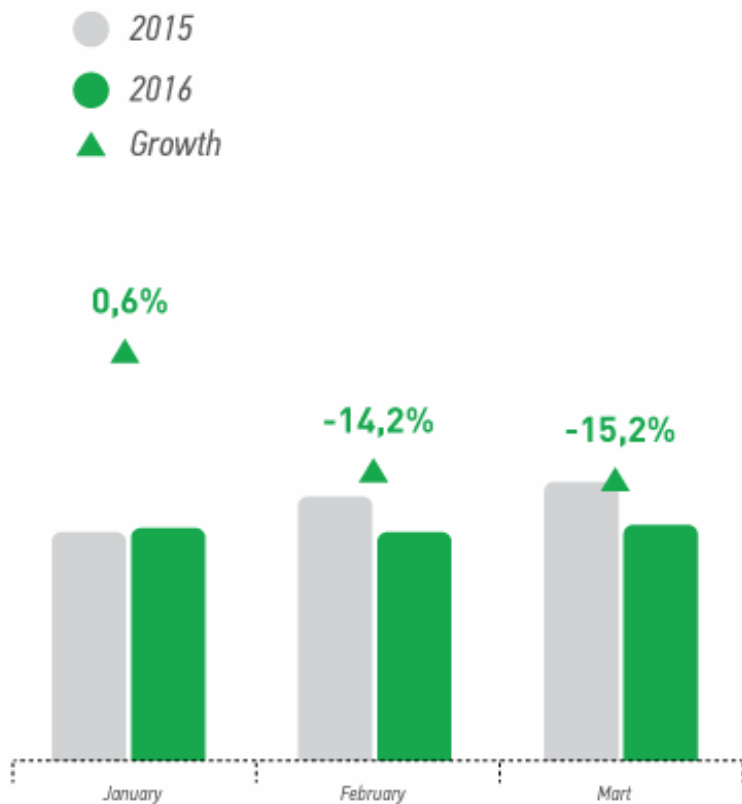
54% of the "cheap" vital drugs in packages (707 million packages)

56% of the "cheap" vital drugs in rubles (18.9 billion rubles)

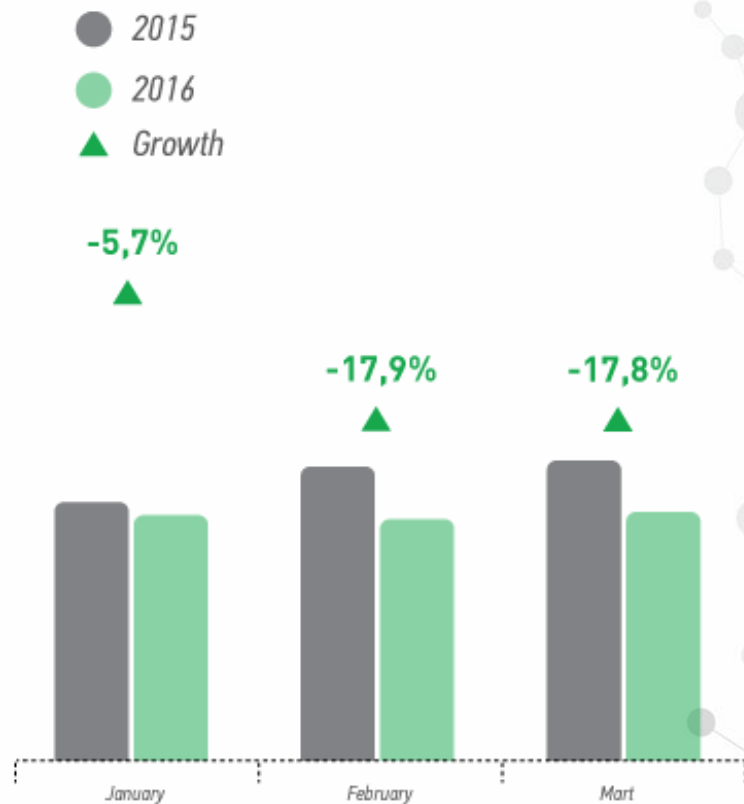


The results of the 1st quarter of 2016: -10% in rubles and -14% in packages

The dynamics of the retail market, rubles

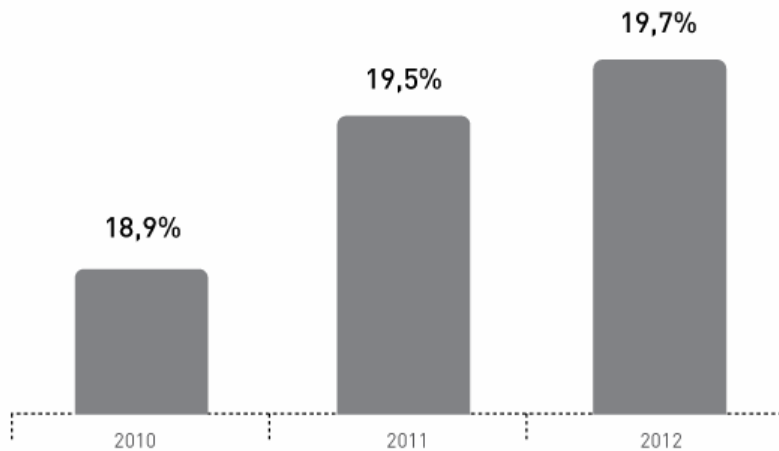


The dynamics of the retail market, packages



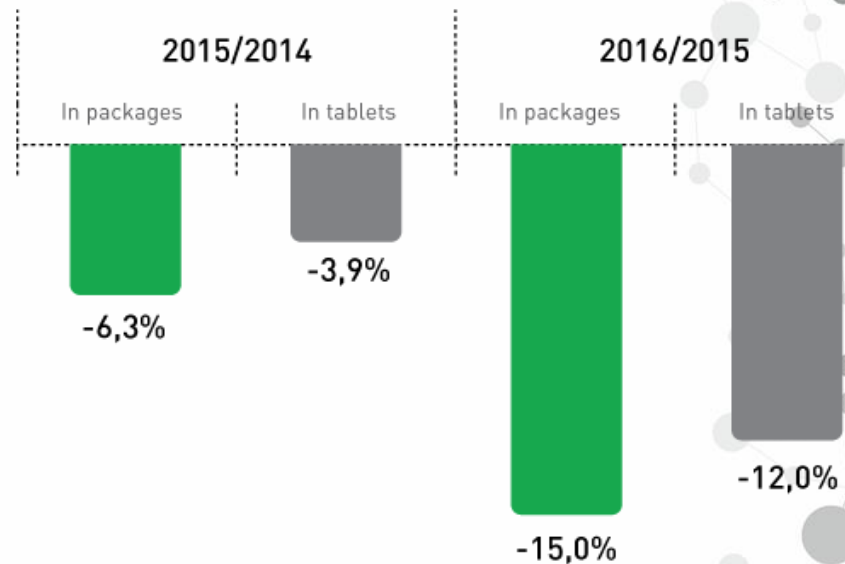
"Real" drop: the proportion of "large" packages grows

The share of "big" packets in volume of drug release to a form of "pills" in pharmacy sales



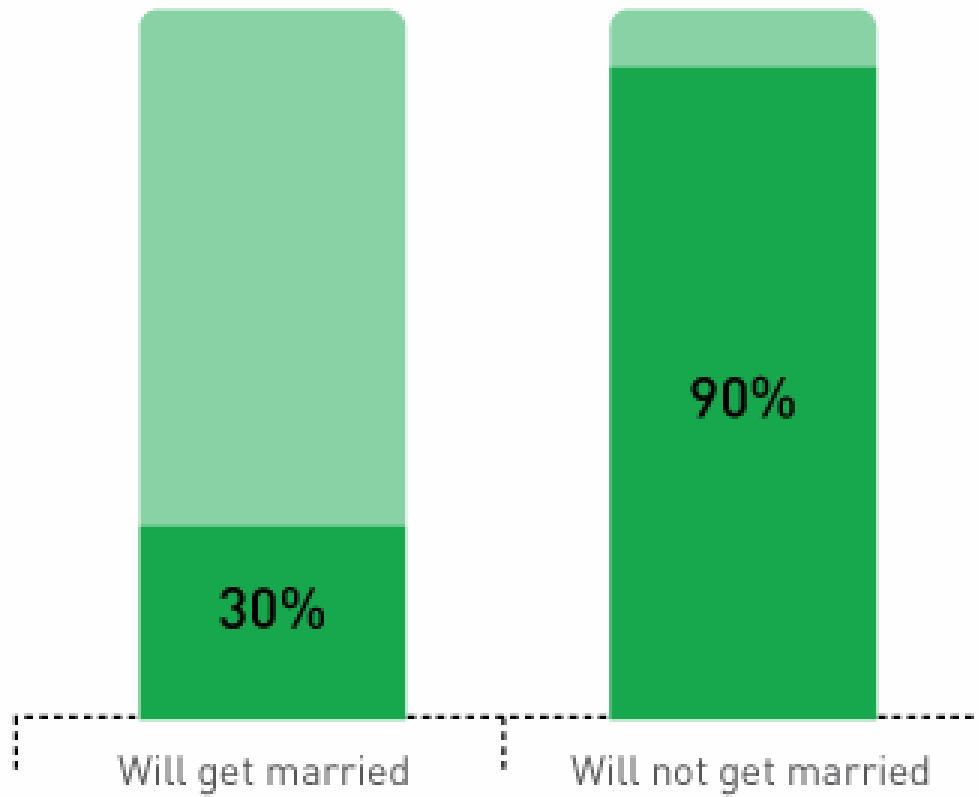
"Most pack" - more than 30 tablets

Dynamics of pharmacy sales drugs with the form of the release of "pills"



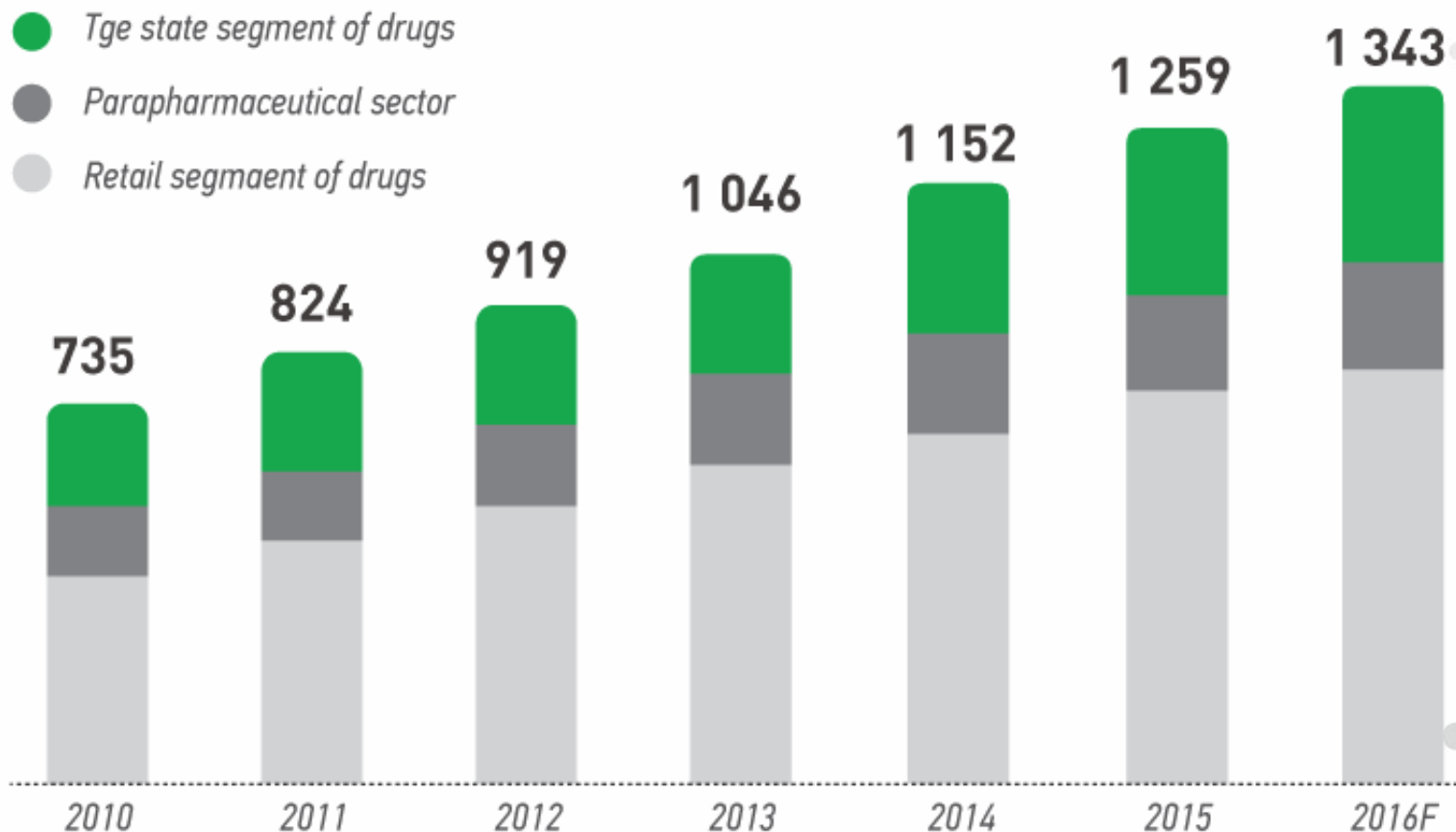
Forecast

● *Fact*



The growth of pharmaceutical market in 2016 will amount to 5-7%

Market dynamics in billion of rubles





LET`S GET MARRIED!





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PHARMACEUTICAL MARKET**

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