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, inflation rate of the consumer market in March 2008 was the same as in the previous month, and amounted to 1.2%. The inflation rate of the first three months of 2008 slightly grew as compared to the same period in 2007. In total, price increase on the consumption market reached 4.8%, while the same indicator of the previous year amounted to 3.4% (Diagram 1). Index of manufacturers' prices equaled 103.0% in the three months of 2008 (against 101.7% in the previous year).

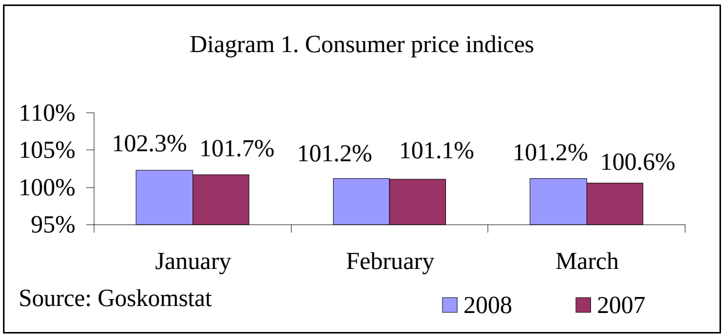


Diagram 1. Consumer price indices

Industrial output

According to Goskomstat, the industrial output in March 2008 accounted for 6.5% compared to the same month of 2007. Industrial production grew by 6.2% in the first three months of 2008 compared to the same period in 2007 (against 7.2% in the previous year).

Population income and living standards

According to Goskomstat preliminary data, the average salary in March 2008 reached Rbl 16,428 (approximately $691). Real salaries increased by 14.0% in the first three months of 2008 compared to the respective figure in 2007, while real disposable per capita income surpassed the level of the previous year by 10.0% (Diagram 2). Retail turnover grew by 16.7% in the first three months of 2008 compared to the same period of the previous year and accounted for approximately Rbl 2,936 Bln.

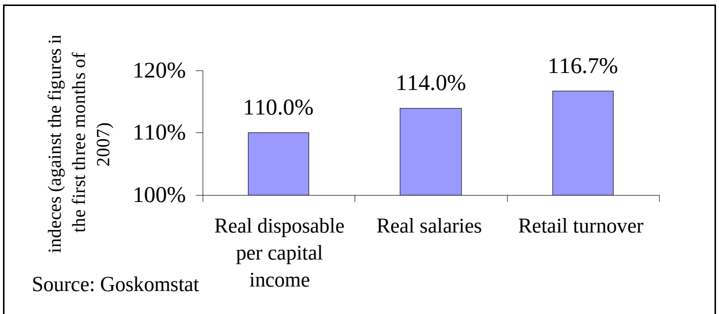


Diagram 2. Real disposable per capital income, real salaries and retail turnover in the first three months of 2008.

Domestic production

According to Goskomstat, the output of domestic pharmaceutical companies in March 2008 equaled $258 Mln., which is 32% above the same figure in 2007. The value of drugs produced by domestic enterprises increased by 4% in March of 2008 compared to the respective figure in February 2008. The total value of preparations produced by domestic companies in the first three months of 2008 increased by 36% compared to the respective figure a year ago and accounted for $710 Mln. The top 10 producers by output value in March 2008 are listed in Table 1. The leading producers accumulate $139 Mln, which amounts to 54% of the total pharmaceutical production by value.

Table 1. Top 10 domestic producers by production output value in March of 2008

Ranking	Manufacturer	Output Value, $, Mln.
1	Pharmstandart	35.9
2	Valenta (Otechestvennye Lekarstva)	25.9
3	Veropharm	14.3
4	Nizhpharm	14.3
5	PHARM-CENTR	11.0
6	Materia Medica	10.1
7	Akrikhin	9.6
8	Biosintez	8.3
9	Moskhimpharmpreparaty	5.3
10	Dalkhimpharm	4.3

Data on pharmacy sales in 10 regions is presented in Table 2. Pharmacy sales value increased in all the analyzed regions in February compared to the previous month. The most significant growth rates in terms of monthly pharmacy sales were registered in Tyumen city (+17%).

Table 2. Pharmacy sales in 2007-2008 by different regions

Region	Region			Pharmacy sales, $Mln. (at wholesale prices)		
	December 2007	January 2008	February 2008	December 2007/ November 2007	January 2008/ December 2007	February 2008/ January 2008
Moscow	113.2	99.1	110.2	11%	-13%	11%
Saint-Petersburg	33.6	34.6	37.3	10%	3%	8%
Novosibirsk region	17.9	16.9	19.1	2%	-6%	13%
Krasnodar region	15.8	15.6	17.0	4%	-2%	10%
Rostov region	17.2	15.0	16.7	9%	-13%	11%
Tatarstan	14.7	13.1	13.4	6%	-12%	3%
Krasnoyarsk region	13.7	11.8	13.3	11%	-14%	13%
Voronezh region	10.1	9.6	10.6	6%	-5%	11%
Perm city	6.4	6.4	6.5	4%	0%	1%
Tyumen city	6.4	4.4	5.2	0%	-32%	17%

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 March 2008

Rank	Company*	Quantity of advertisement
1	Novartis	4 113
2	Berlin-Chemie / Menarini Pharma G.m.b.H.	2 202
3	Evalar	1 848
4	Pharmstandart	1 802
5	GlazoSmithKline	1 652

Source: TNS Gallup AdFact

Table 4. Top 5 trade names in March 2008

Rank	Trade Name*	Quantity of advertisement
1	Evalar	1848
2	TeraFlu	1 468
3	Zovirax	1 142
4	No-spa	1 100
5	Tavegyl	1 092

Source : TNS Gallup AdFact

* Both rankings in Tables 3 and 4 contain only drugs and drug makers recorded in the State Register of Medicines.

HOSPITAL MARKET OF BELARUS IN 2007

According to Hospital Audit of Drugs in Belarus™, hospital market value reached $84.4 Mln at wholesale prices. Thus, the growth of hospital segment value accounted for 26% as compared to the previous year. Average per pack price amounted to $1.47 at wholesale prices.

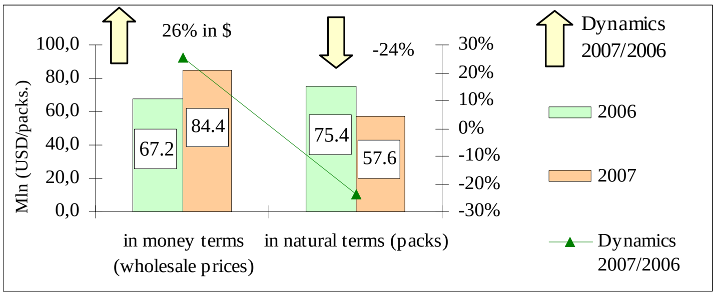


Diagram 1. Hospital market of Belarus in 2007

The Rx drugs share in hospital segment of Belarus reached 92.3%, which is 0.5 p.p. more as compared to 2006. OTC segment reduced respectively and accounted for 7.7%. The proportion of generics and original drugs sufficiently changed in 2007 and their shares amounted to 75% and 25% in money terms, correspondingly. Purchases value of foreign drugs noticeably grew during the analyzed period and equaled 65%. Meanwhile, the share of national manufacturers in total hospital purchases value decreased to 29%. Russian preparations accumulated 6% of the Belarus hospital market.

The ten leading drug-maker accumulated almost 57% of the total hospital market value. Having demonstrated notable growth of purchases value (2.6-fold), Pfizer appeared in the Top 10 list of manufacturers. F.Hoffmann-La Roche (2.3-fold growth) and AstraZeneca (2.2-fold) posted significant dynamics as well and entered the Top 5 list. Borisovskiy zavod medpreparatov (32%) occupied the leading position of the ranking due to the substantial increase of share in total purchases value. The dynamics of other national drug makers was slightly lower than the average market figure: Belmedpreparaty (+16%), Pharmland (+15%) and Nesvizhskiy zavod medpreparatov (+9%).

Table 1. Top 10 manufacturers by hospital purchases value

Rank		Manufacturer*	Share in total hospital purchases value, %	
2007	2006		2007	2006
1	2	Borisovskiy zavod medpreparatov	9.5	9.0
2	3	F.Hoffmann-La Roche Ltd.	9.0	4.9
3	1	Belmedpreparaty	8.3	9.1
4	8	**AstraZeneca**	5.3	2.9
5	4	**Sanofi-Aventis**	4.9	4.5
6	13	**Pfizer International Inc.**	4.7	2.3
7	7	Merck Sharp & Dohme	4.6	3.1
8	5	Nesvizhskiy zavod medpreparatov	3.7	4.3
9	6	Pharmland	3.3	3.6
10	9	**Nycomed**	3.1	2.9
Total			**56.9**	**45.4**

*AIPM members are in bold

Heparin Fraxiparine and granulocyte colony-stimulating factor Neupogen joined the ranking of the leading trade names with 2.6-fold and 2.8-fold growth, accordingly.

Table 2. Top 10 trade names by hospital purchases value

Rank		Trade name	Share in total hospital purchases value, %	
2007	2006		2007	2006
1	4	Meronem	5.2	2.7
2	2	Tienam	4.3	3.0
3	12	Neupogen	3.9	1.3
4	1	Sodium chloride	2.8	3.7
5	7	Ceftriaxone	2.6	2.0
6	8	Emoxipine	2.4	1.7
7	15	Fraxiparine	2.3	1.1
8	3	Cefazolin	2.2	2.7
9	6	Cefotaxime	1.9	2.0
10	5	Glucose	1.8	2.4
Total			**29.3**	**22.6**

Meronem demonstrated noticeable growth rate (2.4-fold growth) and became the leader of the list.

Due to the considerable increase of share in total purchases value, Emoxipine (+66%) and Ceftriaxone (+77%) went two positions up in the ranking. Sodium chloride (-5%) and Glucose (-6%) demonstrated negative dynamics, and as a result the first one lost its leadership, and the second one ranked the top 5 list. Antibiotic Cefotaxime showed stagnation by purchases value and consequently, weakened its ranking position. Due to the reduction of purchases value, Mabthera and Oxamp-sodium left the list.

Due to the double increase in share of the hospital purchases value, meropenem (+149%) occupied the leading position in the ranking of the leading INNs. The second participant of the list imipenem+cilastatin (+80%) also demonstrated advanced positive dynamics. It is to mention, that the leaders of 2006 Top 10 ranking sodium chloride, cefotaxime and cefazolin notably reduced purchases value and weakened their presence in the list. Due to decrease of shares in the overall purchases value, ampicillin+oxacillin and rituximab ranked below the Top 10 list.

Table 3. Top 10 INNs by hospital purchases value

Rank		INN/Combination	Share in total hospital value, %	
2007	2006		2007	2006
1	5	Meropenem	5.4	2.7
2	4	Imipenem+Cilastatin	4.3	3.0
3	13	Filgrastim	3.9	1.3
4	1	Sodium chloride	2.8	3.7
5	6	Ceftriaxone	2.8	2.7
6	8	Methylethylpiridinol	2.4	1.7
7	17	Nadroparin calcium	2.3	1.1
8	3	Cefazolin	2.2	3.2
9	2	Cefotaxime	2.1	3.2
10	7	Dextrose	1.8	2.4
Total			**30.0**	**25.0**

Due to Emoxipine purchases value growth, Vasoprotectives (+78%) entered the Top 10 ATC groups list in 2007. Having demonstarated significant positive dynamics as well, L03 Immunostimulants (2.5-fold growth) and N05 Psycholeptics (1.5-fold growth) went two positions up in the list each. In spite of considerable reduction of shares in the total purchases value, three leaders remained the same. Meanwhile, C01 group Cardiac therapy decreased its share and ranked below the Top 5.

Table 4. Top 10 ATC groups by hospital purchases value

Rank		ATC code	ATC group	Share in total hospital value, %	
2007	2006			2007	2006
1	1	J01	Antibacterials for Sytemic Use	24.8	26.7
2	2	L01	Antineoplastic Agents	9.3	10.6
3	3	B05	Blood Substitutes and Perfusion Solutions	7.6	9.4
4	6	L03	Immunostimulants	6.8	2.4
5	4	B01	Antithrombotic Agents	5.5	3.6
6	7	B02	Antihemorrhagics	3.3	2.4
7	12	C05	Vasoprotectives	2.5	1.8
8	10	N05	Psycholeptics	2.3	1.9
9	9	N01	Anesthetics	2.2	2.3
10	5	C01	Cardiac therapy	2.1	2.8
Total				**66.9**	**63.9**

Conclusion. The mentioned changes in all the lists confirm the fact that the hospital market of Belarus is evolving. However, the main participants of the market as well as the consumption structure remain stable characterizing the total hospital market as stable, too. In spite of the fact that Borisovskiy zavod medpreparatov strengthened its position, the leading Belorussian manufacturers decreased their presence in the hospital segment of the Belarusian pharmaceutical market.

HOSPITAL MARKET OF UKRAINE IN 2007

According to "Hospital Audit of Drugs in Ukraine"™, in 2007 the value of drugs purchased by hospitals reduced by 5.5% in money terms (by 30% in natural terms) and accounted for $222.7 Mln at wholesale prices. Average per pack price grew by 35% and reached $1.72 at wholesale prices.

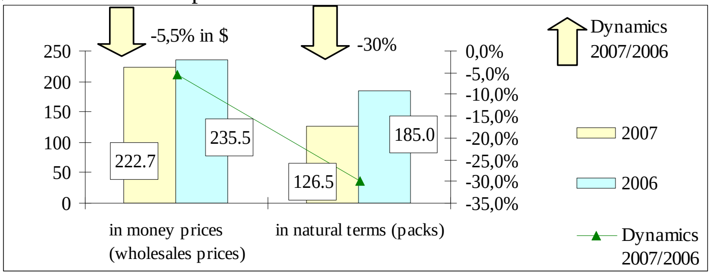


Diagram 1. Hospital market of Ukraine in 2007

The share of traditional drugs reduced in 2007, but as in the previous year accumulated more than a half of the total hospital purchases value (51% against 55% in 2006). Meanwhile, the growth of original and innovation preparations segment reached 23%, which is by 4 p.p. more than the same figure of the previous year. Generics value in total hospital purchases of Ukraine slightly decreased (+26% against 27% in 2006). The share of foreign drug-makers on the Ukrainian hospital market notably grew in 2007 and equaled 54%. Thus, it is to mention a slight reduction of the national manufacturers segment (43% against 48% a year later). Russian preparations accumulated some more than 3%.

Due to significant growth of purchases value, Nycomed (+16%) and Astra Zeneca (+31%) entered the top 10 manufacturers list in 2007. Against the background of purchases value reduction on the Ukrainian market Novo Nordisk (1.7-fold growth) demonstrated the more significant growth and increased its share to 2.8% having occupied the 7th position. Among the national producers noticeable positive dynamics was showed by Yuria-pharm and Farmak (+15% and 43%, respectively), which conditioned their raise in the ranking. The structure of top 3 list remained unchanged. Darnitca (-40%) demonstrated the most significant reduction of purchases value and yielded the leadership to the other national company Arterium (-20%). In spite of the fact that the hospital purchases dynamics of Sanofi-Aventis (-2%) was close to the average market figure, the company tails the top 3 list. Due to the decrease in total hospital purchases segment, Biopharma (-29%) lost two positions. Borshagovsky HFZ, Berlin Chemie and Gedeon Richter ranked below the top 10 list.

Table 1. Top 10 manufacturers by hospital purchases value

Rank		Manufacturer*	Share in total hospital purchases value, %	
2007	2006		2007	2006
1	2	Arterium	6.1	7.5
2	1	Darnitca	5.3	8.4
3	3	**Sanofi-Aventis**	4.6	4.8
4	6	Farmak	4.2	2.8
5	8	Yuria-Pharm	3.2	2.6
6	4	Biopharma	2.9	3.9
7	25	**Novo Nordisk**	2.8	1.0
8	11	**Nycomed**	2.6	2.1
9	15	**Astra Zeneca**	2.6	1.9
10	10	**GlaxoSmithKline Ltd**	2.5	2.1
Total			**36.8**	**37.1**

*AIPM members are in bold

Three new participants entered the top 10 list of trade names in 2007.

.Table 2. Top 10 trade names by hospital purchases value

Rank		Trade name	Share in total hospital purchases value, %	
2007	2006		2007	2006
1	1	Sodium chloride	4.4	5.0
2	2	Ceftriaxone	2.9	4.4
3	5	Actovegin	2.1	1.8
4	6	Meronem	2.0	1.4
5	3	Glucose	1.9	2.3
6	8	Mildronate	1.4	1.5
7	14	Reosorbilact	1.0	0.8
8	11	Clexane	0.9	0.9
9	9	Cefotaxime	0.9	1.2
10	15	Fraxiparine	0.9	0.8
Total			**18.4**	**20.1**

Due to the growth of share in total hospital purchases, Reosorbilact (+19%) and Fraxiparine (+7%) joined the ranking. The third entrant was Clexane (-5%). Having showed advanced growth rate in 2007, Actovegin (+11%) entered the Top 3 list,while Meronem (+31%) ranked two positions higher. Traditional hospital trade name Sodium chloride (-18%) and antibiotic Ceftriaxone (-38%) occupy the leading positions. Glucose (-20%) which closed the Top 3 list in 2006, occupies 5th position in the analyzed period. Meanwhile, in spite of the considerable reduction of hospital purchases value, Cefotaxime (-28%) retained its position in the ranking of the leading trade names. Cefazolin, Ethanol and Rheopolyglukin ranked below the Top 10 list.

Table 3. Top 10 INNs and combinations by hospital purchases value

Rank		INN/Combination	Share in total hospital purchases value, %	
2007	2006		2007	2006
1	1	Sodium chloride	4.4	5.0
2	2	Ceftriaxone	3.5	4.7
3	3	Ethanol	2.4	3.0
4	6	Meropenem	2.0	1.5
5	4	Dextrose	2.0	2.3
6	54	Insulin human	1.5	0.4
7	7	Meldonium	1.4	1.5
8	53	Insulin isophan (human semisynthetic)	1.2	0.4
9	12	Propofol	1.0	1.0
10	11	Enoxaparin sodium	1.0	1.0
Total			**20.4**	**20.8**

Having increased hospital purchases value 2.4-fold and 1.9-fold, respectively, insulin human and insulin isophan (human semisynthetic) joined the Top 10 list in 2007. Two other new entrants of the Top 10 INNs list enoxaparin sodium and propofol left behind aprotinin and dextran, which notably reduced their purchases value (1.3-fold and 1.4-fold, respectively). In spite of the total reduction of shares of sodium chloride (-18%), ceftriaxone (-30%) and etanol (-24%) in the hospital segment the Top 3 leading list remained unchanged. Against the background of the total decrease of hospital purchases value, meroponem demonstrated advanced growth rate +31% and went two positions up the ranking. Dextran, aprotinin, cefotaxime and cefazolin left the ranking during the analyzed period.

Table 4. Top 10 ATC groups by hospital purchases value

Rank		ATC code	ATC group	Share in total hospital purchases value, %	
2007	2006			2007	2006
1	1	J01	Antibacterials For Systemic Use	15.9	17.9
2	2	B05	Plasma Substitutes and Perfusion Solutions	12.1	13.7
3	7	A10	Drugs Used in Diabetes	6.6	2.6
4	3	C01	Cardiac Therapy	4.1	4.7
5	4	D08	Antiseptics and Disinfectants	3.7	4.3
6	5	N01	Anesthetics	3.4	3.5
7	6	B01	Antitrombotic Agents	3.2	3.0
8	8	A05	Bile and Liver Therapy	2.8	2.5
9	13	N05	Psycholeptics	2.7	2.0
10	12	N06	Psychoanaleptics	2.7	2.2
Total				**57.2**	**56.4**

The Top 10 ATC list registered some changes during 2007. Due to considerable growth rates, groups N05 Psycholeptics and N06 Psychoanaleptics joined the ranking (+31% and +17%, respectively). ATC group A10 Drugs used in diabetes also raised hospital purchases value 1.4-fold and as a result moved to the 3rd ranking position. In spite of the fact that ATC groups Antibacterials for systemic use and Plasma substitutes and perfusion solutions substantially cut their market shares retained their leadership in 2007. Meanwhile, three other participants of the Top 10 ATC list Cardiac therapy (-17%), Antiseptics and disinfectants (-19%) and Anesthetics (-8%) considerably reduced their shares in total purchases value, which conditioned their drop down, each by one position. Top 10 ATC groups accumulated half of the total hospital market.

Conclusion. Some hospital purchases value reduction on the Ukrainian market in 2007 led to noticeable changes in the lists of manufacturers, trade names and ATC groups. National producers accumulate 59% of total purchases value.

PHARMACY MARKET OF KIROV IN 2007

The population of Kirov city is reported to be 503 thousand people which is approximately 0.3% of the total Russian population and 1.6% of the Privolgsky Federal district population. According to Goskomstat, the average salary in Kirov region in January 2008 reached 9,528 Rbl (about $388), which is by 35% lesser than the same figure on the national scale equaled 14,771 Rbl (about $603). The retail market of the city consists of approximately 180 pharmacies and 245 pharmacy kiosks and points.

Table 1. Top 3 private pharmacy chains by number of retail outlets

Rank		Pharmacy chain	Head office	Number of outlets	
1Q 2008	1Q 2007			1Q 2008	1Q 2007
1	2	36.6	Moscow	21	19
2	1	Biotek	Moscow	20	19
3	1	Medicina dlya vsekh	Kirov	19	17

Due to notable increase in number of retail outlets, «36.6» (+4 outlets) occupied the leading position. Biotek (Moscow) set up one more pharmacy and strengthened its position on the second ranking place. The number of pharmacies belonging to the local chain "Medicina dlya vsekh" remained unchanged, due to which the participant closed the top 3 list.

According to "Retail Audit of drugs in Russia"™, the Kirov pharmacy market value grew by 13% in rubles as compared to the previous year and accounted for $18.9 Mln at wholesale prices (without DLO). Average market mark-up amounted to 28%. The share of the city in the total Russian pharmaceutical market equals the same figure of 2006 and accounts for 0.3%.

The structure top 10 manufacturers' list demonstrated stability, but the ranking revealed some inner changes. Corporation Servier/Egis (+23%) headed the list, leaving behind the leader of 2006 Nycomed (-1%). Significant growth was also showed by KRKA and Novartis (+33% and +27%, respectively), which strengthened their positions in the list. Due to considerable sales dynamics of Arbidol, the national producer Pharmstandart (+36%) consolidated its platform on the pharmaceutical market of Kirov and ranked 1 position up the top 10 list of drug makers. Meanwhile, slow growth rate of Gedeon Richter (+8%) and Dr.Reddy's Laboratories (+7%) conditioned reduction of their shares in the total retail segment and weakening positions of these participants in the ranking. In spite of the notable negative dynamics (-10%), Bayer Healthcare closes the top 10 list as in the previous year.

Table 2. Top 10 manufacturers by pharmacy sales value

Rank		Manufacturer*	Share in total pharmacy sales value, %	
2007	2006		2007	2006
1	2	**Servier/Egis**	6.3	5.8
2	1	**Nycomed**	5.5	6.3
3	3	**Berlin-Chemie AG/Menarini GmbH**	5.1	5.1
4	5	Pharmstandart	4.5	3.8
5	4	**Gedeon Richter Ltd**	4.5	4.7
6	6	**Sanofi-Aventis**	4.2	3.5
7	8	KRKA D.D.	3.8	3.2
8	9	**Novartis (incl. Sandoz-Lek)**	3.5	3.2
9	7	**Dr.Reddy's Laboratories Ltd**	3.1	3.3
10	10	**Bayer Healthcare (incl. Schering AG)**	2.1	2.6
Total			**42.6**	**41.5**

* AIPM members are in bold

The ranking of trade names represented in Table 3 demonstrated more noticeable changes in 2007.

Table 3. Top 10 trade names by pharmacy sales value

Rank		Trade name	Share in total pharmacy sales value, %	
2007	2006		2007	2006
1	1	Actovegin	2.6	3.4
2	3	Cavinton	1.0	1.1
3	5	Indap	0.9	0.9
4	6	Diroton	0.9	0.9
5	7	Detralex	0.8	0.8
6	4	Concor	0.8	1.0
7	13	Arbidol	0.8	0.7
8	17	Essentiale N	0.8	0.6
9	2	Crataegi tinctura	0.7	2.3
10	12	Nise	0.7	0.7
Total			**10.0**	**12.3**

* here and further increase in rubles

Three of ten participants changed in the analyzed period: Arbidol, Essentiale N and Nise entered the ranking with growth +39%, +43% and +13%, correspondingly. It is to note strengthening of Indap (+15%), Detralex (+15%) and Diroton (+16%), which kept more significant growth rate than the same figure on the total pharmaceutical market of Kirov city. In spite of decrease in total sales value, Actovegin retained leadership in the top 10 trade names list. Due to substantial reduction of share in retail segment in 2007, Crataegi tinctura (- 65%) occupies 9th position, which is by 7 p.p. lesser than a year later. Yarine, Enalapril and Capsici annui tincture left the ranking in the analyzed period.

The list of the leading INNs and combinations revealed dramatic changes in 2007. Due to high growth rates of Ketonal and Nimesil, ketoprofen (+49%) and Nimesulide (+39%) joined the ranking. Meanwhile, sales dynamics of the ranking leader enalapril was slightly lower than the Kirov pharmacy market growth (+10%). Metoprolol moved to 2nd position of the list, having increased sales value in 1.3 times. The constant traditional participant of the list combination multivitamine+multimineral considerably cut its share in the total value of retail segment and ranked below the top 3 list of INNs and combinations.

Table 4. Top 10 INNs and combinations by pharmacy sales value

Rank		INN/Combination	Share in total pharmacy sales value, %	
2007	2006		2007	2006
1	2	Enalapril	1.9	1.9
2	5	Metoprolol	1.7	1.5
3	4	Indapamide	1.7	1.6
4	7	Винпоцетин	1.3	1.3
5	3	Multivitamine+Multimineral	1.2	1.7
6	6	Multivitamine	1.1	1.3
7	15	Ketoprofen	1.1	0.8
8	14	Nimesulide	1.1	0.9
9	8	Chondroitin sulfate	1.0	1.1
10	10	Lisinopril	1.0	0.9
Total			**13.1**	**13.0**

The ranking of top ATC groups was joined by two new participants – Ophthalmologicals and Psycholeptics whose pharmacy sales value grew in 1.8 and 1.7 times, accordingly, as compared to 2006 (Table 5). It is to mention substantial changes inside the ranking: ATC group J01 Antibacterials for systemic Use (+15%) became the leader of the list, while N02 Analgesics (-7%) lost its leadership but remained in Top 5 list of ATC groups.

Table 5. Top 10 ATC groups by sales value

Rank		ATC code	ATC group	Share in total pharmacy sales value, %	
2007	2006			2007	2006
1	2	J01	Antibacterials For Systemic Use	5.5	5.4
2	3	C09	Agents Acting On The Renin-Angiotensin System	5.0	4.7
3	11	S01	Ophthalmologicals	4.6	2.9
4	6	N06	Psychoanaleptics	4.5	4.1
5	1	N02	Analgesics	4.5	5.5
6	7	M01	Antiinflammatory And Antirheumatic Products	4.3	4.0
7	5	A11	Vitamins	3.6	4.3
8	10	R05	Cough And Cold Preparations	3.4	3.0
9	14	N05	Psycholeptics	3.3	2.2
10	4	G03	Sex Hormones And Modulators Of The Genital System	3.3	4.7
Total				**42.0**	**40.8**

Conclusion. In 2007 drug sales value in Kirov exceeded $24.2 Mln at retail prices, thus, the development of the total pharmacy market considerably falls back (average growth on the national scale amounted to 21%). Per capita drug consumption through pharmacy chain reached $ 48.28 at retail prices, which is almost by 18% lesser than the national consumption level ($59.0). Average per pack price equaled $1.65 at retail prices, which is lesser than an average figure in Russia ($2.30).

PHARMACY MARKET OF ORENBURG IN 2007

Population of Orenburg city is reported to be 565 thousand people which are about 0.4% of total Russian population and 1.8% of the Privolgsky Federal district population. According to Goskomstat, the average salary in Orenburg in 2007 reached 10,851 Rb (about $443), which is 27% below the national annual average of 14,771 Rbl (about $603). The retail pharmaceutical business of the city consists of approximately 180 pharmacies and 245 kiosks and outlets.

Table 1. Top 3 pharmacy chains by number of retail outlets

Rank		Pharmacy chain	Head-office	Number of retail outlets	
1Q 2008	1Q 20027			1Q 2008	1Q 2007
	1	36,6	Moscow	63	47
2	2	Implosia	Samara	35	31
3	-	Doctor Stoletov	Moscow	8	-

The Moscow pharmacy chain "Doktor Stoletov" entered the top 3 list by number of retail outlets (8 points). It is to note that "36,6" demonstrates significant growth +16 pharmacies. "Implosia" based in Samara increased amount of retail stores by 4 points in the previous year (Table 1).

According to "Retail Audit of drugs in Russia"TM, the Orenburg pharmacy market value grew by 6% in rubles as compared to the previous year and accounted for $29.5 Mln at wholesale prices (without DLO). Average market mark-up amounted to 34%. The share of the city in the total Russian pharmaceutical market equals the same figure in 2006 and accounts for 0.5%.

The ranking of the leading manufacturers revealed dramatic changes in 2007. Due to considerable growth by sales value, two new participants entered the list: Abbott Laboratories (in 2.1 times) and Solvay Pharmaceuticals (in 1.4 times). Pfizer (+30%) notably increased its share in the retail segment and ranked up to 7th position. Novartis (+16%) retained its leadership. In the analyzed period Servier/Egis (+6%) occupied 2nd position, leaving behind Berlin-Chemie (-4%), whose dynamics was lower than the same pharmacy market figure of Orenburg. In spite of significant difference in growth rate, the positions of three participants of the ranking remained stable: Gedeon Richter (+6%), Sanofi-Aventis (-5%) and Pharmstandart (+16%). Nine participants accumulating 93% of the total retail sales value are AIPM members. KRKA and Nycomed left the list in 2007.

Table 2. Top 10 manufacturers by pharmacy sales value

Rank		Manufacturer*	Share in total pharmacy sales value, %	
2007	2006		2007	2006
1	1	**Novartis (incl. Sandoz-Lek)**	5.5	5.1
2	3	**Servier/Egis**	4.6	4.6
3	2	**Berlin-Chemie AG/Menarini Group**	4.5	5.0
4	4	**Gedeon Richter Ltd**	4.0	4.0
5	5	**Sanofi-Aventis**	3.6	4.0
6	6	Pharmstandart	3.6	3.3
7	8	**Pfizer International Inc**	3.5	2.9
8	7	**Bayer Healthcare (incl. Schering AG)**	3.26	2.9
9	16	**Abbott Laboratories Ltd**	3.0	1.5
10	12	**Solvay Pharmaceuticals**	3.0	2.2
Total			**38.6**	**35.5**

* AIPM members are in bold

The ranking of trade names represented in Table 3 demonstrated more noticeable changes in 2007.

Table 3. Top 10 trade names by pharmacy sales value

Rank		Trade name	Share in total pharmacy sales value, %	
2007	2006		2007	2006
1	4	Heptral	2.0	0.9
2	1	Viagra	1.4	1.1
3	3	Sumamed	1.1	1.0
4	2	Xenical	1.0	1.0
5	13	Arbidol	0.9	0.6
6	15	Predical	0.9	0.5
7	30	Diflucan	0.8	0.4
8	6	Cerebrolysin	0.8	0.8
9	7	Actovegin	0.8	0.7
10	14	Diroton	0.7	0.5
Total			**10.4**	**7.7**

* here and further increase in rubles

Due to significant growth rate several participants joined the top list of trade names: Arbidol (+59%), Preducal (+77%), Diflucan (+108%) and Diroton (+38%). Heptral demonstrated increase in share in 2.2 times and occupied the leading position, leaving behind the leader of the previous year Viagra (+39%). Sumamed (+10%) closes Top 3 list as the year before. Three trade names Xenical, Cerebrolysin and Actovegin (+3 each) noticeably weakened their positions in the ranking. Mezym forte, Bioparox and Flemoxin Solutab more considerably reduced their sales value and ranked below the top 10 list of trade names.

The ranking of top INNs and combinations is stable by structure, thus demonstrates notable inner changes. Due to advanced growth rate (in 2.3 times) ademetionine occupied 2nd position. Advanced growth rate (+31% and 39%, correspondingly) allowed fluconazole and sildenafil to join the top INNs list. Pancreatin (+4%) and amoxicillin (+2%) were outstripped by the Orenburg retail market by sales dynamics, as well as enalapril (-1%) and ethinylestradiol+desogestrel (-16%), which reduced their sales through pharmacies of Orenburg and as a result weakened their positions in the ranking.

Table 4. Top 10 INNs and combinations by pharmacy sales value

Rank		INN/Combination	Share in total pharmacy sales value, %	
2007	2006		2007	2006
1	1	Multivitamine+Multimineral	2.2	3.1
2	10	Ademetionine	2.0	0.9
3	4	Fluconazole	1.5	1.3
4	7	Sildenafil	1.4	1.1
5	5	Azitromycin	1.3	1.2
6	3	Pancreatin	1.3	1.3
7	2	Ethinylestradiol+desogestrel	1.0	1.3
8	9	Orlistat	1.0	1.0
9	6	Enalapril	1.0	1.1
10	8	Amoxicillin	1.0	1.1
Total			**11.5**	**10.2**

The consumption structure did not experience any changes in the analyzed period. However, the ranking of the leading ATC groups reported some shifts. Group G04 Urologicals (+37%) strengthened its position by 3 p.p. G03 Sex hormones and modulators of the genital system outstripped the retail market almost 3-fold and entered the Top 3 list. Meanwhile, due to notable negative dynamics, A11 Vitamins (+4%) and R05 Cough and cold preparations (+2%) lost several positions in the Top 10 list of INNs and combinations. In spite of underun, two ATC groups N02 Analgesics and M01 Antiinflammatory and antirheumatic products retained their ranking positions.

Table 5. Top 10 ATC groups by sales value

Rank		ATC code	ATC group	Share in total pharmacy sales value, %	
2007	2006			2007	2006
1	1	J01	Antibacterials For Systemic Use	6.7	6.7
2	4	G03	Sex Hormones And Modulators Of The Genital System	5.8	5.3
3	3	N02	Analgesics	5.4	5.5
4	5	L03	Immunostimulants	4.2	4.2
5	2	A11	Vitamins	4.2	5.6
6	9	G04	Urologicals	4.0	3.1
7	6	N06	Psychoanaleptics	3.1	3.4
8	8	M01	Antiinflammatory And Antirheumatic Products	3.0	3.2
9	10	C09	Agents Acting On The Renin-Angiotensin System	3.0	2.7
10	7	R05	Cough And Cold Preparations	3.0	3.3
Total				**42.4**	**42.9**

Conclusion. In 2007 drug sales value in Orenburg exceeded $39.7 Mln. at retail prices. Growth rate of pharmacy market was 3-fold below an average national figure (+21%). Per capita drug consumption through pharmacy chain reached $ 47.36 at retail prices, which is by 20% lower than the national consumption level ($59.0). Average per pack price equaled $2.67 at retail prices, which is above an average figure in Russia ($2.30).

PHARMACEUTICAL RETAIL MARKET OF PENZA IN 2007

The population of Penza is estimated at 518.4 thousand people, that is about 0.4% of the total population of the Russian Federation and 1.8% of the population of the Privolgsky federal district.

According to Goskomstat, the average salary in Penza region in January 2008 reached Rbl 9,612 (nearly $392) which is 35% below the national average figure of Rbl 14,771 (nearly $603). Pharmaceutical retail business in Penza consists of 320 pharmacy kiosks and outlets.

Table 1. Top 3 pharmacy chains by number of retail outlets

Ranking 1Q 2008	Ranking 1Q 2007	Pharmacy chains	Head-office	Number of retail outlets 1Q 2008	Number of retail outlets 1Q 2007
1	1	Biotek	Moscow	113	113
2	1	Implozia	Samara	54	27
3	3	Pharmalux	Samara	25	25

The ranking of pharmacy chains by number of retail outlets was stable. The real growth of the chain “Implozia” by number of retail outlets was unique in its scale at the regional market – the number of outlets increased twice (Table 1).

According to “Retail Audit of drugs in Russia”™, the retail pharmaceutical market of Penza city in 2007 grew by 20% as compared to the same period of the previous year and amounted to $36 Mln at wholesale prices (DLO is not included). Average retail mark-up reached 21%. The share of the region in the total Russian retail pharmaceutical market was about 0.6%. During the analyzed period the Top 10 manufacturers list experienced some changes (Table 2). Solvay Pharmaceuticals entered the list (+57%*), leaving behind almost 3-fold the pharmaceutical growth rates of the city. Having demonstrated more significant growth (+78%), domestic manufacturer Pharmstandart was close to the Top 5 in 2007. Novartis increased its pharmacy share in the total sales value (+37%), and as a result retained its leading position in the top 10 list. Due to the growth rates, which were slightly lower than Servier/Egis (+15%), Sanofi-Aventis (+5%) dropped one line in the ranking.

The sales value of Bayer Heathcare (+28%) was significantly above the average Penza figure in 2007, however the company occupied the 10th position replacing the previous participant of the list KRKA.

Table 2. Top 10 manufacturers by pharmacy sales value

Ranking 2007	Ranking 2006	Corporation*	Share in total pharmacy sales value, % 2007	Share in total pharmacy sales value, % 2006
1	1	**Novartis (incl. Sandoz-Lek)**	6.3	5.5
2	3	**Servier/Egis**	4.9	5.1
3	2	**Sanofi-Aventis**	4.6	5.3
4	4	**Berlin-Chemie AG/Menarini GmbH**	4.2	4.7
5	5	**Gedeon Richter Ltd**	3.7	3.7
6	8	Pharmstandart	3.6	2.5
7	6	**Pfizer International Inc**	3.2	3.6
8	11	**Solvay Pharmaceuticals**	3.0	2.3
9	7	**Nycomed**	2.7	3.0
10	9	**Bayer Healthcare (incl.Schering AG)**	2.5	2.3
Total Top 10			**38.7**	**37.9**

* AIPM members are in bold

More noticeable changes were demonstrated in the list of the leading trade names during the analyzed period (Table 3.). Having demonstrated more than 5.5-fold increase in pharmacy sales, Pyralgin became a new participant of the list, upon that furthermore moved from 132nd to 4th position.

Table 3. Top 10 trade names by pharmacy sales value

Ranking 2007	Ranking 2006	Trade Name	Share in total pharmacy sales value, % 2007	Share in total pharmacy sales value, % 2006
1	1	Viagra	1.6	1.6
2	5	Preductal	1.1	0.9
3	2	Actovegin	1.1	1.4
4	132	Pyralgin	1.0	0.2
5	3	Essentiale N	0.9	1.1
6	8	TeraFlu against cold and fever	0.9	0.9
7	7	Xenical	0.8	0.9
8	6	Cerebrolysin	0.8	0.9
9	4	Mezym forte	0.8	0.9
10	27	Meridia	0.7	0.5
Total Top 10			**9.7**	**9.2**

*here and further increase in rubles

Due to advanced growth rates, Meridia (-73%) also entered the Top 10 list of trade names. Viagra was still in the top of the ranking (+17%). Preductal increased its sales value in 1.5 times and as a result replaced Actovegin (-2%), which position weakened because of reduction of its share.

Exceeding the city’s growth rates, TeraFlu against cold and fever occupied the 6th place (+24%). Essentiale N (-2%) and Mezym forte (+1%) stagnated their sales values and as a result lost their ranking positions. Cavinton and Sumamed reduced their sales more significantly and ranked below the list. Due to noticeable dynamics of the respective trade marks, 3 new INNs entered the Top 10 INNs and combinations list: Codeine+ Caffeine+ Metamizole sodium+ Naproxen+ Phenobarbital (Pyralgin), xylometazoline (Otrivin) and Paracetamo+Phenylephrinel +Pheniramine+Ascorbic acid (TeraFlu against cold and fever), having increased their sales in 4, 1.5 and 1.2 times, correspondingly. In spite of significant reduction of share in the total sales value of Multivitamine+Multimineral (-5%) and low growth rates of sildenafil (+17%), both participants kept their positions. Having increased its sales value in 1.5 times, trimetazidine appeared in the Top 5 INNs and combinations list. Phospholipides demonstrated negative sales dynamics (-2%) and dropped 3 lines compared to 2006.

Table 4. Top 10 INNs and combinations by sales value

Ranking 2007	Ranking 2006	INN/Combination	Share in total pharmacy sales value, % 2007	Share in total pharmacy sales value, % 2006
1	1	Multivitamine+ Multimineral	1.6	2.0
2	2	Sildenafil	1.6	1.6
3	63	Codeine+Caffeine+ Metamizolesodium+ Naproxen+Phenobarbital	1.5	0.4
4	3	Pancreatin	1.3	1.4
5	9	Trimatazidine	1.1	0.9
6	7	Fluconazole	1.0	1.0
7	4	Phospholipides	0.9	1.1
8	16	Xylometazoline	0.9	0.7
9	8	Ethinylestradiol+ Desogestrel	0.9	0.9
10	12	Paracetamol+ Phenylephrinel+ Pheniramine+Ascorbic acid	0.9	0.9
Total Top 10			**11.7**	**11.1**

During the analyzed period ATC group Cardiac therapy (Preductal) joined the Top 10 list of the ATC groups with growth rates amounted to 43%. Due to considerable increase of sales value in retail sector in 2007, ATC group N02 Analgesics headed the ranking, having replaced J01 Antibacterials for systemic use (+6%). The ATC group G03 Sex hormones and modulators of the genital system (+22%) became the 3rd in the list, leaving behind N06 Psychoanaleptics.

Table 5. Top 10 ATC groups by sales value

Ranking 2007	Ranking 2006	ATC code	ATC group	Share in total pharmacy sales value, % 2007	Share in total pharmacy sales value, % 2006
1	2	N02	Analgesics	6.2	5.3
2	1	J01	Antibacterials for Systemic Use	5.7	6.5
3	4	G03	Sex Hormones and Modulators of the Genital System	4.7	4.6
4	3	N06	Psychoanaleptics	4.2	4.7
5	8	L03	Immunostimulants	3.6	3.6
6	5	A11	Vitamins	3.6	4.2
7	6	M01	Antiinflammatory and Antirheumatic Products	3.6	3.8
8	7	G04	Urologicals	3.3	3.8
9	9	A07	Antidiarreals, Intestinal Antiinflammatory / Antiinfective Agents	2.9	3.2
10	14	C01	Cardiac therapy	2.9	2.4
Total Top 10				**40.7**	**42.2**

Conclusion. In 2007 the pharmaceutical retail market of Penza exceeded $43.8 Mln at retail prices. The growth rates of the city market were close to the national average growth rate (+21%). Per capita consumption of drugs through pharmacies in the city amounted to $83.4 at retail prices, which is 1.4 times above the national consumption level ($59.0) and also above the same figure in Orenburg and Kirov (1.7 and 1.8 times, respectively). Average retail price per pack reached $2.53 and was as well above the Russian average figure ($2.30).

HOSPITAL MARKET OF KAZAKHSTAN IN 2007

According to Hospital Audit of Drugs in Kazakhstan™, the value of drugs purchased by hospitals in 2007 accounted for $156 Mln at wholesale prices. Thus, a slight drug consumption growth amounted to 3.1% in dollars as compared to the previous analyzed period. Average price per pack of drugs purchased by hospitals equaled $2.08 at wholesale prices.

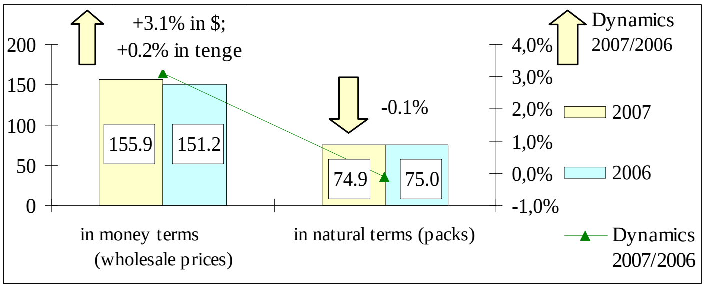


Diagram 1. Hospital market of Kazakhstan in 2007

It is to mention that the foreign drug makers noticeably strengthen their dominance on the hospital market of Kazakhstan in 2007: their share in the total purchases value exceeded 80%. The share of national manufacturers on the hospital market of drugs (9.5%) was close to the share of Russian preparations (more than 10%). The share of original and innovative drugs reached 55% of the total hospital segment value, while generics and traditional drugs accumulate 45%, which is 4 p.p. below the same figure in 2006.

Table 1. Top 10 manufacturers by hospital purchases value

Rank 2007	Rank 2006	Manufacturer*	Share in the total hospital purchases value, % 2007	2006
1	2	**GlaxoSmithKline Ltd**	8.4	8.7
2	1	**Nycomed**	7.4	9.3
3	3	**Janssen-Cilag AG**	6.2	5.0
4	9	Chimpharm	5.1	2.8
5	5	**Sanofi-Aventis**	3.9	4.7
6	4	**Gedeon Richter Ltd.**	3.3	5.0
7	6	**Bayer Healthcare (incl. Schering AG)**	3.3	4.0
8	7	**Berlin-Chemie/Menarini Pharma GmbH**	3.1	3.5
9	8	**Novartis (incl. Sandoz-Lek)**	3.1	2.9
10	10	**Pliva D.D.**	2.7	2.3
Total			**46.6**	**48.3**

* AIPM members are in bold

The ranking of the leading manufacturers didn't reveal any changes in 2007. Significant dynamics was registered by Chimpharm (+86% in tenge; +127% in dollars) which made it rank from 9th to 4th position. Also three other participants of the list demonstrated advanced growth: Janssen-Cilag AG (+24%/+27%), Novartis (+7%/+9%) and Pliva d.d. (+20%/+24%). Meanwhile, other six members of the list reduced their purchases value and significantly cut their market shares in the analyzed period. Gedeon Richter (-33%/-31%) showed the most notable negative dynamics. Generally, the ten leading producers accumulate almost half of the hospital market value of Kazakhstan.

Table 2. Top 10 trade names by hospital purchases value

Rank 2007	Rank 2006	Trade name	Share in the total hospital purchases value, % 2007	2006
1	1	Actovegin	5.7	7.7
2	2	Fortum	3.0	3.0
3	7	Sodium chloride	2.7	1.8
4	3	Rispolept	2.6	2.6
5	12	Cefazolin	2.2	1.6
6	10	Contrykal	2.1	1.7
7	14	Orungal	2.1	1.5
8	4	Fraxiparine	1.9	2.5
9	11	Zinacef	1.8	1.6
10	13	Glucose	1.8	1.6
Total			**26.0**	**25.6**

The ranking of the leading trade names demonstrates significant changes: in 2007 four new entrants joined the list. Zinacef, Glucose, Orungal and Cefazolin raised their purchases value in tenge by 11%, 14%, 40% and 38% (by 15%, 18%, 44% and 41% in dollars) as compared to the previous analyzed period, respectively, and entered the ranking. Antiemetic preparation Contrykal and traditional hospital trade name Sodium chloride demonstrated growth rate which considerably outstripped an average market figure: +27% (+31%) and +48% (+52%), correspondingly, and as a result their shares in total purchases value notably increased. Due to the purchases value reduction, the share of the ranking leader Actovegin and Fraxiparine notably decreased. Albumin, Cerebrolysin, Recofol and Arduan left the list. The cumulative share of the 10 leading drug producers accounted for 26% of the total hospital market.

Table 3. Top 10 INNs and combinations by hospital purchases value

Rank 2007	Rank 2006	INN/Combination	Share in the total hospital purchases value, % 2007	2006
1	1	Ceftazidime	3.4	3.2
2	2	Resperidone	3.2	3.0
3	9	Aprotinin	3.0	1.9
4	5	Ceftriaxone	2.9	2.1
5	8	Cefazolin	2.8	2.0
6	10	Sodium chloride	2.7	1.8
7	4	Cefuroxime	2.3	2.2
8	14	Itraconazole	2.1	1.5
9	6	Hydroxyethyl starch	2.1	2.1
10	3	Nadroparin calcium	1.9	2.5
Total			**26.4**	**22.2**

Due to Orungal considerable growth by purchases value (Table 3), one new entrant itraconazole (+42%/+46%) joined the list in 2007. Advanced growth rate was registered by three ranking participants: aprotinin (+56%/+62%), sodium chloride (+48%/+52%), cefazolin (+45%/+49%) and ceftriaxone (+38%/+42%), which conditioned the improvement of these participants' positions. Ceftazidime (+4%/+8%, due to the purchases value growth of Fortum) and resperidone (+6%/+9% - Rispolept) still occupy the leading positions in the ranking. Demonstrating negative dynamics in 2007, nadroparin calcium (-21%/-20%) closes the Top 10 list of INNs and combinations. Due to the considerable reduction of share on the hospital market of Kazakhstan, Albumin ranked below the list

Table 4. Top 10 ATC groups by hospital purchases value

Rank 2007	Rank 2006	ATC code	ATC group	Share in the total hospital purchases value, % 2007	2006
1	1	J01	Antibacterials for Systemic Use	20.6	18.0
2	2	B05	Plasma Substitutes and Perfusion Solutions	11.3	11.0
3	5	B02	Antihemorrhagics	5.9	4.5
4	3	B06	Other Hematological Agents	5.9	7.8
5	4	N05	Psychleptics	5.5	5.1
6	8	B01	Antitrombotic Agents	3.5	3.5
7	6	L01	Cytostatics	3.4	3.9
8	7	N06	Psychoanaleptics	3.0	3.8
9	10	J02	Antimycitics For Systemic Use	2.9	2.6
10	9	N01	Anesthetics	2.7	3.3
Total				**64.6**	**63.5**

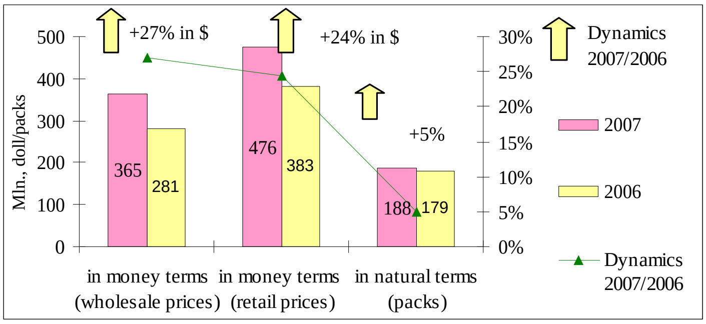
Top 10 ATC list remained relatively unchanged, characterizing stability of the hospital consumption structure in general. Five leading ATC groups retained their positions by hospital purchases value. Meanwhile, the leader of the ranking Antibacterials for systemic use substantially strengthened its position, due to 15% growth of purchases value in tenge (18% growth in dollars). ATC groups Psychleptics and Antihemorrhagics also demonstrated significant dynamics (+9%/+12% and +30%/+34%, respectively) and raised their shares in hospital purchases value as compared to the previous analyzed period. Purchases value reduction was registered by five participants of the top 10 ATC ranking: Other hematological agents, Antitrombotic agents, Psychoanaleptics, Amtimucitics for systemic use and Anesthetics. The Top 10 ATC groups accumulate 2/3 of the total hospital market of Kazakhstan.

Conclusion. Hospital market of Kazakhstan demonstrated insignificant growth in money terms (+3%) and in natural terms (+3%) as compared to 2006. Consumption structure remained stable, what is confirmed by minor changes observed in the rankings of the leading manufacturers and ATC groups.

PHARMACEUTICAL RETAIL MARKET OF BIOACTIVE FOOD SUPPLEMENTS IN RUSSIA IN 2007

According to “Retail Audit of Bioactive Supplements in Russia” RMBC, the pharmaceutical market of bioactive food supplements (FS) in Russia in 2007 accounted for 9.1 Bln Rbl at wholesale prices ($365 Mln) or 12.1 Bln Rbl at retail prices ($476 Mln). The growth in rubles amounted to 19% at wholesale prices and 16% at retail prices (27% and 24% in dollars, respectively) as compared to the previous year. Average unit price in pharmacies equaled $2.53, while an average retail FS mark-up reached 33%, which is noticeably higher than an average price per over-the-counter drug pack in 2006 ($1.49 under the retail mark-up of 32%).

Diagram 1. Russian pharmacy market of bioactive food supplements in 2007



According to the analysis of pharmacy FS sales structure by the country of origin, national manufacturers accumulate 70% of the total market value, while the share of CIS producers accounted for less than 1%. Due to significant growth rates of Nycomed (Denmark) and Wyeth Lederle (Great Britain), Western manufacturers by 53% increased their presence on the Russian market. The producers from Asia, on the contrary, cut their shares almost by 40% (Diagram 2).

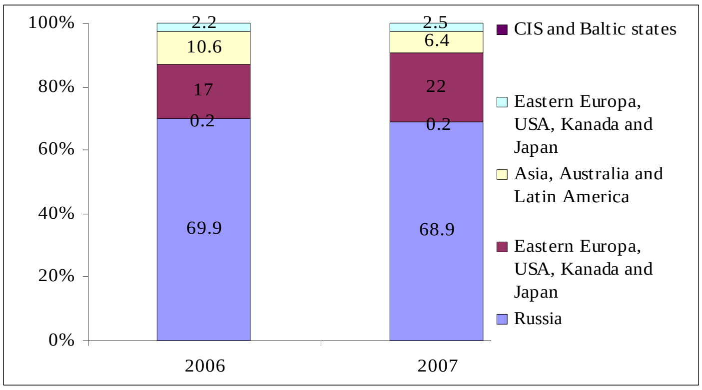


Diagram 2. Split of pharmacy sales of bioactive supplements by country of origin

The Top 10 FS manufacturers’ list revealed some changes in the analyzed period. Due to high positive dynamics of Gerimax Energy and Gerimax Premium, the FS pharmacy sales value of Nycomed grew in 2.3 times in rubles, and as a result the company ranked from 14th to 5th position in the list. The second entrant of the ranking was the Russian FS producer Ecomir, demonstrating advanced growth rate (+60%: Lutein-Complex). Evalar has a commanding lead by pharmacy sales value, thus its share exceeded 15% of the total FS market value in 2007. VIS (+21) and Ferrosan (+44%) demonstrated considerable growth dynamics.

Table 1. Top 10 manufacturers by pharmacy sales value

Rank		Manufacturer*	Share in total pharmacy sales value, %	
2007	2006		2007	2006
1	1	Evalar	15.2	12.6
2	2	Diod	9.6	11.8
3	3	Ferrosan AG	6.3	5.2
4	4	Akvion	4.7	5.0
5	14	**Nycomed**	3.1	1.6
6	8	VIS	2.5	2.5
7	5	Beijing sales center Zhuydemen	2.3	4.5
8	11	Ecomir	2.2	1.6
9	7	Pharm-Pro	2.0	2.7
10	9	Natur Produkt	2.0	1.9
Total			**49.9**	**49.3**

* AIPM members are in bold

Phram-Pro and Beijing sales center Zhuydemen, on the contrary, decreased their FS sales value by 10% and 40%, accordingly. Pharma-Med and Kurortmed-service ranked below the Top 10 list.

The Top 10 list of trade names experienced more dramatic changes. Due to significant growth rate, three new participants joined the ranking: Indipol, Gerimax Energy and Ateroklephit, having increased their sales value almost 6, 4 and 2-fold, respectively, as compared to the previous year. Advanced growth registered by Wheat germs oil Viardo, Lactofiltrum, Strix and Ovesol allowed these trade names to strengthen their positions in the list. Alfavit cut its share by 41% and lost 4 ranking positions. Lutein-Complex and Zhuydemen for weight loss and Amberate Altay purified left the Top 10 list of trade names.

Table 2. Top 10 trade names by pharmacy sales value

Rank		Trade name	Share in total pharmacy sales value, %	
2007	2006		2007	2006
1	1	Kapilar	5.1	6.1
2	2	Chernika Forte	2.8	3.0
3	5	Wheat germs oil Viardo	1.9	1.9
4	7	Lactofiltrum	1.8	1.6
5	6	Strix	1.8	1.7
6	10	Ovesol	1.7	1.1
7	71	Indinol	1.6	0.3
8	4	Alfavit	1.6	2.6
9	50	Gerimax Energy	1.5	0.5
10	13	Ateroklephit	1.4	1.0
Total			**21.1**	**19.6**

The ranking of top groups of FS by sales value remained almost unchanged. FS acting mainly on tissue metabolism processes demonstrated advanced growth (+31%) and strengthened its leadership in the ranking. FS for people controlling their body weight, FS – sources of minerals and FS supporting locomotor apparatus functions reduced their shares in the total market of pharmacy sales value.

Table 3. Top 10 groups of FS by pharmacy sales value

Rank		FS group	Share in total pharmacy sales value, %	
2007	2006		2007	2006
1	1	FS Acting Mainly on Tissue Metabolism Processes	29.2	26.4
2	3	FS Supporting Digestive Apparatus Functions	14.4	11.9
3	4	FS - Sources of Antioxidant Action Substances and Substances Acting on Energy Metabolism	11.0	11.7
4	2	FS For People Controlling Their Body Weight	10.8	14.0
5	6	FS Acting on Humoral Factors of Metabolic Control	9.6	7.0
6	5	FS - Sources of Minerals	6.8	8.0
7	8	FS Acting on Central Nervous System Functions	3.9	4.0
8	9	FS Acting on Cardio-Vascular System Functions	3.7	3.4
9	7	FS Supporting Locomotor Apparatus Function	3.5	5.6
10	10	FS Influencing Detoxication Processes and Promoting Excretion of Alien and Toxic Substances	2.1	3.0
Total			**94.9**	**95.0**

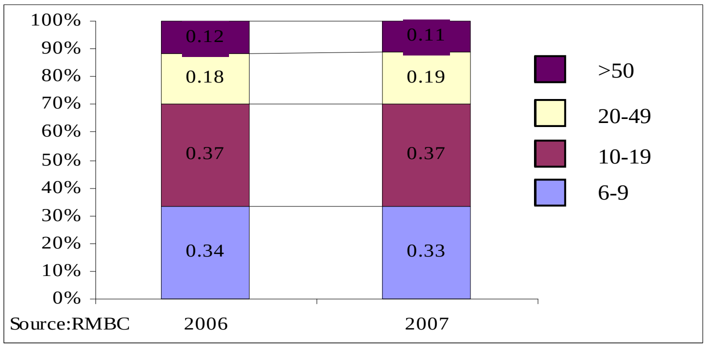
Conclusion. Retail market of FS demonstrated considerable growth in money terms, however its dynamics significantly lost out to the growth rate of over-the-counter preparations market (+27% in rubles; wholesale prices). Meanwhile, FS market grew almost by 4% in natural terms, but the retail OTC market decreased by 4% by packs as compared to 2006. In general, the structure of FS pharmacy market was stable: the Russian producers accumulated 2/3 of the total market value, while the share of the producers from the Western countries exceeded 1/5 in 2007. An average FS pack price still surpasses the same figure for OTC drug market.

PHARMACY CHAINS IN 2007

According to RMBC data, around 240 private pharmacy chains are currently operating on the Russian market under single brand, each chain uniting no less than 6 retail stores. The number of pharmacy chains increased greatly since 2006 (190 branded chains), their growth being largely conditioned by the emergence of new conglomerates as well as by uniting of the existing enterprises under one brand. It is worth mentioning that some chains operating under the same label still have not registered their trade names or other individual identification at the state supervising authority Rospatent. This is especially true of small- and medium-sized businesses.

Despite the mentioned increase in the chains number, the structure of the retail pharmaceutical segment in terms of chain size remains relatively stable (Diagram 1). Small pharmacy chains comprising up to 9 trade points account for over 35% of the total number of chains on the market. Large chains consisting of above 50 stores each account for 11% of the overall pharmacy market.

Diagram 1. Pharmacy chains by number of retail stores



According to pharmacy chains monitoring conducted by RMBC, 36.6 is now the indisputable leader by the number of retail trade points among private label chains. The chain owns a total of 1157 stores as of late December 2007, while in the beginning of 2008 the number may already exceed 1200 (Table 1). The actual growth in the number of stores belonging to the retailer was extraordinarily high: the chain acquired 319 trade points during 2007.

On the whole, the top 10 chains list is made of those based in the two capitals of Russia (4 in Moscow and Saint-Petersburg), plus two chains in Samara. Moscow-based chains are ranked 1th to 5th in the top list, while the next five positions down are shared by Saint-Petersburg chains (accordingly, 7th to 10th positions). Among the top 10 leaders of 2007, the strongest growth in percentage terms was recorded by Raduga chain – 2.2-fold increase by number of total stores. The chains Vita, Doctor Stoletov and Pervaya Pomosch also registered a significant gain, each of them growing more than 1.5-fold

Table 1. Top 10 pharmacy chains by number of retail stores in 2006-2007

2007	2006	Pharmacy chain	Head office	Number of retail stores	
				2007	2006
1	1	36,6	Moscow	838	1157
2	3	Implozia	Samara	331	438
3	2	Doctor Stoletov	Moscow	412	419
4	5	Rigla (incl. O_3 chain)	Moscow	258	437
5	4	Biotec	Moscow	304	334
6	7	Vita	Samara	199	329
7	8	Pharmacor	St. Petersburg	190	275
8	10	Raduga	St. Petersburg	123	271
9	6	Zdorovye Lyudi *(former: Natur Produkt)*	St. Petersburg	205	243
10	11	Pervaya Pomosch	St. Petersburg	114	179

The variety of pharmacy chains acquired by the top 5 in 2007 is presented in Table 2[1]. It should be mentioned that pharmacy chain "Rigla", which purchased 40 outlets in the current year, in fact grew only by 7 points as compared to 2006, which conditioned by the close of several pharmacies.

The expansion of branded pharmacy chains has been initially concentrated in the largest cities of Russia – Moscow, St. Petersburg and Samara. Later on, regions became the sources of growth as the large chains fueled by high sales in their native cities continued expansion by conquering regional markets and eventually moving onto the federal level. Leading chains headquartered in Moscow have a better presence in regions on the whole than St. Petersburg companies since their expansion started earlier, the success being driven by Moscow more favorable geographical and economic conditions. Meanwhile, local private label pharmacy chains have been and are still growing on the regional markets. In some of the regions they even lead by the number of retail stores belonging to one chain. This is, for example, the case with Khabarovsk area, Novosibirsk region, Krasnoyarsk area, etc., though these chains are being increasingly pressed by larger national-level market players.

[1] Source: mass media and companies' official reports

Table 2. Private label pharmacy chains by number of retail stores in regions of the RF, %

Pharmacy chain	Head office	Number of retail stores		Acquired chains
		2006	2007	
36.6	Moscow	838	1157	Zdravnik (Sverdlovsk region.), Dobriy Lekar (Astrakhan region), ZEM Pharm (Moscow), Nasha Apteka (Vladimir region), ASN (Ivanov region), Sigma (Krasnodar area), Firma IKA (Orenburg region), Donlav (Rostov-on-Don), ALS (Rostov region), Kompanyon (Stavropol area), Ekoros-pharm(Saratov region); AIR (Krasnodar area), Shpil (Krasnodar area), Pharmakon (Krasnodar area), Ozon (Krasnodar area), Kometa-A (Krasnodar area), Alma (Rostov region).
Implozia	Moscow	412	419	Pharm plus Med (Nizhniy Novgorod region)
Doctor Stoletov	Moscow	258	437	Ephedra (Saratov region), Setevaya Apteka (Krasnodar area), Apteki IP Stupnikova (Novosibirsk region), Flora (Stavropol area)
Rigla (O3+Rigla)	Samara	331	438	Alphavit Zdorovya (Ryazan and Moscow regions), Semeynaya Apteka (Kaliningrad region), Ta Samaya Apteka (Tula region).
Biotec	Moscow	304	334	N/A
Vita	Samara	199	329	Zdravnik (Sverdlovsk region.), Doobriy Lekar (Astrakhan region), ZEM Pharm (Moscow), Nasha Apteka (Vladimir region), ASN (Ivanov region), Sigma (Krasnodar area), Firma IKA (Orenburg region), Donlav (Rostov-on-Don), ALS (Rostov region), Kompanyon (Stavropol area), Ekoros-pharm(Saratov region); AIR (Krasnodar area), Shpil (Krasnodar area), Pharmakon (Krasnodar area), Ozon (Krasnodar area), Kometa-A (Krasnodar area), Alma (Rostov region).

It should be noted that regions of the RF differ by the number of private label chains operating under common brand (both local and federal). To compare: their share by number of retail stores is below 6% in Krasnoyarsk area (2007); in St. Petersburg the figure amounts to approximately 70% of the total market (Table 3); all-Russia average figure equaled 17% in 2007.

Table 3. Private label pharmacy chains by number of retail stores in regions of the RF, %

Region	Private label pharmacies in the total number of pharmacies in the region, %
Krasnoyarsk area	6%
Moscow region	11%
Omsk region	21%
Sverdlovsk region (incl. Yekaterinburg city)	26%
Novosibirsk region	27%
Krasnodar area	27%
St. Petersburg region	28%
Republic of Bashkortostan (incl. Ufa)	34%
Republic of Tatarstan (incl. Kazan)	36%
Moscow	38%
Saratov region	48%
Saint-Petersburg	66%

Russian pharmacies including chain stores cooperate on regular basis with an average of 7 to 15 suppliers. Major chains sometimes liaise with up to 150 and more distributors at a time, while independent pharmacies have a much shorter list of suppliers. There has been a tendency towards a reduction in number of distributors lately. Each pharmacy in a chain may choose distributors and buy medicines and healthcare products on its own or via the head office. Chains often combine these two types of purchases with one of them being the basic line. Regular surveys of pharmacy workers to monitor the efficiency of pharmacy-distributor cooperation carried out by RMBC revealed that the majority of chain pharmacies choose suppliers and drugs in their assortment on their own (they are almost 3 times as much in number as those that make the decision centrally, and double the amount of those that have a combined system). That provides for a considerably higher level of work efficiency and makes it possible to meet the ever-changing demand requirements.

The largest market player, 36.6 pharmacy chain, has been remarkably active in its cooperation with producers of FS and drugs, engaging itself in mutually beneficial advertising. However, other market participants, like Rigla, Stariy Lekar and Doctor Stoletov, also try to highlight their presence through advertising. It is beyond doubt that pharmacy chains and distributors are rapidly becoming involved in "direct" relationships.

Conclusion In summary, the trend in the retail pharmaceutical segment of Russia is towards an active consolidation which results in a more mature market. The sector, however, still lags several steps behind the overall consumer market. The arrival on the Russian market of global chains, among which Alliance Boots and Celesio are the pioneers, seems to herald a new era in the on-going evolution, which the national pharmaceutical market yet has to go through.

REGIONAL DIGEST 2008

DLO/ ONLS

29.04.2008, Vedomosti:

Roszdravnadzor let six distributors, which made complaints against it in Federal Arbitration Court, participate in tenders on drug supplies for beneficiaries

Seven lots at the total cost of more than 6 Bln rubles were tendered. The first time the expensive drugs distributors were selected on April 10-11, at that time tender participants claimed for 48 lots with the total initial cost accounting for more than 16 Bln rubles. Thus, the six distributors which were debarred from participating in the tender complained the pendency of applications. According to the web-site www.zakupki.gov.ru (an official site for placement the information on state contract), these distributors are "Pharmimax", "Irvin-2", "Biotek", "Optimalnoe zdorovie", "R-pharm" and "Rosta".

25.04.2008, Vremya Novostey:

Community requests the RF State Duma to allocate federal budget money for purchase of innovative drugs

"The movement against cancer" applied to the floor leader of the State Duma with the request to support the motion on including acute breast cancer type into the list of diseases, the expensive medicine of which are purchased at the expenses of federal budget. Such resorts of the community were addressed to the leader of "United Russia" B. Gryzlov, the "Just Russia" floor leader N. Levichev and I. Lebedev, heading the Duma Liberal Democratic Fraction. Besides, the leaders of "The movement against cancer" conveyed 5549 signatures, confirming their initiative, to the Minister of Health and Social Development T. Golikova. They asked the Minister to support their idea and actuate the problem of including the acute breast cancer type into the federal financing program.

25.04.2008 Samara segodnya, 24.04.2008, Advis.ru:

According to the Ministry of Industry and Energy of RF, almost 80% of drugs, consumed by the Russians are imported

In the first two months 2008 the import of antibiotics grew by 87.6% as compared to the same analyzed period of the previous year, while the import of drugs not specified by kind – by 7%. The value of the antibiotics imported to Russia in January-February 2008 equaled $8.1 Mln. While the total value of drugs imported to the country during the same period of 2008 amounted to $923 Mln. In addition, the export of drugs from Russia almost twofold increased during the first two months 2008 and accounted for $54.8 Mln, which is in 1.9 times more than the previous year figure, coming to a sum of $22.3 Mln. According to the Ministry of Industry and Energy officials the observed situation was conditioned by the expansion of drug supplies to the CIS countries. The share of drug export of the overall production grew from 8.6% in January-February 2007 to 12.8% of the same period in 2008. As the Ministry officials report, drug production amounted to 17.2 Bln rubles in the period from January to March, which was in many ways motivated by realization of the state medical programs. Drug production for the first quarter of 2008 accounted for 17.2 Bln rubles.

Vremya Novostey, 24.04.2008:

According to the experts' esteems, the scheme of the overall state medical obligatory insurance, proposed by FFOMIF requires modification

The Head of FFOMIF D. Reyhart outspoken the idea of selection the pilot region where the project of medical insurance will be trialed and estimated. Presumably, the list of drugs included into the program of medical insurance will coincide with the list of necessary medicines by all common nosologies, approved by Roszdravnadzor. Meanwhile, the FFOMIF officials mention only one figure – 80 Bln rubles annually. It is the sum of federal expenses on realization of the new nationwide campaign, when the medical insurance will be up and running at full capacity.

21.04.2008, Novaya gazeta, 17.04.2008, Mednovosti.Ru:

Anesthetic crisis was initiated by the drug police

Over the last week the Ministry of Health and Social Development jointly with Roszdravnadzor persuaded the society that Russia does not face the prospect of anaesthetized operations. Thus, the doctors absolutely oppose the officials. Meanwhile, atropine, adrenalin and ephedrine, being in the centre of a scandal, do not bring considerable income to the producer and for all their necessariness do not occupy the key positions in pharmaceutical sector. Making a speech in the State Duma, the Head of Roszdravnadzor N. Yurgel easily assumed that the only Russian manufacturer of atropine – "Dalkhimpharm" ltd. – is now ready to produce this medicine as much as to supply a want of all the county's medical treatment facilities. But the Head of "Dalkhimpharm" V. Nechiporenko has different concept in this respect. She confirmed that the facility had suspended atropine production. The Chinese distributors which formerly supplied raw product for atropine faced the new government regulation specifying the procedure of narcotic drug and psychotropic substances supplies. The present order implies the increase of time and financial expenditures on getting enabling documentation. The observed situation was inspirited by Federal Drug Control Service and came into force at the end of February. According to the Head of Roszdravnadzor Nikolay Yurgel, atropine produced in Ukraine is also certificated in RF. Commenting on the supplies of adrenalin to hospitals, the head of the federal ministry noted that sufficient amount of the medicine is stored at the warehouse of the Russian manufacturer – Moskovskiy endokrinny zavod. As N. Yurgel stated, all the registration documents for the list are formalized and drug dispensing will not be delayed.

18.04.2008, MK:

According to Andrey Seltsovskiy, expenses on the Moscow healthcare realization will account for 137,1 Bln rubles

As explained by the Head of Healthcare Department of Moscow Andrey Seltsovskiy, the money allocated on "Healthcare" program in Moscow equaled 108 Bln rubles in 2007, which is by 36.8% more than the previous year figure. The decrease of tails to the medical specialists in polyclinics outlined in Moscow. In the period of 2006-2007 grew the number of primary care physicians and pediatricians – by 647 persons, visiting nurses – by 720, medical care physicians - by 306 and medical assistants – by 1099… Besides, the project of the municipal target program "Capital Healthcare" for 2008-2010 was worked out. It comprises the complex of measures aimed at reduction of mortality from preventative causes, including cardiovascular, cerebrovascular and ontological diseases, TB, mental disorder, etc.

09.04.2008, IA «Rosbalt»:

The Ministry of Health and Social Development registered nephroma vaccine, which was not approved in the USA

The first nephroma vaccine, produced by the American company Antigenics will enter the Russian market. The Ministry of Health and Social Development of RF has given out the registration certificate for the usage of Oncophage when treating patients suffering from naphroma. Presumably, the medicine will appear on the Russia market in the second half of 2008.

08.04.2008, Vedomosti:

The new system of distribution of drugs for beneficiaries has already functioned one quarter

Last year the government altered the DLO system. The tenders on selection of the distributors were conducted in the regions, and as a result the quantity of the distributors grew from 14 in 2007 to 137 a year later. 124 of them won at the regional tenders, 13 (expensive drugs suppliers) – at the tenders held by Roszdravnadzor. In theory, these 124 distributors were to considerably press the key DLO market players. The regional DLO participants are obliged to purchase drugs from large distributors, for the number of global producers refuse to cooperate with them. It is caused by the fact that within the DLO program the manufacturer gives the product with significant delay of payment. But the credit story of the new distributors which entered the program is almost unknown. Meanwhile, major distributors, predicting the reduction of purchases within the federal program, began to increase their activity in the commercial segment.

03.04.2008, Regions.Ru:

In Russia HIV patient will have an opportunity to get drug therapy in 2008

14 433 patients got medical treatment in 2006, 26 071 patients – in previous year, in 2008 this figure will reach 40 thousand. Almost 24 Mln people were examined on HIV infection (with the plan of 22 Mln) on the prophylactic basis. Within the National Priority Project "Zdorovie" the prophylactic immunization of HIV infection and Hepatitis B was added to the national immunizations schedule. In accordance with this schedule it is intended to cover 40 thousand people by the antiretroviral therapy within the preventative measures from HIV infection.

03.04.2008, Finansovaya Informatsionnaya Sluzhba:

Association of Russian Pharmaceutical Manufacturers insists on the revocation of registration of substances

At present time in accordance with the Federal Law substance is considered to be a medicine and comes under the compulsory registration. The mandatory requirement on substance registration in the Russian Federation leads to the increase of drug registration length. ARPM proposes to introduce the registration standard for pharmaceutical substances as parts of the finished pharmaceutical products. The observed change in the Federal Law will become motivation for competitive recovery of the national pharmaceutical industry.

NEWS OF COMPANIES

22.04.2008, Kommersant – Nizhniy Novgorod:

"Nizhpharm" JCS will borrow 70 Mln euro from ABN Amro on modernization of production

"Nizhpharm" JCS, belonging to Stada Arzneimitte borrows 70 Mln euro instead of 50 Mln euro approved in 2007, from Russian subdivision of the Dutch ABN Amro Group, at that the crediting period is prolonged till March of 2010. According to the Financial Director of "Nizhpharm" M. Baranov the sum of the credit was increased in order to fulfill the next payment in the frame of the deal with "Makiz-Pharma", as well as to cover the needs of both companies by current capital. As was earlier explained by the Head of the company D. Efimov, "Nizhpharm" intends to invest 200 Mln rubles (almost 5.4 Mln euros) into the modernization of business assets, immediately increasing investment into the renovation of production in 1.5 times.

14.05.2008, "Expert Ural":

The first Russian facility producing blood purifying solutions for nephatony patient was set up in Izhevsk

The first Russian facility making blood purifying solutions for nephatony with the method of peritoneal dialysis was opened at the industrial estate of the pharmaceutical enterprise "Rester" ltd. The new production was set up jointly with the German pharmaceutical holding Fresenius Medical Care, which will purchase the total volume of the dialysis packages (approximately 1 Mln annually) produced by the facility. The agreement on supplies of solutions is countersigned for six years. The sum of the contract and investment is not disclosed. The new business assets belong to the "Rester" Company, therefore the new legal entity will not be formed within the agreement.

10.04.2008, Kommersant:

"Otechestvennye lekarstva" Company conducts rebranding

According to the Executive Director of "Otechestvennye lekarstva" JCS A. Itin, the management company and Shelkovskiy vitaminnyy zavod will accomplish rebranding by May and will be labeled as "Valenta" and "Valenta-Pharmatsevtika", respectively. The British agency Identica elaborated the new style of the company. The names of the other two plants - "Novosibirskkhimpharm" and "Kraspharma" will not be changed yet.

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