AIPM-RMBC MARKET BULLETIN

A Joint Publication of the Association of International Pharmaceutical Manufacturers in Russia and Research Marketing & Business Consulting Company

MACROECONOMIC INDICATORS

Monetary and financial indicators

According to Goskomstat, the inflation rate of the consumer market decreased from 0.9% in July 2007 to 0.1% in August 2007 (Diagram 1). In total, the inflation rate for the first eight months of 2007 is estimated at 6.7%, while the same indicator was 7.1% during the same period of the previous year. The inflation rate estimate for industrial prices in the first eigth months of 2007 was 17.7%, while the respective indicator was 13.7% for the same period of the previous year.

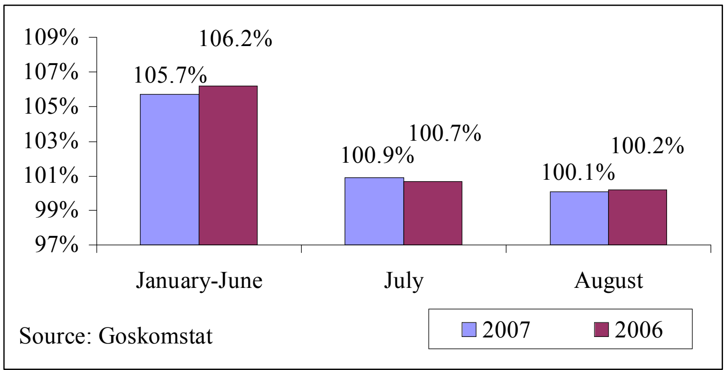


Diagram 1. Consumer price indices compared to the previous period

Industrial output

Goskomstat estimated the industrial output in August 2007 at 103.8% as compared to the same month in 2006. Industrial production grew by 7.0% in the first eight months of 2007 compared to the same period in 2006.

Population income and living standards

According to Goskomstat preliminary data, the average salary in August 2007 was Rbl. 13,410 (about \$523). The August 2007 real salaries increased by 14.4% compared to the respective figure in August 2006, while real disposable per capita income was 12.5% higher than year ago (Diagram 2). Retail turnover grew by 16.0% in August 2007 compared to the same period of the previous year and accounted for about Rbl. 929 Bln.

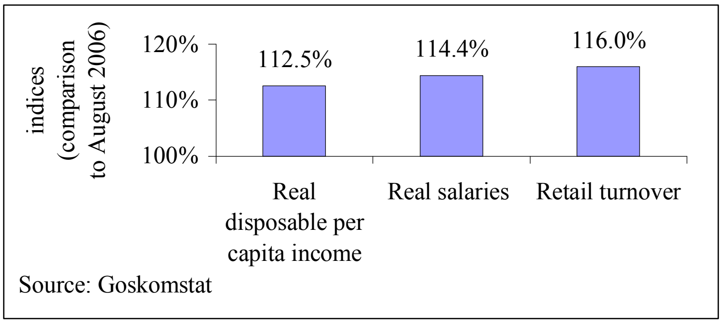


Diagram 2. Real disposable per capita income, real salaries and retail turnover in August 2007

Domestic production

According to Goskomstat, in August 2007 the output of domestic pharmaceutical companies was \$191 Mln., the growth in dollar prices accounted for 6% compared to the same figure a year ago. The value of drugs produced by domestic enterprises in August of 2007 increased by 8% compared to the respective figure in July of 2007. The top 10 producers by output value in August 2007 are listed in Table 1. The total output of these leaders accounted for \$105.9 Mln., which is 56% of the total pharmaceutical production by value.

Table 1. Top 10 domestic producers in August 2007

Rank	Manufacturer	Output Value, \$ Mln.
1	Pharmstandart	25.2
2	Immunopreparat	13.2
3	PHARM-CENTR	11.8
4	Otechestvennye Lekarstva	11.2
5	Veropharm	10.9
6	Nizhpharm	9.7
7	Materia Medica	7.6
8	Biosintez	6.9
9	Akrikhin	5.7
10	Dalkhimpharm	3.7

Pharmacy sales of 10 regions are presented in Table 2. Pharmacy sales increased in most of analyzed regions in July compared to the previous month. The most significant growth rates in terms of monthly pharmacy sales were presented in Krasnodar region (+13%).

Table 2. Pharmacy sales in 2007 by different regions

Region	Pharmacy sales, \$Mln. (in pharmacy purchasing prices)			Growth rate in rubles, %		
	May 2007	June 2007	July 2007	May 2007/ April 2007	June 2007/ May 2007	July 2007/ June 2007
Moscow	77.7	71.3	73.1	0%	-8%	1%
Saint-Petersburg	26.7	23.9	23.2	-1%	-10%	-5%
Tatarstan	13.2	13.0	14.9	7%	-1%	13%
Novosibirsk region	12.9	12.6	13.2	4%	-2%	3%
Krasnodar region	13.6	11.9	12.3	0%	-12%	2%
Krasnoyarsk region	10.0	9.6	10.5	-1%	-3%	7%
Rostov region	11.6	9.9	10.0	0%	-14%	0%
Voronezh region	6.8	6.0	6.5	-9%	-11%	8%
Tyumen city	4.9	5.0	4.9	-11%	3%	-3%
Perm city	4.5	4.2	4.6	-7%	-6%	7%

Advertisement

The Top 5 pharmaceutical manufacturers and Top 5 brands by quantity of advertising blocks (TV, radio, press, outdoor advertisement) are listed in Table 3 and Table 4, respectively.

Table 3. Top 5 advertisers in August 2007

Rank	Company*	Quantity
1	Reckitt Benckiser	1 539
2	Novartis	1 513
3	Berlin-Chemie / Menarini Pharma G.m.b.H.	1 414
4	Materia Medica	753
5	Sagmel Inc	600

Source: TNS Gallup AdFact

Table 4. Top 5 brands in August 2007

Rank	Brand Name*	Quantity
1	Strepsils	817
2	Lamisil Dermgel	744
3	Impaza	726
4	Nurofen	662
5	Lamisil	380

Source: TNS Gallup AdFact

* Both rankings in Tables 3 and 4 contain only products registered as drugs and only companies that advertise registered pharmaceuticals.

PHARMACEUTICAL RETAIL MARKET OF UKRAINE IN THE 1ST HALF OF 2007

According to Retail Audit of Drugs in Ukraine™, pharmacy market of Ukraine in the first half of 2007 grew by 24% in national currency compared to the same period of 2006 and reached $725 Mln at wholesale prices and $899.6 Mln at retail prices. In contrast, drug consumption in natural terms (in packs) decreased 11% supporting the common trend of a gradual shift from cheaper old generic and traditional drugs to expensive but safer and more effective drugs. Thus, average price per pack increased from $1.16 in H1 2006 to $1.61 this year at retail prices. Average retail mark-up went 1 point down to 24% - that is probably the result of stiffer competition in the retail sector of the pharmacy market. During the first half of 2007 each Ukrainian citizen spent on average $19.26 for drugs in pharmacies.

Leading drug manufacturers of Ukraine by pharmacy sales value were relatively stable: there was only one entrant in the Top 10 - Bayer Healthcare. The total sales value of the merged company in the analyzed period exceeded the aggregate sales of Bayer and Schering AG in H1 2006 more than 1.5-fold in national currency. Sanofi-Aventis and Berlin-Chemie AG/Menarini Group that headed the chart retained their positions, though it is worth mentioning that slow growth of Sanofi-Aventis (+9%) against the background of the rapid dynamics posted by Berlin-Chemie (30%) placed the two corporations on almost equal standing: they have almost the same shares in the total retail sales. In case the trend continues, Sanofi-Aventis is likely to lose its leading position in the nearest future. The major national producers present in the Top 10 list showed much slower growth rates than the market average, what led to their drops in the ranking in H1 2007. Borschagovsky Plant reduced its share and left the list.

Table 1. Top 10 manufacturers by pharmacy sales value

Rank		Corporation*	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	1	**Sanofi-Aventis**	4.1	4.7
2	2	**Berlin-Chemie AG/Menarini Group**	4.1	3.9
3	4	**Novartis (incl. Sandoz-Lek)**	3.6	3.4
4	3	Darnitsa	3.0	3.5
5	7	**Servier/Egis**	2.9	2.8
6	9	**GlaxoSmithKline**	2.6	2.4
7	6	Farmak	2.6	2.9
8	5	Arterium	2.6	3.1
9	8	KRKA D.D.	2.5	2.8
10	15	**Bayer Healthcare (inc. ScheringAG)**	2.1	1.8
Total Top 10			**30.1**	**31.3**

* AIPM members are in bold

More noticeable changes can be observed in the list of the leading trade names. Two new brands joined the list, Lasolvan and Sodium chloride, that increased their retail sales in national currency against H1 2006 by 38% and 29%, accordingly. Meanwhile, the market leaders – Essentiale N and Actovegin – remained stable despite their low growth rates (+2% and +6%, accordingly).

Table 2. Top 10 trade names by pharmacy sales value

Rank		Trade name	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	1	Essentiale N	1.1	1.3
2	2	Actovegin	0.8	1.0
3	4	Mildronate	0.7	0.8
4	5	Ceftriaxone	0.7	0.8
5	11	Lasolvan	0.7	0.6
6	6	No-spa	0.6	0.8
7	3	Viagra	0.5	0.9
8	14	Sodium chloride	0.5	0.5
9	7	Phezam	0.5	0.8
10	10	Ketanov	0.5	0.6
Total Top 10			**6.6**	**8.1**

No-spa (-10%), Viagra (-23%), Phezam (-17%) and Ketanov (-8%) posted negative sales dynamics and reduced their shares in the total sales value of the pharmacy sector. Xenical and Theraflex ranked below the top 10 list.

There were two new participants entered the Top 10 INNs and combinations list: fluconazole and trimetazidine, while growth rates they demonstrated were not high (+24% and +16% correspondingly). The leaders of the market, multivitamine+ multimineral and phospholipids, kept their positions, however it should be noted their some reduce in share due to low growth rates. Low dynamics were demonstrated by INNs sildenafil and multivitamine as well. At the same time, among the list participants the most considerable growth of sales values was fixed for hospital antibiotic ceftriaxone (+40%). Meldonium and drotaverine left the Top 10, decreasing their shares in total pharmacy sales value.

Table 3. Top 10 INNs and combinations by pharmacy sales value

Rank		INN/Combination	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	1	Multivitamine+ Multimineral	1.5	1.8
2	2	Phospholipides	1.1	1.3
3	5	Ambroxol	1.1	1.0
4	4	Diclofenac	1.1	1.1
5	3	Sildenafil	1.1	1.3
6	7	Pancreatin	1.0	0.9
7	9	Ceftriaxone	1.0	0.9
8	6	Multivitamine	0.8	1.0
9	15	Fluconazole	0.7	0.7
10	13	Trimetazidine	0.7	0.8
Total Top 10			**10.0**	**10.8**

Only one entrant joined to the Top 10 ATC groups list – Psychoanaleptics with 30% sales growth in national currency compared to the first half of 2006. Rapid dynamics of the groups Antibacterials for Systemic Use (+34%) and Antiinflammatory and Antirheumatic Products (+31%) should also be noted. Analgesics (+7%), Vitamins (+6%) and Cardiac Therapy (+11%) registered much lower growth rates than the market average. Nasal Preparations left the list by the results of the first 6 months of 2007.

Table 4. Top 10 ATC groups by pharmacy sales value

Rank		ATC code	ATC group	Share in total pharmacy sales, %	
H1 2007	H1 2006			H1 2007	H1 2006
1	1	J01	Antibacterials for Systemic Use	8.0	7.4
2	2	N02	Analgesics	5.2	6.1
3	4	R05	Cough and Cold Preparations	4.8	4.7
4	3	A11	Vitamins	4.4	5.2
5	7	M01	Antiinflammatory and Antirheumatic Products	3.8	3.6
6	6	A05	Bile and Liver Therapy	3.6	3.7
7	5	C01	Cardiac Therapy	3.6	4.0
8	8	G04	Urologicals	3.1	3.2
9	11	N06	Psychoanaleptics	3.0	2.8
10	9	N05	Psycholeptics	2.8	2.9
Total Top 10				**42.3**	**43.6**

Conclusion. Consumption of drugs through pharmacies grew significantly in H1 2007 (+23% at retail prices). Probably, this growth is conditioned by the crisis in budget sector of pharma market. To count in favour of mentioned hypothesis spoke considerable dynamics of traditional hospital drugs such as Sodium chloride, Ceftriaxone etc.

PHARMACEUTICAL RETAIL MARKET OF KAZAKHSTAN: RESULTS OF THE 1ST HALF OF 2007

According to Retail Audit of Drugs in Kazakhstan™, in the 1st half of 2007 the national pharmaceutical retail market grew by 34% at wholesale prices and by 31% at retail prices (in national currency - tenge). Drug consumption through pharmacies in Kazakhstan reached $240 Mln at wholesale prices and above $292 Mln at retail prices. Each Kazakhstan citizen purchased drugs for an average sum of just over $19.2, while average retail price per pack equaled $1.37, with a 22% retail mark-up.

Top 10 manufacturers by retail sales remained stable, having increased their cumulative share to 37%. Over the analyzed period, the list saw a new leader: sales growth by over 60% (in Kazakhstan tenge) against the 1st half of 2006 placed Novartis on top of the list. Nycomed occupied the 2nd position (+37%), placing Sanofi-Aventis (+24%) on 3rd place. Ratiopharm and Solvay noticeably improved their rankings: each recorded a 58% growth (in tenge) compared with the previous year period. Retail sales of the rest of the top 10 companies, except Berlin-Chemie AG/ Menarini Group (+48%), increased at a slower rate compared to the market average, what led to slight reductions in their market shares.

Table 1. Top 10 manufacturers by pharmacy sales value

Ranking		Corporation*	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	2	**Novartis (incl. Sandoz-Lek)**	5.4	4.5
2	3	**Nycomed**	4.5	4.4
3	1	**Sanofi-Aventis**	4.5	4.9
4	4	**Berlin-Chemie AG/Menarini Group**	4.2	3.8
5	7	**Ratiopharm GmbH**	3.5	3.0
6	5	**Bayer Healthcare (incl. Schering AG)**	3.5	3.6
7	9	**Solvay Pharmaceuticals**	3.3	2.8
8	6	**Gedeon Richter Ltd**	3.1	3.3
9	8	**GlaxoSmithKline**	2.8	2.9
10	10	**Servier/Egis**	2.3	2.4
Total Top 10			**37.2**	**35.7**

* AIPM members are in bold

Considerable changes were demonstrated by the top 10 trade names by retail sales value. Three new brands joined the list – Viagra, Sumamed and Hylak forte – due to their pharmacy sales increase (in tenge) by 71%, 70% and 81%, accordingly.

Table 2. Top 10 trade names by pharmacy sales value

Rank		Trade name	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	1	Actovegin	1.9	1.8
2	3	Cerebrolysin	0.9	0.9
3	2	Xenical	0.8	1.0
4	7	Prostamol Uno	0.8	0.7
5	4	Essentiale N	0.7	0.9
6	6	Mezym forte	0.7	0.7
7	9	Ambrobene	0.7	0.6
8	12	Viagra	0.7	0.5
9	13	Hylak forte	0.7	0.5
10	20	Sumamed	0.7	0.5
Total Top 10			**8.6**	**8.1**

The leading brand – Actovegin (+37%) – outpaced the rest of the trade names in the list by far. Rapid growth during the analyzed period was also posted by Prostamol Uno and Ambrobene (+53% and +69%, accordingly), and their positions in the list improved.

It is worth mentioning that Xenical (+2%) sales tend to stagnation. Linex, Cefazolin and Wobenzym ranked below the Top 10 list in the 1st half of 2007.

There were two new participants in the list of 10 leading INNs and combinations: combination amoxicillin+clavulanic acid and INN metronidazole entered the Top 10 list increasing their pharmacy sales value in national currency 67% and 39% accordingly (growth in dollars amounted to 72% and 43% respectively). The permanent leader of the ranking, combination multivitamine+ multimineral kept its growth rates low during the period analyzed (+6%) and noticeably reduced its share in total pharmacy sales value. Orlistat and phospholipides ranked below the Top 10 list in H1 2007.

Table 3. Top 10 INNs and combinations by pharmacy sales value

Rank		INN/Combination	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	1	Multivitamine+ Multimineral	1.8	2.3
2	3	Ambroxol	1.5	1.2
3	2	Pancreatin	1.5	1.4
4	4	Diclofenac	1.2	1.2
5	9	Ciprofloxacin	1.0	0.9
6	6	Fluconazole	1.0	1.0
7	7	Multivitamine	1.0	1.0
8	15	Amoxicillin+ Clavulanic acid	0.9	0.7
9	8	Cefazolin	0.9	0.9
10	11	Metronidazole	0.8	0.8
Total Top 10			**11.7**	**11.4**

Top 5 ATC groups are the same, though slow growth of the group Vitamins (+19%) resulted in its losing positions, while Analgesics (+53%) moved up to the 2nd place. Cough and cold preparations were highly dynamic (+65% in tenge), what is largely conditioned by an increase in retail sales of Ambrobene, Lasolvan and Antigrippin.

Table 4. Top 10 ATC groups by pharmacy sales value

Rank		ATC code	ATC group	Share in total pharmacy sales, %	
H1 2007	H1 2006			H1 2007	H1 2006
1	1	J01	Antibacterials for Systemic Use	10.8	10.1
2	3	N02	Analgesics	5.6	5.0
3	2	A11	Vitamins	5.1	5.7
4	4	R05	Cough and Cold Preparations	5.0	4.1
5	5	L03	Immunomodulating Agents	3.5	3.5
6	7	M01	Antiinflammatory and Antirheumatic Products	3.4	3.2
7	6	G03	Sex Hormones and Modulators of the Genital System	3.3	3.2
8	9	G04	Urologicals	3.1	3.0
9	8	N06	Psychoanaleptics	3.0	3.2
10	10	A05	Bile and Liver Therapy	2.8	2.9
Total Top 10				**45.8**	**43.9**

Conclusion. Consumption of drugs through pharmacies grew significantly in H1 2007 as compared to the same time-period in 2006. On the whole, the structure of drug consumption in Kazakhstan pharmacies remained stable in the 1st half of 2007, what is evidenced by minor changes in the top 10 ATC list by retail sales value.

PHARMACEUTICAL RETAIL MARKET OF BELARUS IN THE 1ST HALF OF 2007

According to Retail Audit of Drugs in Belarus ™, the pharmacy market of Belarus in the first half of 2007 grew by 48% in national currency compared with the same period of 2006 and reached $198 Mln at wholesale prices and $250 Mln at retail prices. Average per pack price amounted to $1.32 at retail prices. Thus, during the analyzed period each Belarusian citizen spent on an average of about $25.5 for drugs in pharmacies.

The rank of manufacturers by pharmacy sales value in Belarus was relatively stable: the Top 3 leaders remained the same, although the leading Belarusian manufacturer Borisovskiy Plant reduced it's share due to low growth rate (+17%). Only one new entrant of the Top 10, Nycomed, increased its sales value 2.2 times compared to the same period of 2006. Among all the Top 10 participants in the first half of 2006 the most significant growth rates were demonstrated by Servier/Egis (+74%), Gedeon Richter (+80%) and Novartis (+65%). The cumulative share of 10 leading manufacturers amounted to 38% of the total retail sales value.

Table 1. Top 10 manufacturers by pharmacy sales value

Ranking		Corporation*	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	1	**Berlin-Chemie AG/ Menarini Group**	6.5	6.6
2	2	Borisovskiy Plant	4.8	6.0
3	3	**Sanofi-Aventis**	4.5	4.5
4	6	**Servier/Egis**	3.6	3.1
5	7	**Gedeon Richter Ltd.**	3.6	2.9
6	5	Belmedpreparaty	3.4	3.7
7	4	Sagmel Inc.	3.2	3.8
8	9	**Novartis (incl. Sandoz-Lek)**	2.7	2.4
9	14	**Nycomed**	2.7	1.8
10	8	KRKA D.D.	2.6	2.5
Total Top 10			**37.6**	**37.3**

* AIPM members are in bold

The list of the leading trade names demonstrated more noticeable changes. Thus, due to significant dynamic, there were 3 new entrants in the Top 10: Diroton (+162%), Theraflex (+71%) and Actovegin (+125%). At the same time, the leaders of the market, Enalapril and Mildronate, kept their positions. Amlodin and Mezym forte, which retail sales values grew slower than the total retail market (+42% and +28% accordingly), dropped in the ranking. The 10 leading trade marks accumulated 8% of the overall retail sales.

Table 2. Top 10 trade names by pharmacy sales value

Rank		Trade name	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	1	Enalapril	1.3	1.3
2	2	Mildronate	1.1	1.0
3	12	Diroton	1.0	0.6
4	5	Prostamol Uno	0.8	0.7
5	11	Theraflex	0.7	0.6
6	16	Actovegin	0.7	0.5
7	6	Essentiale N	0.7	0.7
8	4	Amlodin	0.7	0.7
9	3	Mezym forte	0.6	0.7
10	9	Corvalol	0.5	0.6
Total Top 10			**8.1**	**7.4**

Top 10 INNs and combinations list also demonstrated considerable changes. Thus, during H1 2007 there were three new participants in the list: lisinopril, nimesulide and enalapril + hydrochlorothiazide increased their pharmacy sales value by 167%, 81% and 84% as compared to the same time-period in 2006. The leaders of the market, enalapril and multivitamine+multimineral, remained stable in the ranking, however reduced their shares in total retail sales value. It should be noted that growth rate of INN meldonium was faster than the market on an average (+67%). INNs ambroxol, ampicillin and multivitamine left the list due to reduce of their shares.

Table 3. Top 10 INNs and combinations by pharmacy sales value

Rank		INN/Combination	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	1	Enalapril	3.3	3.8
2	2	Multivitamine+ Multimineral	2.2	2.5
3	4	Amlodipine	1.7	1.5
4	16	Lisinopril	1.4	0.8
5	3	Diclofenac	1.4	1.8
6	5	Pancreatin	1.2	1.2
7	9	Meldonium	1.1	1.0
8	12	Nimesulide	1.1	0.9
9	15	Enalapril+ Hydrochlorothiazide	1.0	0.8
10	8	Vinpocetine	0.9	1.0
Итого			**15.3**	**15.3**

Only one new entrant joined to the Top 10 ATC groups list – Ophthalmologicals (+73%), mostly due to dynamic sales growth of Quinax and Travatan. Antibacterials for systemic use – the former leader of the previous analyzed period – slowed down its growth rates in H1 2007 (+27%) and was replaced by the group Agents acting on the renin-angiotensin system (+65%). The rest ranking participants were relatively stable, however the groups Vitamins, Analgesics, Psycholeptics, Cough and cold preparations considerably reduced their shares in the total sales value of the pharmacy sector. The 10 ATC groups accumulated 41% of the overall retail sales of drugs.

Table 4. Top 10 ATC groups by pharmacy sales value

Rank		ATC code	ATC group	Share in total pharmacy sales, %	
H1 2007	H1 2006			H1 2007	H1 2006
1	2	C09	Agents Acting on The Renin-Angiotensin System	6.8	6.1
2	1	J01	Antibacterials for Systemic Use	6.0	6.9
3	3	A11	Vitamins	4.8	5.7
4	4	C01	Cardiac Therapy	4.7	4.6
5	6	M01	Antiinflammatory and Antirheumatic Products	4.5	4.3
6	5	N02	Analgesics	3.4	4.6
7	8	N06	Psychoanaleptics	3.3	3.3
8	7	N05	Psycholeptics	2.6	3.3
9	12	S01	Ophthalmologicals	2.6	2.2
10	9	R05	Cough and Cold Preparations	2.4	3.0
Total Top 10				**41.1**	**44.0**

Conclusion. The retail sector of Belarusian pharma market significantly grew in value in the first 6 months of 2007. On the whole, the structure of drug consumption remained stable in H1 2007, what was evidenced by minor changes in the Top 10 ATC list. Positions of leading local manufacturers became some weaker as compared to the respective time-period in 2006.

PHARMACEUTICAL RETAIL MARKET OF OMSK IN THE 1ST HALF OF 2007

The population of Omsk city is estimated at 1.2 Mln people that is about 0.8% of the total population of the Russian Federation and 5.8% of the population of the Siberian federal district. According to Goskomstat, the average salary in Omsk region in H1 2007 reached Rbl 10,358 ($397), what was 17% below the national average of Rbl 12,439 ($477).

Pharmaceutical retail business in Omsk city consists of about 170 pharmacies and 300 pharmacy kiosks and outlets. The leading private branded pharmacy chain by the number of retail outlets in Omsk region is "Zdorovye Ludi" former "Natur Product" form St-Petersburg (24 outlets). 2nd and 3rd positions are occupied by local chains "Zdrava" (22 outlets) and "Semeynaya" (16 outlets).

According to Retail Audit of Drugs in RF™, in the first six months of 2007 the retail market of Omsk city increased 15% in ruble terms compared to the same period of 2006 and amounted to $28.1 Mln at wholesale prices (DLO segment is not included). The average retail per pack price equaled $2.65 while pharmacy mark-up reached 26%. The share of the city in the total Russian pharmacy market was about 0.9%.

During the period analyzed the ranking of manufacturers didn't changed significantly (Table 1). Top 5 leaders were stable, although Servier/Egis that headed the list, as well as Berlin-Chemie, and Bayer Healthcare grew at low pace as compared to the total pharmacy sector value, - as a result their shares in total retail sales value reduced. Even lower dynamics in ruble terms was demonstrated by Pfizer (+9%) and KRKA (+1%) that is why they lost in the ranking in the first half of 2007. At the same time, sales value of Pharmstandart increase a quarter as compared to the respective time-period, in many respects due to purchase of growing Arbidol. Ten leading producers accumulated of about 35% in total pharmacy sale value.

Table 1. Top 10 manufacturers by pharmacy sales value

Ranking		Corporation*	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	1	**Servier/Egis**	6.1	6.3
2	2	**Sanofi-Aventis**	4.1	3.8
3	3	**Novartis (incl. Sandoz-Lek)**	3.8	3.8
4	4	**Berlin-Chemie AG/ Menarini Group**	3.5	3.6
5	5	**Bayer Healthcare (вкл. Schering AG)**	3.3	3.4
6	8	**Gedeon Richter Ltd.**	3.1	3.0
7	6	**Pfizer International Inc.**	3.0	3.1
8	9	Pharmstandart	2.9	2.6
9	7	KRKA D.D.	2.6	3.0
10	10	**Nycomed**	2.5	2.6
Total Top 10			**34.9**	**35.2**

* AIPM members are in bold

The ranking of leading trade names by pharmacy sales value demonstrated more noticeable changes in H1 2007. Three new participants entered the list of ten leaders due to considerable dynamics in rubles: immunomodulating agent used in case of flu and cold, Arbidol (+43%), preparation for people controlling their body weight, Meridia (+47%) and antibiotic Flemoxin Solutab (+40%).

Table 2. Top 10 trade names by pharmacy sales value

Rank		Trade name	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	1	Viagra	0.9	1.3
2	13	Arbidol	0.8	0.6
3	17	Meridia	0.8	0.6
4	4	Actovegin	0.7	0.8
5	3	Preductal	0.7	1.0
6	8	Xenical	0.7	0.6
7	5	Mildronate	0.7	0.8
8	2	Ursosan	0.7	1.1
9	21	Flemoxin Solutab	0.6	0.5
10	10	Essentiale N	0.6	0.6
Total Top 10			**7.2**	**7.9**

Against the background of growth in sales value of Meridia, Xenical that used in treatment of obesity, also demonstrated fast growth rates of retail sales value (+29%). Pharmacy sales value of Viagra, Preductal and Ursosan, on the contrary, reduced by 18%, 16% and 34% in rubles as compared to the H1 2006 accordingly. Prestarium, Detralex and Betaserc left the Top 10 list, reducing their shares in total retail sales value.

There were two new entrants to the Top 10 INNs and combinations list – antibiotics azithromycin and amoxicillin, mostly due to noticeable dynamics of trade names Sumamed and Flemoxin Solutab respectively (Table 3). The most considerable growth of sales value among the previous analyzed period Top 10 participants was demonstrated by INN fluconazole (+34% in rubles). The leader of the ranking, combination multivitamine+multimineral, reduced its pharmacy sales value by 11%; negative dynamics was showed by INN sildenafil (-18%) and trimetazidine (-12%) as well; sales value of combined oral contraceptives ethinylestradiol+desogestrel (-4%) and ethinylestradiol+gestodene (-1%) slightly reduced. Chondroitin sulfate+glucosamine and ursodeoxycholic acid ranked below the Top 10 list during the first six months of 2007.

Table 3. Top 10 INNs and combinations by pharmacy sales value

Rank		INN/Combination	Share in total pharmacy sales, %	
H1 2007	H1 2006		H1 2007	H1 2006
1	1	Multivitamine+ Multimineral	2.3	2.9
2	3	Enalapril	1.1	1.3
3	7	Pancreatin	1.0	0.9
4	9	Fluconazole	1.0	0.8
5	4	Ethinylestradiol+Desogestrel	1.0	1.2
6	2	Sildenafil	0.9	1.3
7	17	Azithromycin	0.8	0.7
8	8	Ethinylestradiol+Gestodene	0.8	0.9
9	18	Amoxicillin	0.8	0.7
10	6	Trimetazidine	0.8	1.0
Total Top 10			**10.5**	**11.7**

In H1 2007 the only one new entrant appeared in the list of ten leading ATC groups - N05 Psycholeptics - increased its pharmacy sales value 55% as compared to the same period in 2006. Low growth rates of ATC groups Sex hormones and modulators of the genital system and Antiinflammatory and antirheumatic products (+10% and +8% in rubles correspondingly), as well as negative dynamics of groups Vitamins and Urologicals (-7% and -2% respectively), led to reduce of their shares in total retail sales value. During H1 2007 ATC group A05 Bile and liver therapy left the Top 10 list.

Table 4. Top 10 ATC groups by pharmacy sales value

Rank		ATC code	ATC group	Share in total pharmacy sales, %	
H1 2007	H1 2006			H1 2007	H1 2006
1	1	G03	Sex Hormones and Modulators of the Genital System	5.6	5.9
2	3	J01	Antibacterials for Systemic Use	5.2	5.1
3	2	A11	Vitamins	4.4	5.4
4	4	N02	Analgesics	4.3	4.5
5	6	N06	Psychoanaleptics	4.0	3.8
6	7	L03	Immunomodulating Agents	3.9	3.7
7	5	C09	Agents Acting on The Renin-Angiotensin System	3.8	3.8
8	9	M01	Antiinflammatory and Antirheumatic Products	3.1	3.3
9	8	G04	Urologicals	2.8	3.3
10	15	N05	Psycholeptics	2.8	2.1
Total Top 10				**39.9**	**40.9**

Conclusion. In the 1st half of 2007 pharmacy market of Omsk city amounted to $35.3 Mln at retail prices. Growth rates of the local market were lower than the average national level (+23%). Per capita consumption of drugs in pharmacies of the city ($30.53) and average retail per pack price ($2.65) were above the all-Russian figures ($27.3 and $2.17 correspondingly).

PHARMACEUTICAL RETAIL MARKET OF IRKUTSK IN THE 1ST HALF OF 2007

The population of Irkutsk city is estimated at 593 Ths people that is about 0.4% of the total population of the Russian Federation and 3.0% of the population of the Siberian federal district. According to Goskomstat, the average salary in Irkutsk region in H1 2007 reached Rbl 12,652 ($485), what was very close to the national average of Rbl 12,439 ($477).

Pharmaceutical retail business in Irkutsk city consists of about 90 pharmacies and 200 pharmacy kiosks and outlets. The first positions among private branded pharmacy chains by the number of retail outlets in Irkutsk regions are occupied by local chains "Avicenna" (23 outlets) and "Celesta" (15 outlets). Pharmacy chain "Pharmgaurant" from Angarsk is on 3rd place (14 outlets).

According to Retail Audit of Drugs in RF™, in the first six months of 2007 the retail market of Irkutsk city remained the same in value as in H1 2006 and amounted to $21 Mln at wholesale prices (DLO segment is not included). The average retail per pack price equaled $3.19 while pharmacy mark-up reached 34%. The share of the city in the total Russian pharmacy market was about 0.7%.

Top 10 manufacturers list revealed some changes in the 1st half of 2007. Combined corporation Bayer Healthcare entered the list, ¼ increasing its sales value in H1 2007 as compared to aggregated sales value of Bayer and Schering AG in the previous period analyzed. No less notable growth rates were demonstrated by Nycomed (+24% in rubles). At the same time, negative sales value dynamics was shown by five out of ten analyzed ranking participants: Novartis (-10%), Pfizer (-14%) Sanofi-Aventis (-4%), Berlin-Chemie (-19%) and GlaxoSmithKline (-11%). Local manufacturer Pharmstandart left the Top 10 list during the first six months of 2007.

Table 1. Top 10 manufacturers by pharmacy sales value

Ranking H1 2007	Ranking H1 2006	Corporation*	Share in total pharmacy sales, % H1 2007	Share in total pharmacy sales, % H1 2006
1	1	**Novartis (incl. Sandoz-Lek)**	7,3	8,1
2	3	**Servier/Egis**	4,9	4,6
3	2	**Pfizer International Inc.**	4,7	5,4
4	5	**Sanofi-Aventis**	3,9	4,0
5	4	**Berlin-Chemie AG/Menarini Group**	3,7	4,6
6	7	**Gedeon Richter Ltd.**	3,1	2,9
7	9	**Nycomed**	2,9	2,3
8	8	**Solvay Pharma**	2,8	2,7
9	11	**Bayer Healthcare (incl. Schering AG)**	2,7	2,2
10	6	**GlaxoSmithKline**	2,7	3,0
Total Top 10			**38,7**	**39,8**

* AIPM members are in bold

Even more considerable changes were observed in trade names ranking. Five new participants entered the Top 10 list demonstrating significant sales value increase: Cycloferon tablets (+85%), Sumamed (+42%), Lasolvan (+29%), Xenical (+25%) and Viferon (+27%). The leader of the market, Arbidol, kept its positions, and grew in pharmacy sales value by 10% (in rubles) as compared to the respective period in 2006, while Mexidol and Viagra that occupied 2nd and 5th position in the previous analyzed period correspondingly, demonstrated negative dynamics (-10% and -19% in rubles, accordingly).

Table 2. Top 10 trade names by pharmacy sales value

Rank H1 2007	Rank H1 2006	Trade name	Share in total pharmacy sales, % H1 2007	Share in total pharmacy sales, % H1 2006
1	1	Arbidol	1.5	1.3
2	25	Cycloferon tablets	1.0	0.5
3	7	Actovegin	0.9	0.7
4	18	Sumamed	0.8	0.6
5	16	Lasolvan	0.8	0.6
6	15	Xenical	0.8	0.6
7	20	Viferon	0.7	0.6
8	5	Viagra	0.7	0.8
9	10	Hexoral	0.7	0.6
10	2	Mexidol	0.7	0.9
Total Top 10			**8.6**	**7.2**

There were three new entrants to the INNs and combinations Top 10 list due to noticeable pharmacy sales value dynamics of respective trade names: methylglucamine acridonacetate (Cycloferon tablets), xylomethazoline (Xymelin, Tyzine Xylo) and bacterial lysates mixture (Imudon). The leaders of the list, combination multivitamine+ multimineral and INN methylphenylthiomethyl - dimethylaminomethyl -hydroxy-bromin-dol carbonic acid ethyl ester retained their ranking positions during the period analyzed, however retail sales value of the combination that headed the list reduced by a qurter in ruble terms. Ethylmethylhydroxypyridine succinate, amlodipine and thioctic acid ranked below the list decreasing their shares considerably.

Table 3. Top 10 INNs and combinations by pharmacy sales value

Rank H1 2007	Rank H1 2006	INN/Combination	Share in total pharmacy sales, % H1 2007	Share in total pharmacy sales, % H1 2006
1	1	Multivitamine+ Multimineral	2.0	2.6
2	2	Methylphenylthiomethyl-dimethylaminomethyl-hydroxy-bromindol carbonic acid ethyl ester	1.5	1.3
3	9	Azithromycin	1.2	0.9
4	3	Fluconazole	1.2	1.1
5	17	Methylglucamine acridonacetate	1.2	0.7
6	18	Xylomethazoline	1.1	0.7
7	8	Ambroxol	1.0	0.9
8	6	Pancreatin	0.9	0.9
9	4	Ketoprofen	0.9	1.1
10	16	Bacterial lysates mixture	0.8	0.7
Total Top 10			**11.8**	**10.9**

The only one new participant joined the Top 10 ATC groups in H1 2007 – A07 Antidiarreal, intestinal antiinflammatory/ antiinfective agents – increasing its sales value 9% in rubles as compared to H1 2006 (Table 4). More considerable dynamics of retail sales value was demonstrated by ATC groups Immunomodulating agents (+15%) and Sex hormones and modulators of the genital system (+18%) and as a result they improved their ranking positions. Vitamins and Psychoanaleptics, on the contrary, showed the most notable reduce in sales value among the all Top 10 participants and decreased their shares in total pharmacy sales value. During the first six months of 2007 ATC group A05 Bile and liver therapy left the Top 10 list.

Table 4. Top 10 ATC groups by pharmacy sales value

Rank H1 2007	Rank H1 2006	ATC code	ATC group	Share in total pharmacy sales, % H1 2007	Share in total pharmacy sales, % H1 2006
1	1	J01	Antibacterials for Systemic Use	6.7	6.4
2	2	L03	Immunomodulating Agents	6.2	5.4
3	5	G03	Sex Hormones and Modulators of the Genital System	4.5	3.8
4	3	A11	Vitamins	4.1	5.0
5	4	N02	Analgesics	3.8	3.9
6	6	M01	Antiinflammatory and Antirheumatic Products	3.3	3.5
7	7	N06	Psychoanaleptics	2.9	3.3
8	8	C09	Agents Acting on The Renin-Angiotensin System	2.9	2.9
9	10	R05	Cough and Cold Preparations	2.7	2.6
10	12	A07	Antidiarreal, Intestinal Antiinflammatory/ Antiinfective Agents	2.7	2.5
Total Top 10				**39.8**	**39.3**

Conclusion. In the 1st half of 2007 pharmacy market of Irkutsk city amounted to $28.1 Mln at retail prices. Retail market of the city was stagnating while the growth of the national pharmacy market was 23% in ruble terms. At the same time per capita consumption of drugs in pharmacies of the city ($47.4) and average retail per pack price ($3.19) were above the all-Russian figures ($27.3 and $2.17 correspondingly), that was, probably, an effect of geographic factor, as well as in case of high level of average pharmacy mark-up (average all-Russia figure – 31% while the same figure for Irkutsk - 34%).

THE DLO PROGRAM IN THE 1ST HALF OF 2007

According to the analysis of the DLO market by RMBC, in the 1st half of 2007, the overall DLO segment value reduced by an average of 40% in rubles to Rbl 21.7 Bln ($831 Mln) at regional prices against Rbl 36.4 Bln ($1,332 Mln) in the 1st half of 2006. Drug consumption in natural terms reduced more than two-fold (57 million packs). Average price per pack in frame of DLO grew from Rbl 289.5 ($10.4) in H1 2006 to Rbl 379.4 ($14.5) in the analyzed period (at regional prices).

According to Roszdravnadzor, a part of beneficiaries will be excluded from the DLO list in 2008. These are patients provided with the most expensive drugs for treatment of diseases in the following nosological categories: haemophilia, disseminated sclerosis, mucoviscidosis, Gaucher's disease, hypophysial nanism, oncohaematology, and tissues and organs transplantations. These groups of patients will receive the necessary treatment under a separate state program. According to RMBC, expensive drugs used in therapy of the mentioned health conditions accounted for 29% (Rbl 6.9 Bln) of the total program budget in the 1st half of 2007; a year ago, the figure was below 19% (Rbl 6.9 Bln). Thus, the reduction of the expensive drugs segment was far less substantial (-10%) than for the rest of the market (-47%) and the total DLO market (-40%). Average regional price per drug pack in the expensive drugs segment reached Rbl 19.8 Ths ($757) in H1 2007; the same figure for the rest of the reimbursable drugs equaled Rbl 273 ($10.4). Structure of the expensive drug consumption is listed on Table 1.

Table 1. Structure of the expensive drug consumption

Nosology (Trade name)	**Sales value, regional prices, Rbl Bln**		
	H1 2006	**H1 2007**	**Dynamics, %**
Oncohaematology (Velcade, Glivec, Mabthera, Fludara)	2.7	2.1	-20%
Haemophilia (NovoSeven, Haemoctin SDH, Octanate, Coate-DVI, Immunate, Octanine F (filtered), Immunine, Kogenate FS, Hemofil M, Aimafix, Emoclot D.I.)	2.2	1.8	-18%
Disseminated sclerosis (Betaferon, Copaxone-Teva, Rebif)	1.0	1.3	31%
Transplantology (Myfortic, Panimun Bioral, Sandimmun Neoral, Ciclosporin, Equoral)	0.4	0.4	-2%
Mucoviscidosis (Pulmozyme)	0.2	0.2	-1%
Hypophysial nanism (Genotropin, Norditropin NordiLet, Saizen, Humatrope)	0.3	0.2	-26%
Gaucher's disease (Cerezyme)	0.1	0.2	68%
Total	**6.9**	**6.2**	**-10%**

The ten leading regions by drug sales under the DLO accumulated nearly a half of the overall reimbursable market in the 1st half of 2007; the two capitals – Moscow and Saint-Petersburg – account for nearly one fourth of the total segment. It should be noted that reimbursable drug sales in Moscow decreased far less significantly (-7%) than in many regions of the RF; so far, the city's share in the overall consumption increased more than 1.5-fold, exceeding 1/5 of the total DLO market. At the same time, price per pack sold under the program in Moscow (263.6 rubles) grew only slightly, and failed to reach the national average level. On the whole, only three regions scored positive sales dynamics within the DLO: Tomsk region (+37%), Bryansk region (+36%) and Evenki autonomous area (+10%), ranked 26th, 33th and 82th accordingly. In Sakhalin region, the sales values remained the same as in the previous period (57th place).

Table 2. Top 10 RF regions by the DLO sales value

Ranking		**Region**	**Share in total value, %**		**Average regional price per drug pack, rbl.**	
H1 2007	**HI 2006**		**HI 2007**	**HI 2006**	**HI 2007**	**HI 2006**
1	1	Moscow	20.6%	13.3%	263.6	231.1
2	2	Saint-Petersburg	5.5%	4.7%	1 163.9	806.2
3	5	Moscow region	4.5%	3.1%	333.7	221.6
4	8	Novosibirsk region	3.7%	2.7%	367.2	416.6
5	10	Krasnoyarsk territory	2.7%	2.3%	331.1	270.9
6	4	Krasnodar territory	2.6%	3.3%	427.1	311.9
7	13	Nizhniy Novgorod region	2.5%	2.1%	497.3	297.6
8	12	Irkutsk region	2.5%	2.1%	445.2	370.9
9	3	Sverdlovsk region	2.3%	4.4%	356.6	310.6
10	15	Republic of Bashkortostan	2.3%	2,0%	676.8	270.4
Total Top 10			**40.1%**	**49.2%**	**-**	**-**

When analyzing the DLO consumption structure, six regions of the RF have been considered: the Top 3 regions by sales in H1 2007 (Moscow, Saint-Petersburg and Moscow region) and 3 regions with the lowest sales (Chukot, Evenki and Koryak autonomous areas). The Top 10 lists of manufacturers for the mentioned regions are presented on Table 2.

Drug consumption under the DLO program is specific for each region; however, the Top 5 lists have much in common with the majority of the RF regions. Top positions here are generally occupied by companies taking an active part in the program with expensive drugs: Novartis (Glivec), Janssen-Cilag (Velcade) and F.Hoffmann-La Roche (Mabthera).

Table 3. Top 10 manufacturers* by the DLO sales value

Rank	**RF**	**Moscow**	**Saint-Petersburg**	**Moscow region**	**Chukot AA**	**Evenki AA**	**Koryak AA**
1	**Novartis (incl. Sandoz-Lek)**	**Novartis (incl. Sandoz-Lek)**	**Janssen-Cilag AG**	**Novartis (incl. Sandoz-Lek)**	**F.Hoffmann-La Roche Ltd.**	**Novo Nordisk**	**Novo Nordisk**
2	**Janssen-Cilag AG**	**F.Hoffmann-La Roche Ltd.**	**Novartis (incl. Sandoz-Lek)**	**Novo Nordisk**	Laboratorio Tuteur S.A.C.I.F.I.A.	**AstraZeneca**	**Ebewe**
3	**F.Hoffmann-La Roche Ltd.**	**Novo Nordisk**	**F.Hoffmann-La Roche Ltd.**	**Janssen-Cilag AG**	**AstraZeneca**	**Sanofi-Aventis**	**AstraZeneca**
4	**Novo Nordisk**	**Janssen-Cilag AG**	**Novo Nordisk**	**F.Hoffmann-La Roche Ltd.**	**Novartis (incl. Sandoz-Lek)**	**GlaxoSmithKline**	**KRKA D.D.**
5	**AstraZeneca**	**AstraZeneca**	**AstraZeneca**	**Octapharma AG**	**Bayer Healthcare ****	**Eli Lilly**	**Solvay Pharma-ceuticals**
6	**Bayer Healthcare ****	**Servier/Egis**	**Sanofi-Aventis**	**AstraZeneca**	**Novo Nordisk**	**Teva**	Pierre Fabre Medicament
7	**Teva**	**Teva**	**Eli Lilly**	Biotest Pharma GmbH	**Ebewe**	**Boehringer Ingelheim GmbH**	Pharmstandart
8	**Eli Lilly**	**Sanofi-Aventis**	**Schering-Plough**	**Eli Lilly**	Makiz-Pharma	KRKA D.D.	Gedeon Richter Ltd.
9	**Sanofi-Aventis**	**Baxter Healthcare Corp.**	KRKA D.D.	**Solvay Pharma-ceuticals**	**GlaxoSmithKline**	Ferring	**Berlin-Chemie AG/Menarini Group**
10	**Octapharma AG**	Biotest Pharma Gmbh	**Boehringer Ingelheim Gmbh**	**Servier/Egis**	Otechestvennye Lekarstva	Otechestvennye Lekarstva	Makiz-Pharma

* AIPM members are in bold
** incl. Schering AG

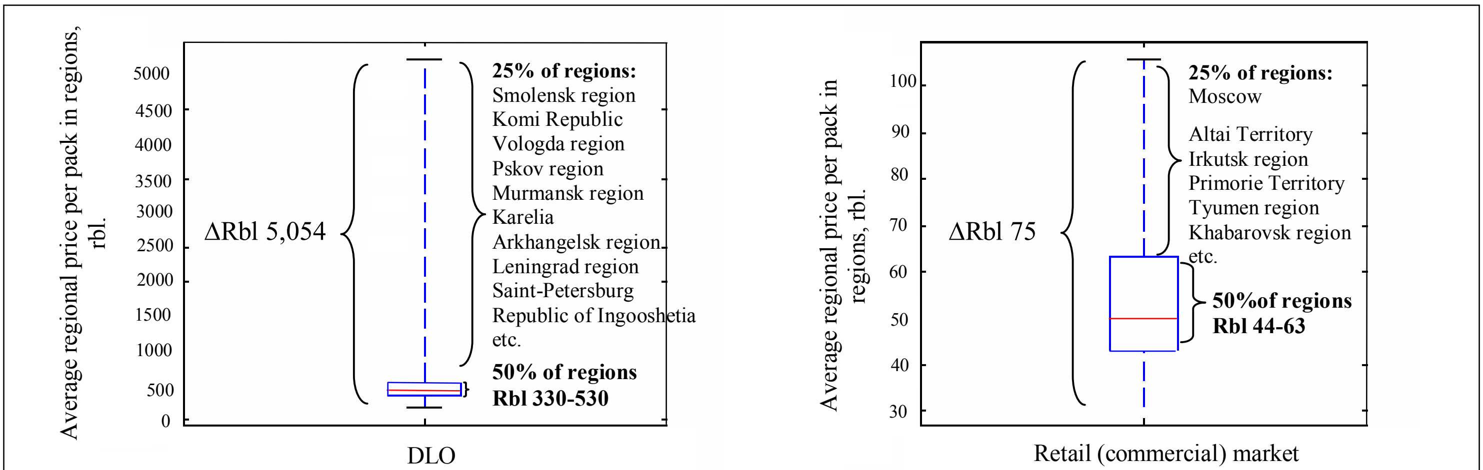
In the leading regions by the level of drug consumption within the reimbursable segment, national manufacturers (Makiz-Pharma, Otechestvennye Lekarstva and Pharmstandart) are included only in the Top 20 or Top 30 lists; in smaller regions, they are among the Top 10 players.
The Top 10 lists of drugs by the DLO sales value vary depending on the region; nevertheless, they are often characterized by common features (Table 3): the most expensive drugs included in the list of reimbursable preparations occupy the highest positions by their sales value in money terms. They are first of all represented by the following innovative medicines used in oncohematology: Glivec, Velcade, Arimidex and others; coagulation factors (Haemoctin SDH, Octanate, Coate-DVI); dessiminated sclerosis (Betaferon, Copaxone-Teva). Insulins are also ranked high (Lantus, Humulin NPH, etc).

Table 3. Top 5 trade names by the DLO sales in the RF regions*

Ranking	RF	Moscow	Saint-Petersburg	Moscow region	Chukot autonomous area	Evenki autonomous area	Koryak autonomous area
1	**Glivec**	Arimidex	Rispolept Consta	**Octanate**	Avastin	**Norditropin NordiLet**	Protaphane HM Penfill
2	**Velcade**	**Haemoctin SDH**	**Glivec**	**Velcade**	Abitaxel	Lantus	Cerebrolysin
3	**Betaferon**	**Cerezyme**	Herceptin	**Glivec**	Arimidex	Arimidex	NovoRapid FlexPen
4	Eprex	**Glivec**	Eprex	**Haemoctin SDH**	Xeloda	Seretid Multidisc	Actrapid HM Penfill
5	**Octanate**	Lantus	Lantus	**NovoSeven**	**Betaferon**	Humulin NPH	Structum
6	**Copaxone-Teva**	**NovoSeven**	Zometa	Betaserc	Cerebrolysin	Protaphane HM Penfill	Arimidex
7	**Haemoctin SDH**	**Copaxone-Teva**	Reminyl	Arimidex	Herceptin	Seroquel	Betaserc
8	Lantus	**Coate-DVI**	**Mabthera**	Humulin NPH	**Sandimmun Neoral**	Actrapid HM Penfill	Lisinopril
9	Arimidex	**Octanate**	Remicade	**Betaferon**	Lantus	Salamol Eco Easi Breathe	Crestor
10	Herceptin	**Immunate**	Avastin	**Copaxone-Teva**	Amlotop	Minirin	Pentalgin-N

* - expensive drugs that will be removed from the DLO list in 2008 are in bold

Drug consumption patterns within the DLO differ from region to region, what results in differences in average price per pack characteristic of each region (Diagram 1). The gap between the maximum and minimum regional average price in the RF was registered at over Rbl 5 Ths. To compare: in the retail sector, the difference didn't exceed 75 rubles. It is worth mentioning that average regional price per pack is below 530 rubles in 75% of the regions (64 regions out of the total 86). North-Western Federal District commanded the highest figures.



Source: RMBC

Diagram 1. Average price per pack in regions

The analysis of drug consumption patterns and price structure under the DLO (Table 4) revealed that, for Russia total, expensive drugs with package price exceeding 500 rubles account for almost three fourths of the total DLO sales. The percentage varies from region to region: form 54% in Koryak AA to 90% in Saint-Petersburg and Baikonur.

Table 4. Price Structure of Drug Consumption under the DLO

	RF	Moscow	Saint-Petersburg	Moscow region	Chukot autonomous area	Evenki autonomous area	Koryak autonomous area
< 25rbl.	1%	1%	0%	1%	1%	1%	2%
25.01 – 50rbl.	2%	2%	0%	2%	2%	1%	3%
50.01-150rbl.	8%	12%	2%	9%	7%	8%	14%
150.01-250rbl.	6%	10%	2%	7%	6%	5%	12%
250.01-500rbl.	9%	11%	5%	12%	13%	10%	15%
> 500rbl.	74%	64%	90%	69%	73%	76%	54%

Conclusion. Despite the specificity of the DLO realization in regions, and notwithstanding the crisis encountered by the program, the social program still offers a valuable opportunity for special population categories in Russia to receive effective medicinal aid for free. Expensive drugs make up the bulk of the listed drugs; average regional price per pack varies considerably by region. Provided the expensive drugs are soon removed from the program, the difference in regional prices will be decreasing; then the average regional price for Russia total is expected to reach 300 rubles ($12).

REGIONAL DIGEST

NEWLY APPOINTED PRIME MINISTER V. ZUBKOV INTRODUCED THE NEW HEAD OF THE MINISTRY OF HEALTH AND SOCIAL DEVELOPMENT T. GOLIKOVA

Mikhail Zurabov was fired was fired According to T. Yakovleva, the head of the Duma Committee for Health Protection, Mrs. Golikova (former first deputy finance minister) has been engaged in state budget planning for already 17 years. The committee has been closely cooperating with Golikova on issues concerning the FFOMIF budget planning and the DLO program. ***IA RBC, IA Regnum, 25.09.2007, Strana.Ru, 24.09.2007***

ROSZDRAVNADZOR IS ABOUT TO START INSPECTIONS OF DRUG USE IN HOSPITALS

The Inter-Regional Inspection Department of Roszdravnadzor and the Economic Security Department of the Russian Ministry of Internal Affairs have joined their efforts to prevent violations in the field of drug production and sales. Recently, medical facilities including some major clinics have been reported to be taking an active part in illegal drug sales. False dispensing records and forgery of drug-related documents, writing off of expensive drugs for their further sale, as well as deliveries of expired and counterfeit drugs are allegedly taking place. ***Pharmvestnik.ru, 25.09.2007***

"DOCTOR STOLETOV" PHARMACY CHAIN ACQUIRED 16 "FLORA" PHARMACIES IN MINERALNYE VODY (CAUCASUS)

"Doctor Stoletov" also became the owner of the company's distribution division. Experts estimate, the acquisition cost "Erkapharm" some $1.5-2 mln. It is predicted that "Doctor Stoletov" is not going stop its expansion in the Caucasian Mineralnye Vody, but will go further to the neighboring markets of Kabardino-Balkaria, Karachayevo-Cherkessia, Ingooshetia and as far as the Stavropol area. The deputy director A. Mashir reported that the company is going to open some 10 pharmacies in Novosibirsk, at least 10 in Krasnoyarsk and the same number in Omsk, and 5 stores in each of the following cities: Tomsk, Barnaul and Irkutsk. He said that the chain bought 2 pharmacies "from a Novosibirsk entrepreneur" at the end of August. ***RBCdaily, 25.09.2007, Vedomosti, 20.09.2007***

NO FINAL DECISION ON THE TRANSITION PERIOD FOR PHARMACEUTICAL GMP HAS BEEN TAKEN UNTIL NOW

Companies producing non-sterile goods were required to implement GMP by the 2nd quarter 2009, producers of sterile goods – by December 31, 2009. Those who fail to do that by January 1, 2010 will lose their licenses. However, at a Roszdravnadzor board meeting, the ministry officials expressed doubts as to the validity of the deadline that happened to be so hard to set. The overwhelming majority of drug producers cannot afford restructuring without support from the state. Meanwhile, experts note that even if the majority of companies will have to leave the market, this would hardly lead to a crisis or drug shortage, since 10% of drug makers account for 80% of the total pharmaceutical production today. Of 525 Russian pharma producers, only 47 meet the GMP requirements by 80%; separate production lines complying with the international standard are to be found in 127 companies; and not more than 6 facilities are fully GMP compliant. ***Rossiyskaya Gazeta, 25.09.2007, RBCdaily, 20.09.2007***

ROSZDRAVNADZOR PLANS TO SET UP A SYSTEM OF PHARMACEUTICAL CONTROL ON THE TOTAL TERRITORY OF RUSSIA

Russia still lacks a surveillance system for registration of side effects of drugs, thus challenging patient's safety. Separate information coming from abroad covers foreign drugs only, thus the total variety of Russian medicines, their share on the national market exceeding 64%, remain beyond the limits of any pharmaceutical monitoring. ***IA Express (Krasnoyarsk), 20.09.2007***

DRAFT AMENDMENTS TO THE LAW ON STATE PURCHASES WITH TOUGHER REQUIRMENTS FOR FOREIGN COMPANIES HAS BEEN SUBMITTED FOR THE STATE DUMA CONSIDERATION

Senators found it necessary to authorize the Government to introduce additional requirements for state tender participants regarding their production capacities, equipment, labor and financial resources, etc. The conditions shall apply to tenders only. Apart from that, they require to grant approvals for state order supplies of foreign goods and suppliers "in case of lack of the corresponding Russian goods, activities and services rendered by the Russian legal bodies, individual entrepreneurs, of good quality". However, officials at the Federal Antimonopoly Service and the State Duma describe the amendments as an attempt to restrain competition and encourage protectionist practices in state purchases. ***Kommersant, 20.09.2007***

"PHARMSTANDART" REPORTED ITS CORPORATE FIGURES FOR THE 1ST HALF OF 2007 UNDER IFRS

The company's net profit grew 49% to equal 962 million rubles compared with the same period of 2006. Gross profit increased 51% to 2.5 billion rubles ($97 million), EBITDA rose by 67% to 1,694 billion rubles. Product sales revenue increased 52% to reach 4.4 billion rubles; pharmaceutical products were sold for the total of 3.8 billion rubles ($145 million) – a 60% increase. The growth is explained by consolidation of figures with the acquired "Masterlek", as well as by the giant's organic growth. "Pharmstandart" has launched 6 new products that brought revenues of 127 million rubles ($5 million), or 3% of the overall pharmaceutical sales. A total of 193 million rubles were allocated for the purchase of property and equipment in the considered period. ***AK&M, 18.09.2007***

ROSZDRAVNADZOR IS preparing LEGAL FRAMEWORK TO PROTECT THE RIGHTS OF DOCTORS AND PATIENTS

Issues relating to medical aid quality control in the RF have been discussed at the regular board meeting of the Public Council (PC) for Patients Rights Protection at Roszdravnadzor. It has been agreed that common criteria for medical aid quality evaluation, as well as a reimbursement scheme for patients who suffered health deterioration as a result of treatment have to be developed. According to the head of Roszdravnadzor N. Yurgel, the agency, jointly with the PC, is now preparing proposals to the Ministry of Health and Social Development on amending the present regulation on legal requirements to the procedure of medical aid control. ***AMI-TASS, 17.09.2007***

"OTECHESTVENNYE LEKARSTVA" WILL BE SELLING RENITEC PRODUCED BY US-BASED MERCK

The pertinent cooperation agreement was signed by Merck Sharp & Dohme (MSD), Merck's Europe-based subsidiary, and "Otechestvennye Lekarstva" in July. The contract provides for the companies to unite their efforts in promotion of only one product – the cardiologicaldrug Renitec. Until now, MSD promoted the drug without outer support and aimed to gain $7 million from its sales in 2007, $6 million in 2008 and $5 million in 2009. However, the expected decrease in sales caused by stiff competition compelled the corporation to resolve upon partnering with a Russian distributor. The deal is expected to bring Renitec sales to $8 million in 2007 and as high as $10 million in 2008-2009. For the 3 years, "Otechestvennye Lekarstva" will be given a reward for the amount of $3.3. million. Experts are of the opinion, that the cooperation will result in takeover of "Otechestvennye Lekarstva" by its partner. ***Kommersant Daily, 10.09.2007***

"RIGLA" PLANS NEW ACQUISITIONS OF REGIONAL MARKET PLAYERS

According to the chain's general director Olga Sheludchenko, in October-November 2007 "Rigla" is going to report acquisition of regional players. In addition, she denied rumors concerning purchase of "Doctor Stoletov". The company plans to increase its turnover to $500 million in 2008. Sheludchenko stressed that the priority regions for regional expansion are the Southern federal district, Ural and the Central federal district. The company intends to grow organically and at the expense of the acquired regional chains, without providing franchise services.
Pharmindex.Ru, 07.09.2007

THE NEW STORES OF "36,6" PHARMACY CHAIN ARE YET TO PAY OFF

"36,6" pharmacy chain reported its financial results for the 1st half of 2007 under IFRS. Consolidated sales grew 78.6% against the same period of the previous year and stood at $390.5 million; EBITDA went 63.9% up to equal $15 million. According to the report, retail sales increased 92% to $302.9; sales of European Medical Center came to $12.7 million; Veropharm sales came to $59.5 million. Nevertheless, the company failed to score revenues: net loss is $16.9 million against net profit of $49.5 million in the 1st half of 2006. The principal loss is still incurred by the retail business of "36.6": 12.5 million dollars of loss over the first six months this year. ***RBCdaily, Business & FM, 06.09.2007***

"36,6" PHARMACY CHAIN WILL DECIDE UPON THE SALE OF VEROPHARM MAJORITY STAKE BEFORE THE END OF 2008

In December 2005, the company already sold 19.99% of shares to "Troika Dialog"; another 30% were sold in April 2006 at RTS and MICEX. In March 2007, "36,6" invested 24.99% of Veropharm shares to a joint venture with a consortium of banks headed by Standard Bank PLC, gaining $85 million. "36,6" currently owns nearly 37.5% of Veropharm.
Kommersant Daily, 07.09.2007

THE MAJOR DISTRIBUTOR "SIA INTERNATIONAL" MAY BE SOLD TO MILLHOUSE CAPITAL MANAGEMENT

According to the analyst of IC "Centerinvestgroup" D.Ryzhikh, Millhouse may developa vertically integrated pharmaceutical holding on the basis of the acquired distributing company and the drug-producing holding "Pharmstandart", 17% and 7% of which are held by R.Abramovich and by Millhouse respectively. D.Ryzhikh believes that the likely deal might have been caused by the recent scandal in the pharmaceutical market. "SIA International Saint-Petersburg" is to build a 10 thousand sq. m. storage facility on the Gutuevsky Island. This will help increase almost fourfold the overall logistics area of the company in St. Petersburg. "SIA International Ltd" explained the expansion of storage areas by substantial growth of pharmacy chains. In the meantime, experts have estimated that only the reconstruction of the building chosen for the new storage will cost the company at least $5-7 million. ***RBCdaily, 04.09.2006, BusinessWeek Russia, 03.09.2007***

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