The Russian pharmaceutical market

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EGA ANNUAL CONFERENCE - ISTANBUL JUNE 2007

Agenda:

1. Russian pharmaceutical market vs. another ones.

2. RPhM's structure and trends.

3. RPhM's key drivers.

4. Investment case: Polpharma+Akrihin.

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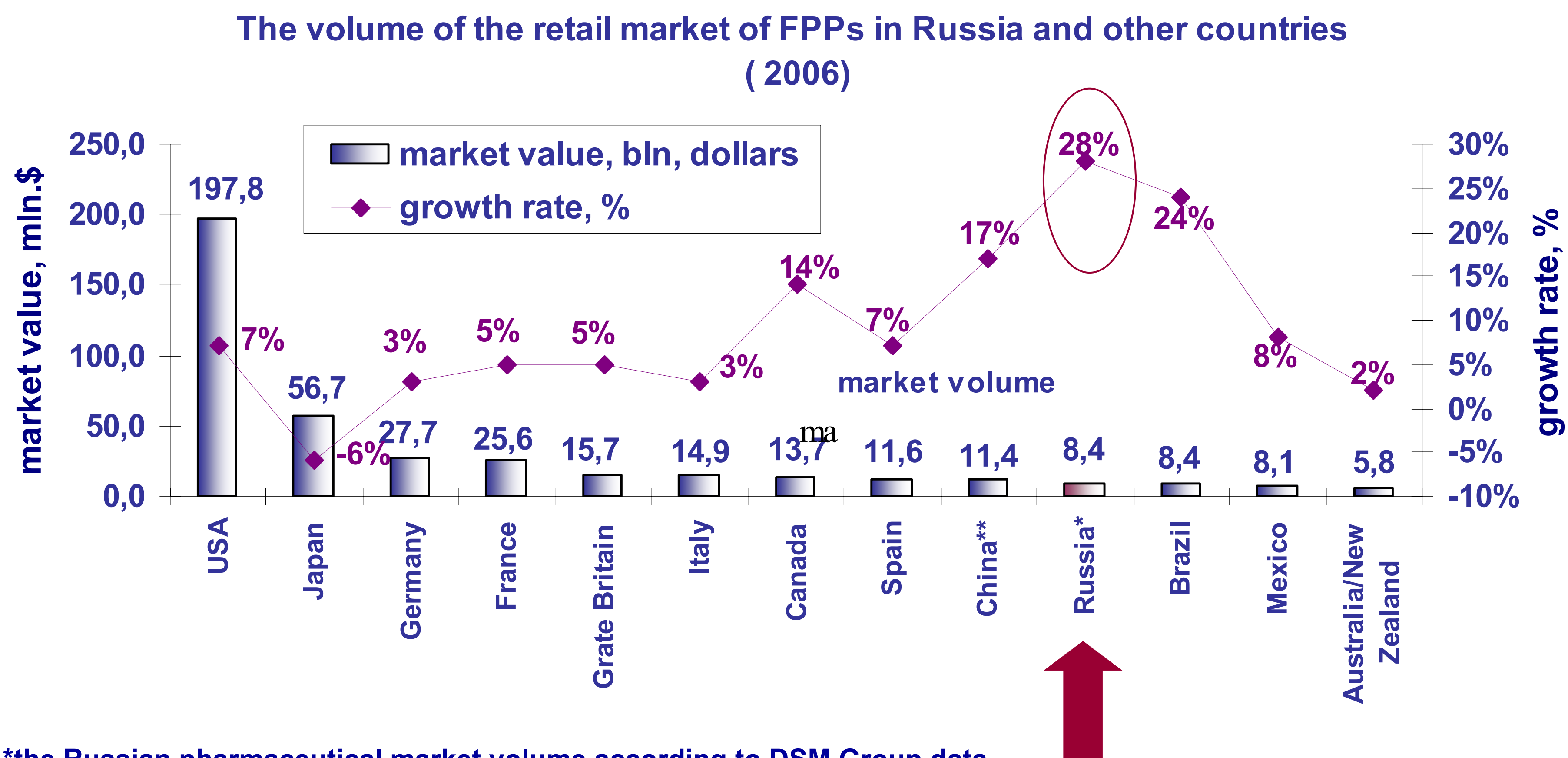
The Russian economics:1 (one) trillion of USD in 2007

	1998	2004	2005	2006	2007П
GDP,trl.$	306	589	762	980	1173
GDP growth rate, %	-5,3	7,2	6,4	6,7	5,8
Share from GDP 1990г., %	58,5	86,7	91,9	98,4	104,2
Inflation, %	84,4	11,7	10,9	9,0	8,0
Price for oil under the Brent mark, $/barrel	12,8	38,3	54,4	64,9	60,0
Credit rating S&P	CCC-	BB+	BBB	BBB+	???
Pharmaceutical market capacity, bln,$	4,8	6,7	9,0	12,3 (10,7)	14,1

The source: MERY, Gskomstat, DSM Group

The Russian retail market is №10 according to its capacity and №1 according to its growth rate

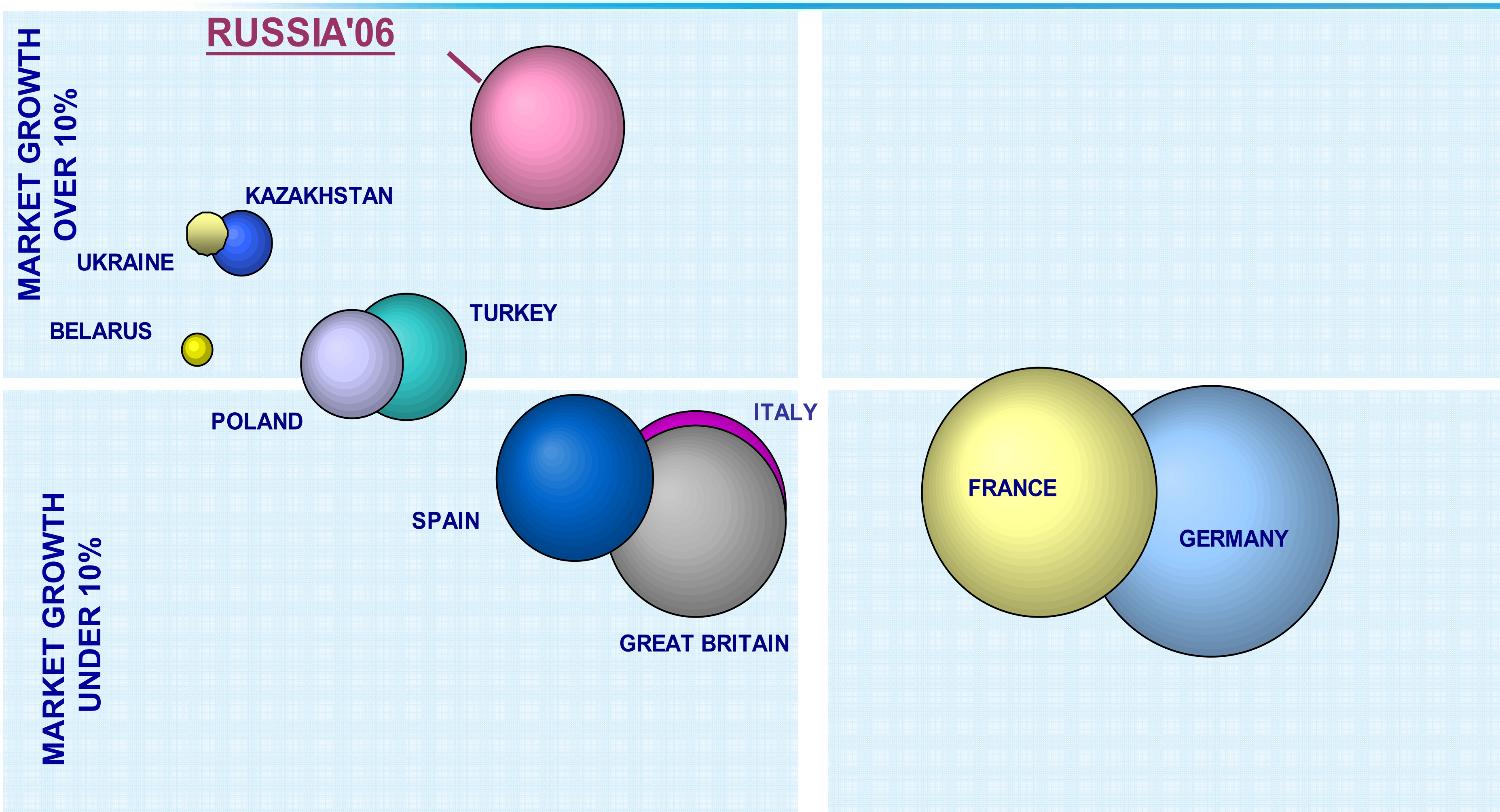


*the Russian pharmaceutical market volume according to DSM Group data
**China 2005

The source: IMS Health, DSM Group «Monthly retail audit of RF Pharmaceutical market».

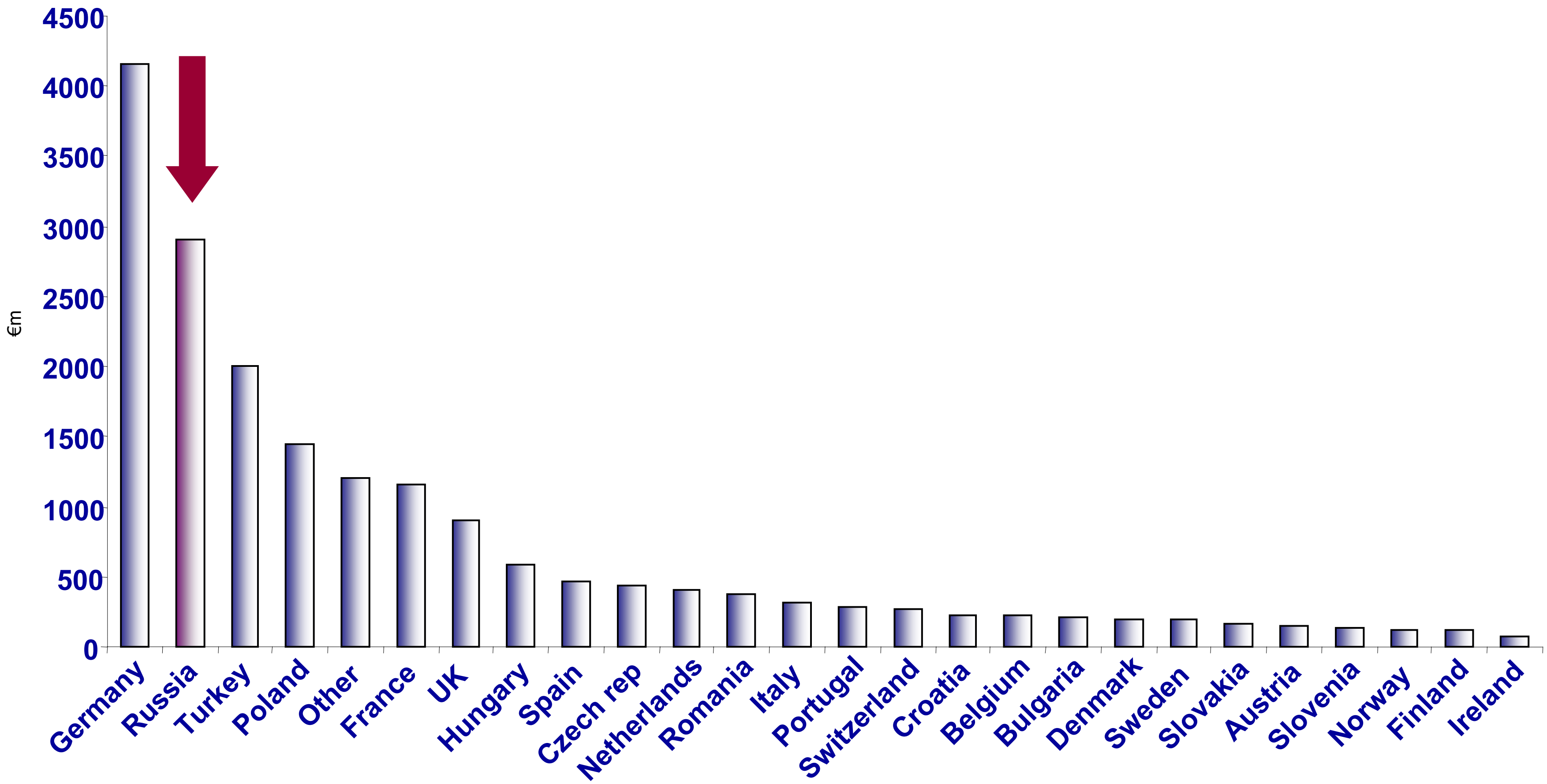
Growth rates and shares of the world leading markets, 2005-2006

MARKET SHARE LESS THAN 5% **MARKET SHARE MORE THAN 5%**

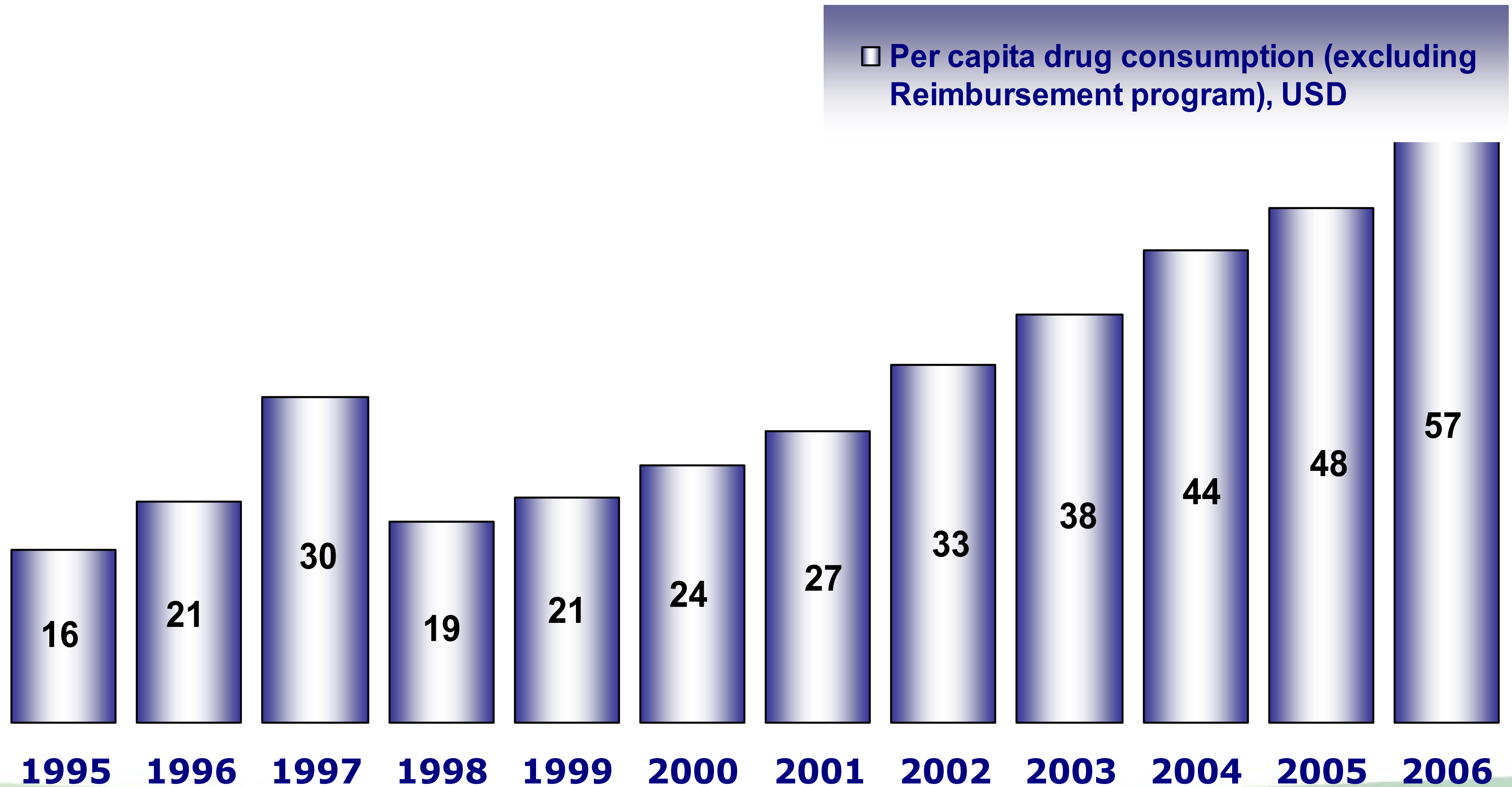


The source: Pharmexpert, IMS Health

Russian generic pharmaceutical market is the second on size (after Germany) and the second on the growth rate (after Italy) in Europe

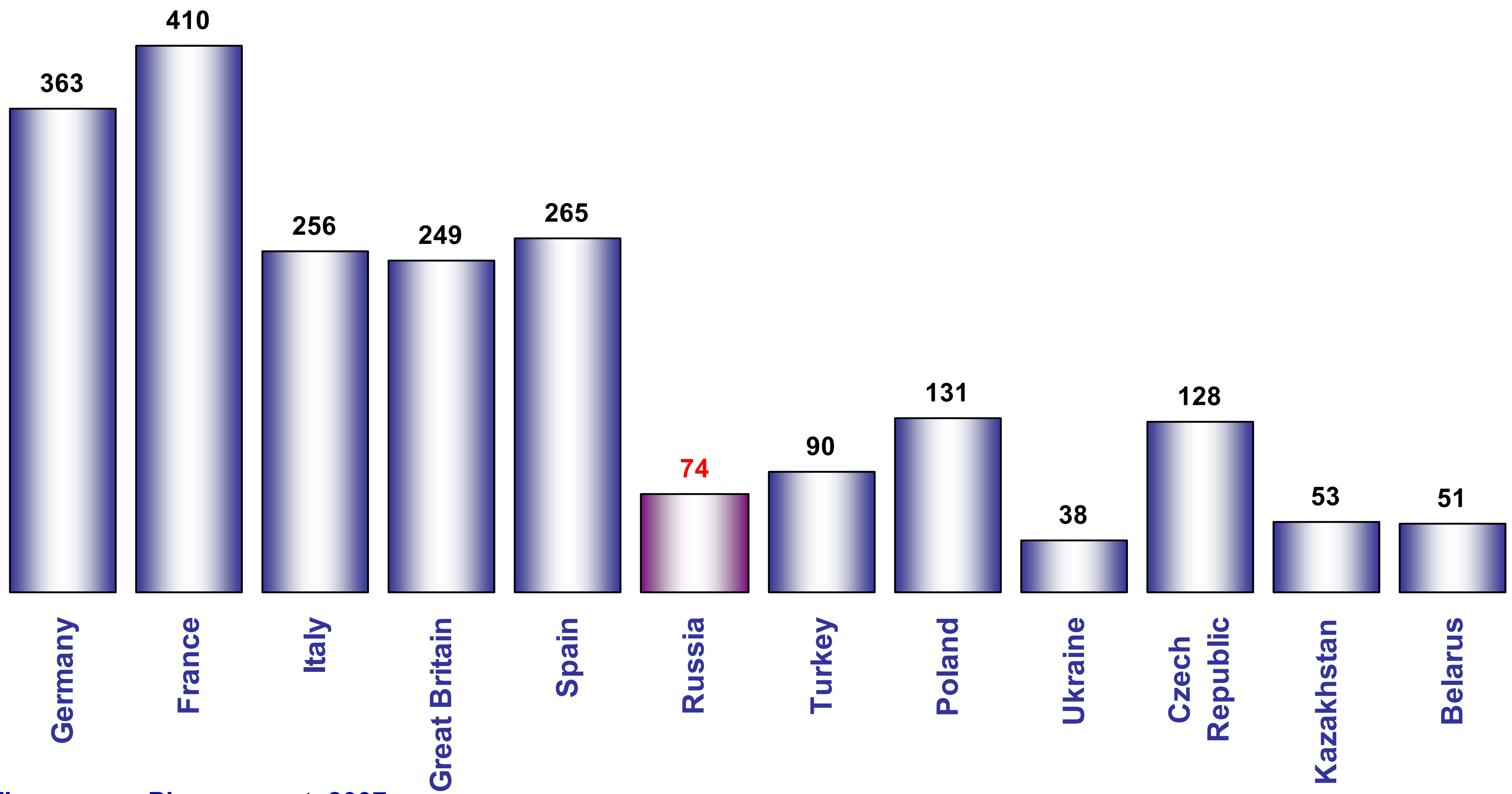


Per capita drugs consumption (in consumer prices, USD) in the market excluding the reimbursement program in 1995-2006



The source: Pharmexpert, 2007

Per capita drugs consumption in comparison with other countries* (consumer prices, USD)



The source: Pharmexpert, 2007

* **Sorted by market size**

The indicators of CIS Countries pharmaceutical market state in 2006

CIS country	Market value in customer's prices, mln. USD	Drugs consumption per head of population, USD	Pharmaceutical market growth in 2006 in comparison with 2005, %	Population size at the beginning of 2006, mln. of people
Russia	10 700	75	27,4	142,8
Ukraine	1 800	38	19,4	46,7
Kazakhstan	780	51	20	15,2
Uzbekistan	520	20	22,4	26,1
Belorussia	452	46	11,9	9,8
Azrbaijan	201	24	14,9	8,4
Georgia	111	40	23,3	4,5
Moldova	107	27	3,8	3,6
Armenia	89	28	18,7	3,2

The source: International statistics Committee of CIS countries,
Accounts:Pharmexpert

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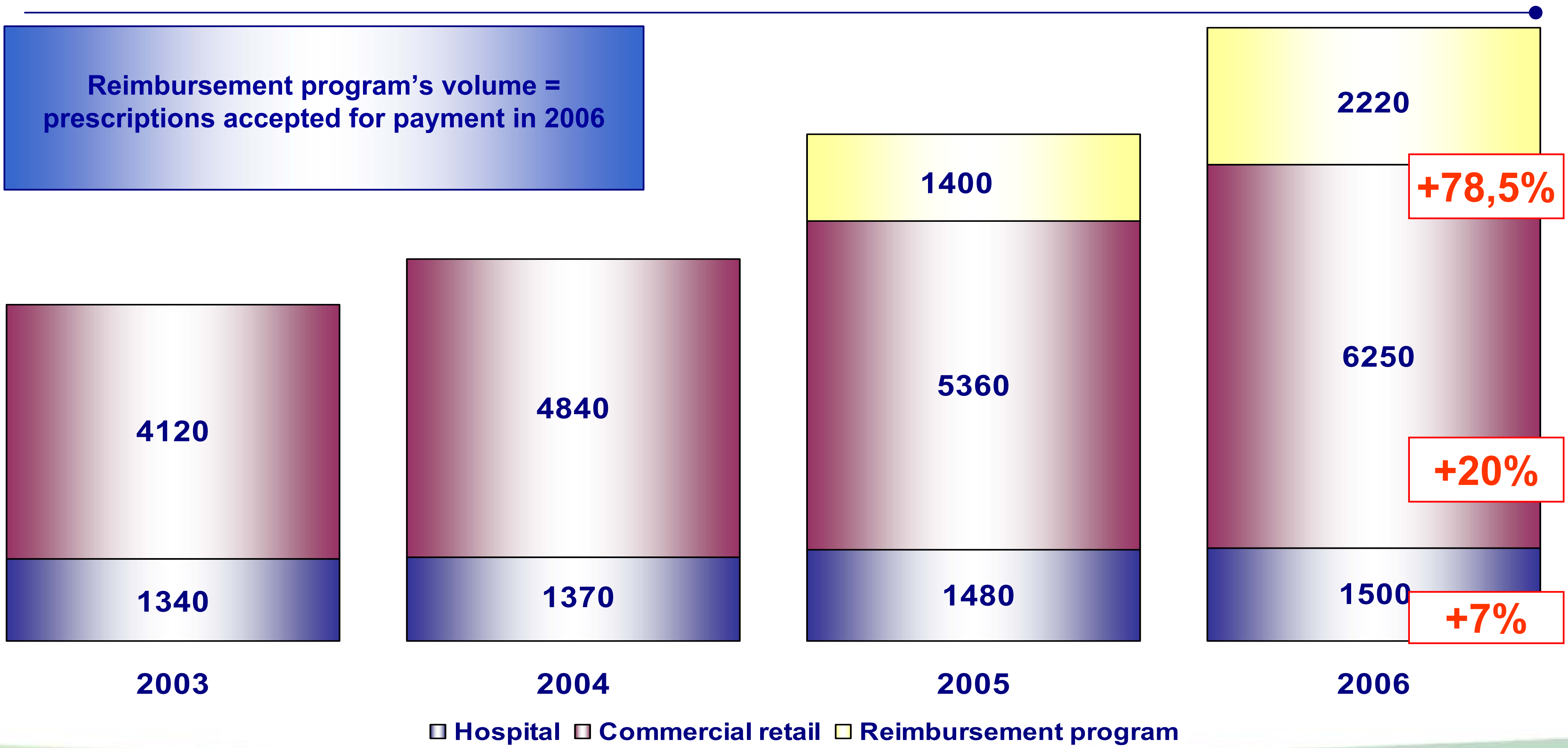
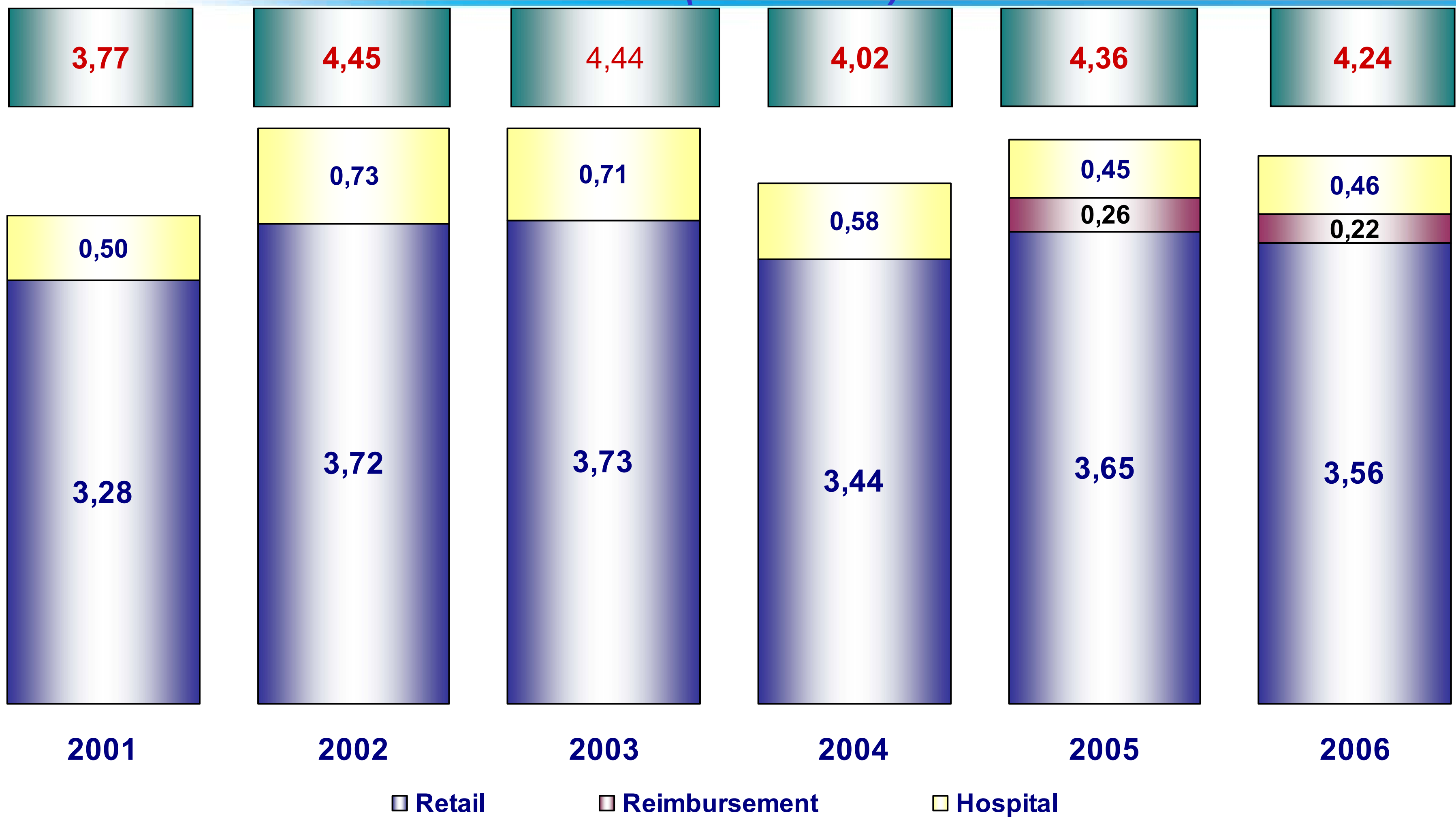
Sales volume in the Russian pharmaceutical market, 2003-2006 in consumer prices(bln. USD), including VAT

5,5 bln USD + 18%	6,35 bln USD + 15,5 %	8,4 bln USD + 32 %	10,7 bln USD +27,4 %



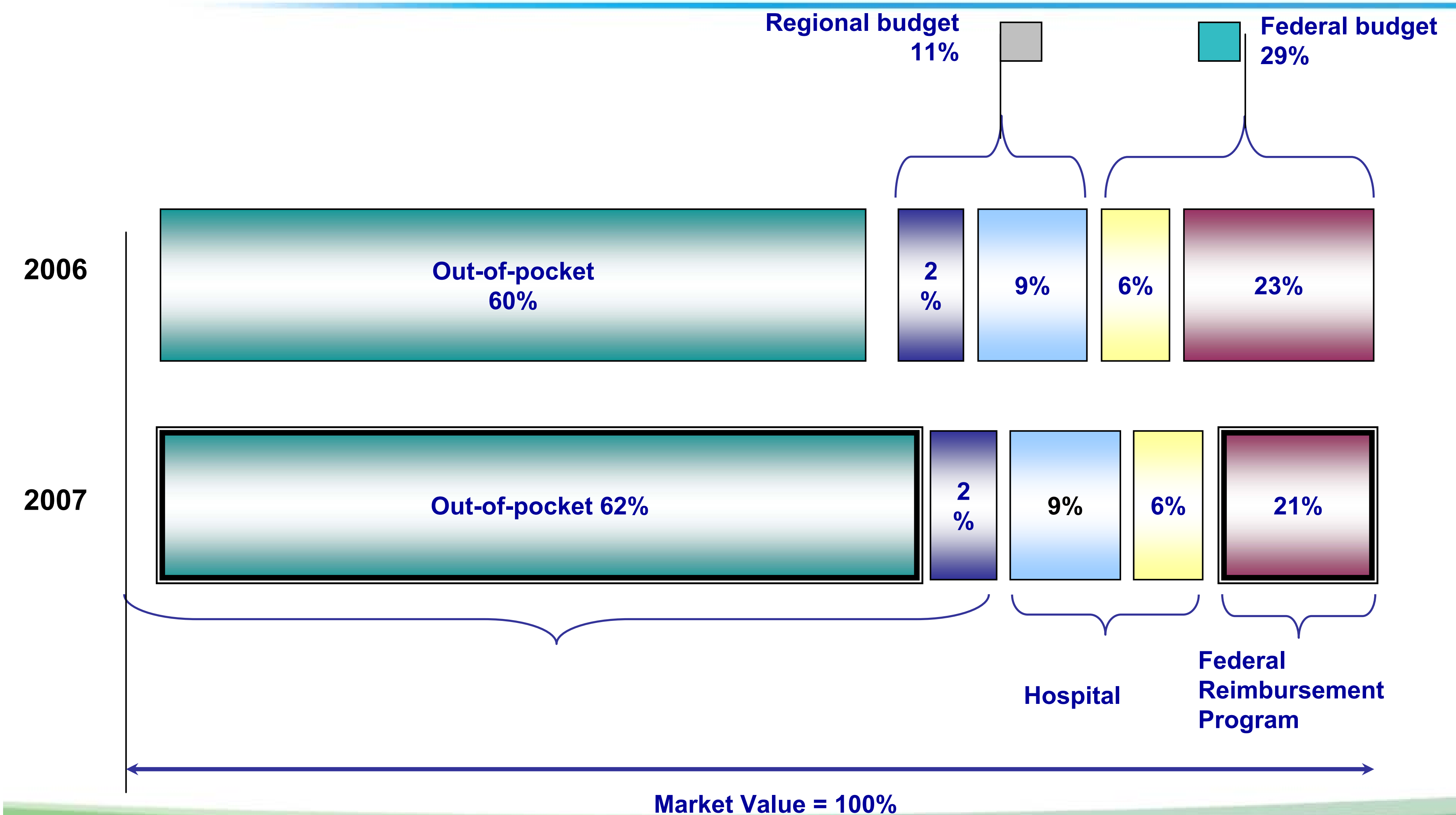
The source: Pharmexpert, 2007

Sales volume of the Russian pharmaceutical market, 2001-2006 (bln. Units)



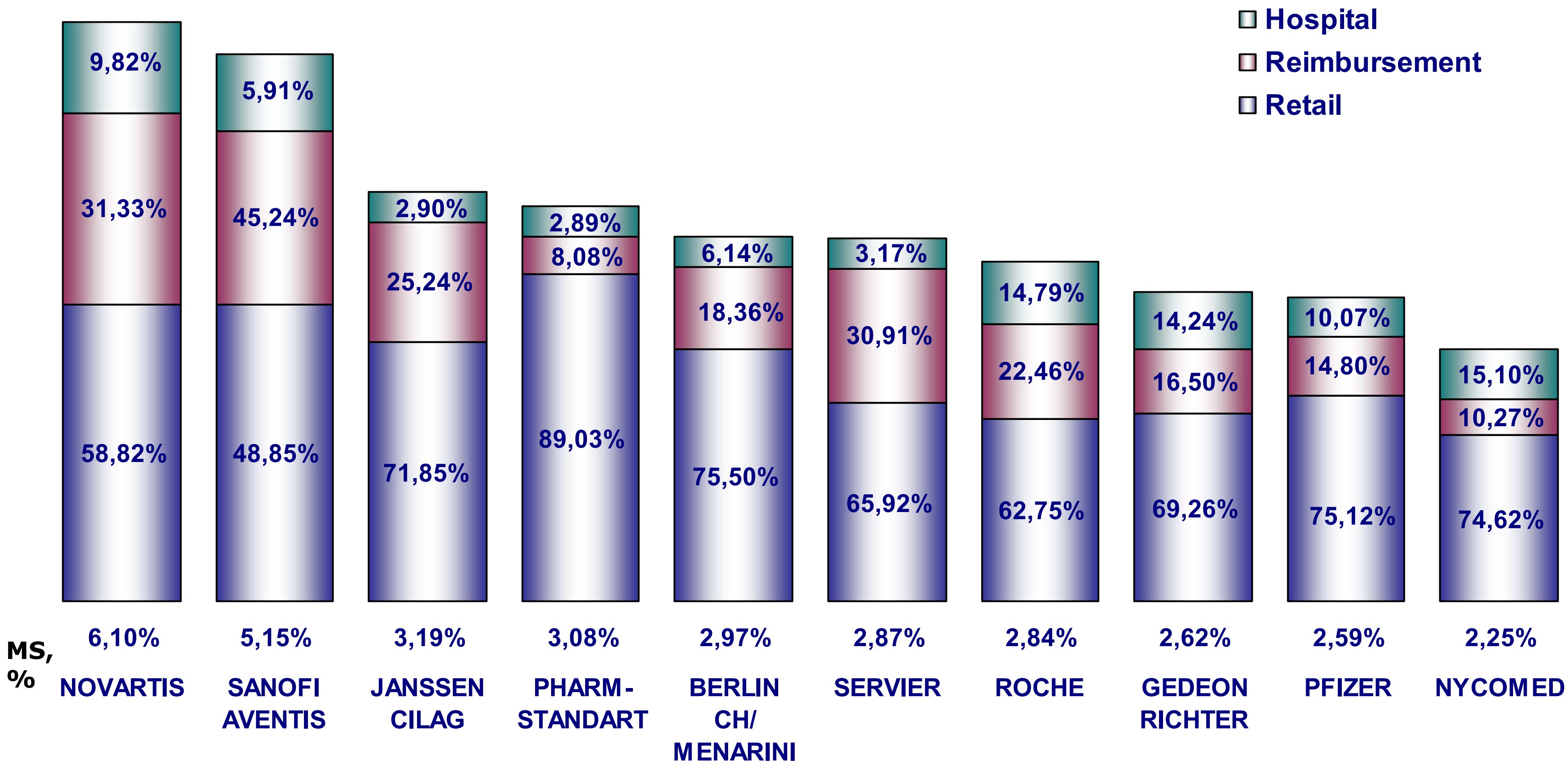
The source: Pharmexpert's estimations, 2007

Pharmaceutical market financing structure, 2006-2007



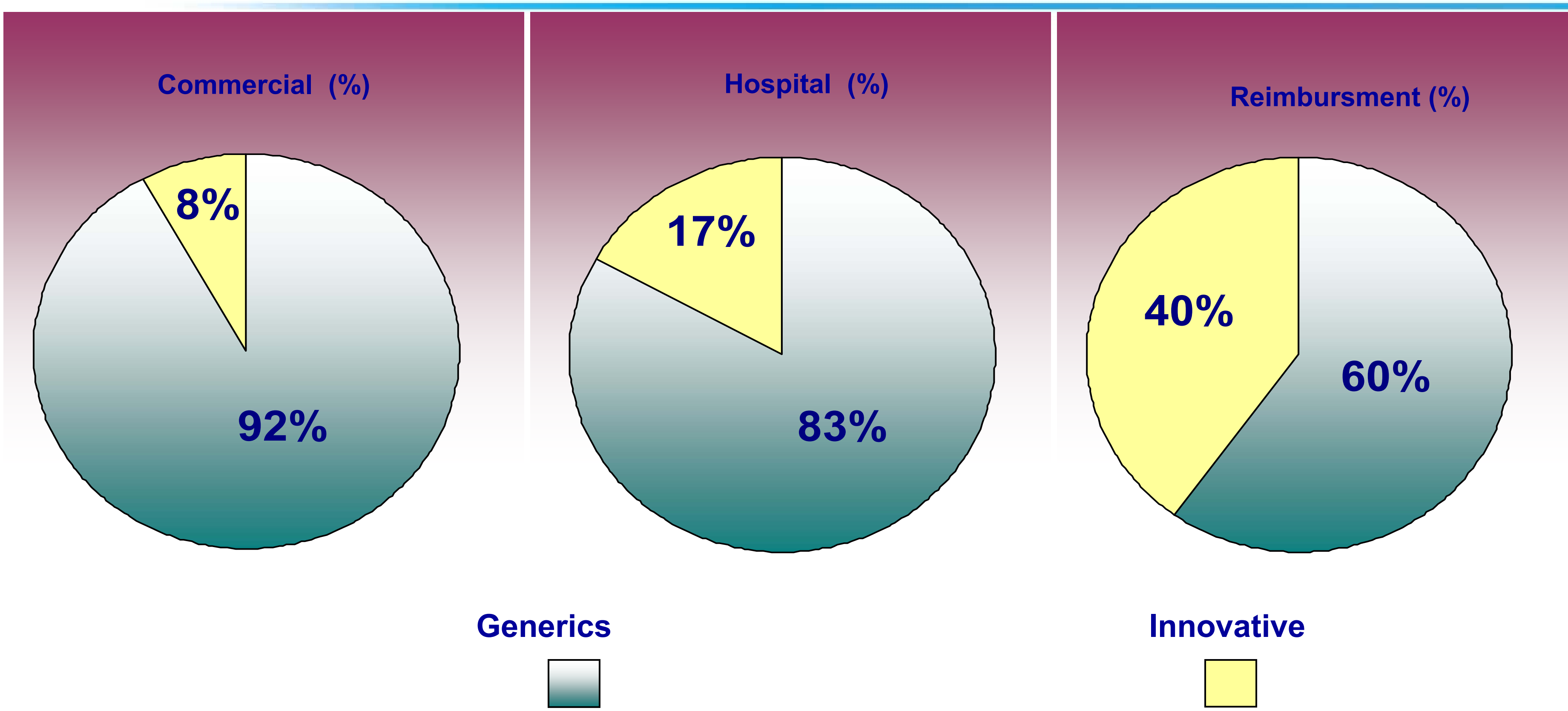
The source: Pharmexpert, 2007

Market share of TOP10 corporations on the Russian pharmaceutical market in 2006



Monitoring of drugs Retail Sales, Hospital purchases, Federal Reimbursement Program, Pharmexpert, 2007

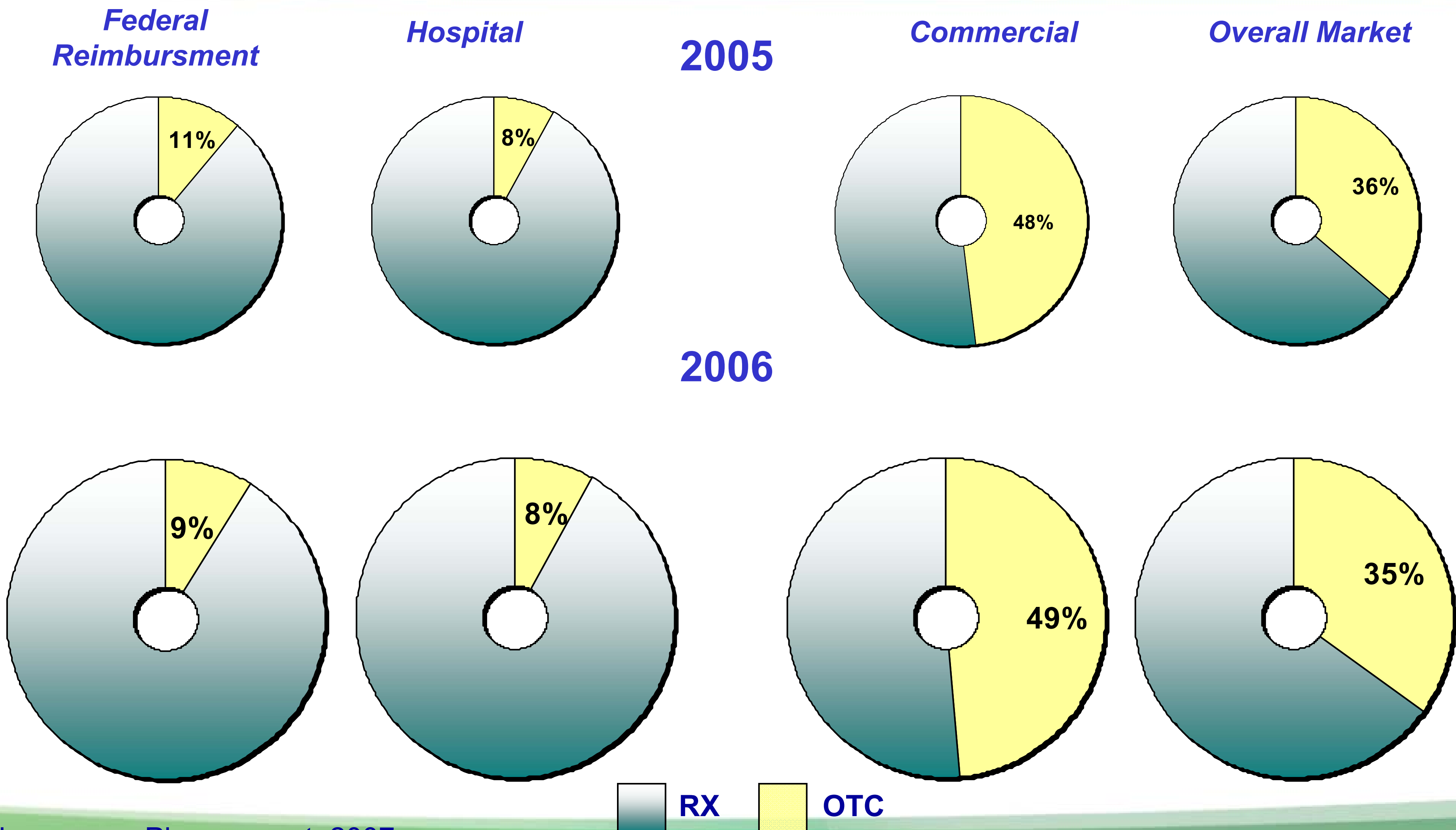
The Russian pharmaceutical market 2006



The Russian market is a Generic market!

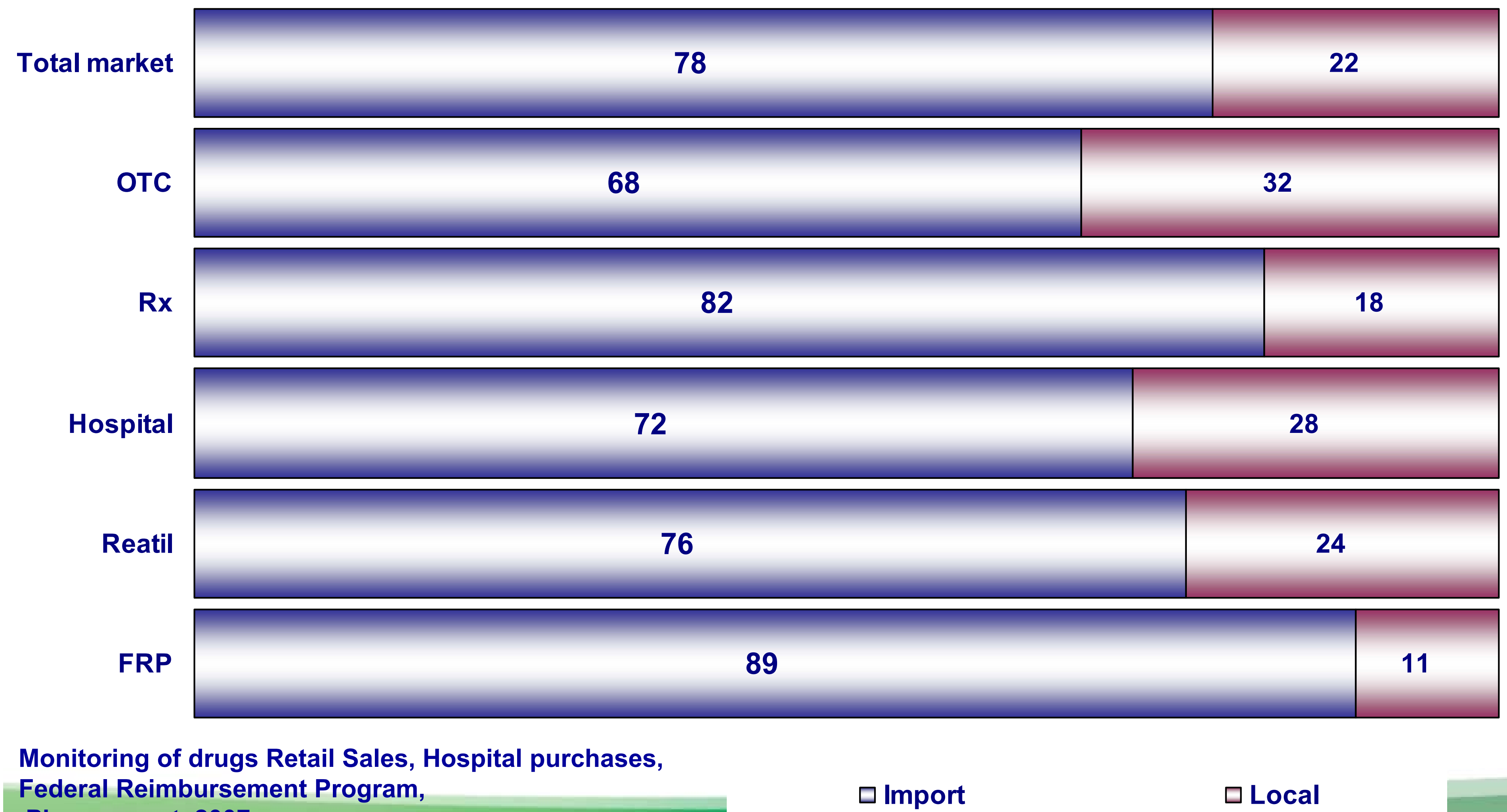
The source: Pharmexpert, 2006 wholesale prices+ VAT

OTC & Rx MS (%) – Value Terms in different market segments in 2006



The source: Pharmexpert, 2007

Import & Local MS (%, value) in different segments



Monitoring of drugs Retail Sales, Hospital purchases,
Federal Reimbursement Program,
Pharmexpert, 2007

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Rating of ATC–groups by sales volume in 2006

	RUSSIA	GERMANY	WORLD
ALIMENTARY TRACT AND METABOLISM	1	3	3
CARDIOVOSCULAR SYSTEM	2	2	1
RESPIRATORY SYSTEM	3	6	4
CENTRAL NERVOUS SYSTEM	4	1	2
GENERAL ANTI-INFECTIVES SYSTEMIC	5	5	5
GENITO-URINARY SYSTEM AND SEX HORMONES	6	8	7
MUSCULO-SKELETAL SYSTEM	7	7	6
DERMATOLOGICALS	8	11	9
ANTINEOPLASTIC AND IMMUNOMODULATING AGENTS	9	4	8
VARIOUS	10	13	14
SENSORY ORGANS	11	14	11
BLOOD AND BLOOD FORMING ORGANS	12	9	10
SYSTEMIC HORMONAL PREPARATIONS (EXCLUDING SEX HORMONES)	13	12	13
HOSPITAL SOLUTIONS	14	15	15
PARASITOLOGY	15	16	16
DIAGNOSTIC AGENTS	16	10	12

The source: Pharmexpert, 2007

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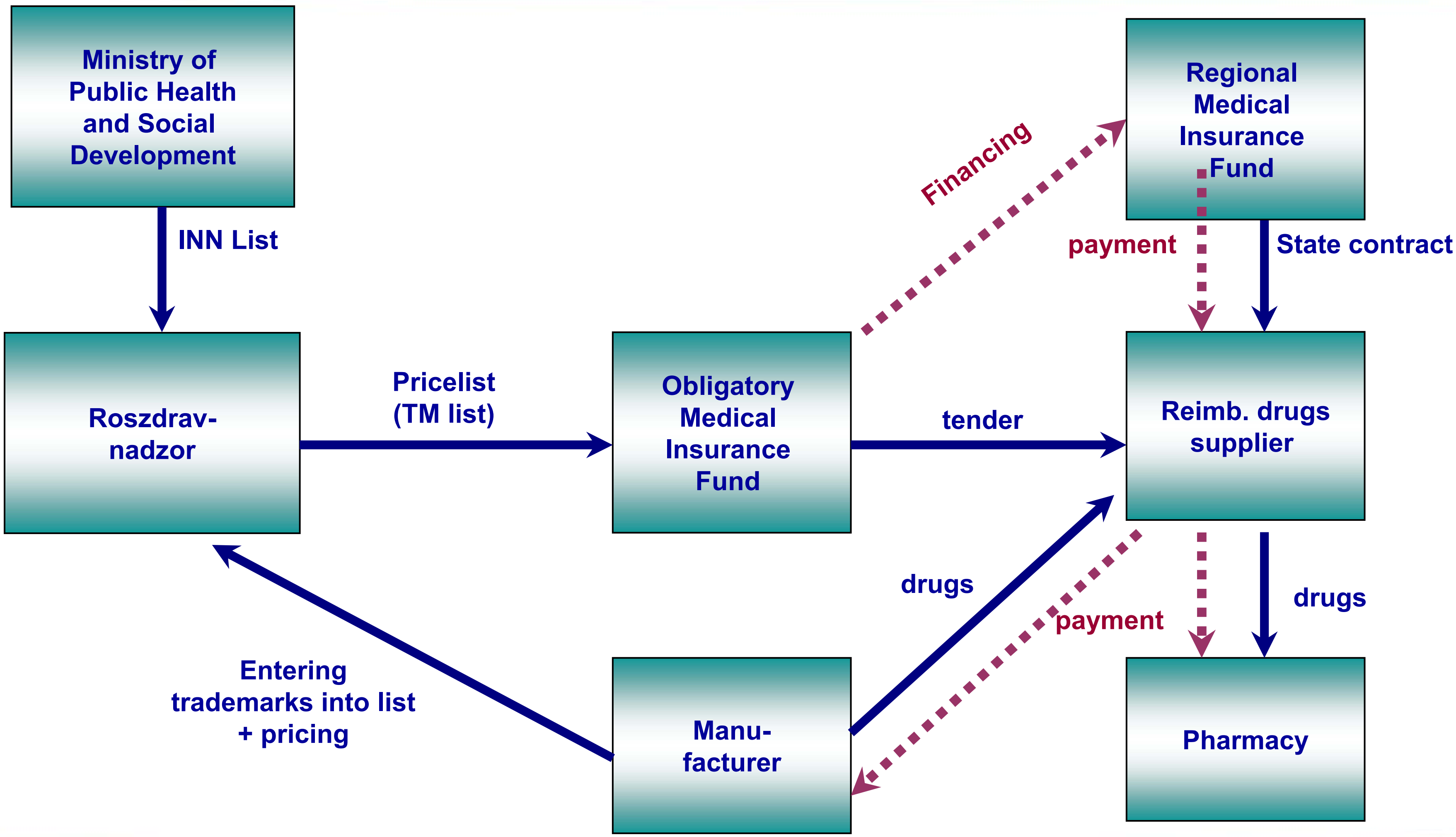
External key drivers

Political factors	Economic factors	Social factors
•Elections •Redistribution of interests in pharma industry	•Growing well-being of population •High price for power resources •Strengthening ruble •WTO joining	•Population growth •Growing influence of insurance company

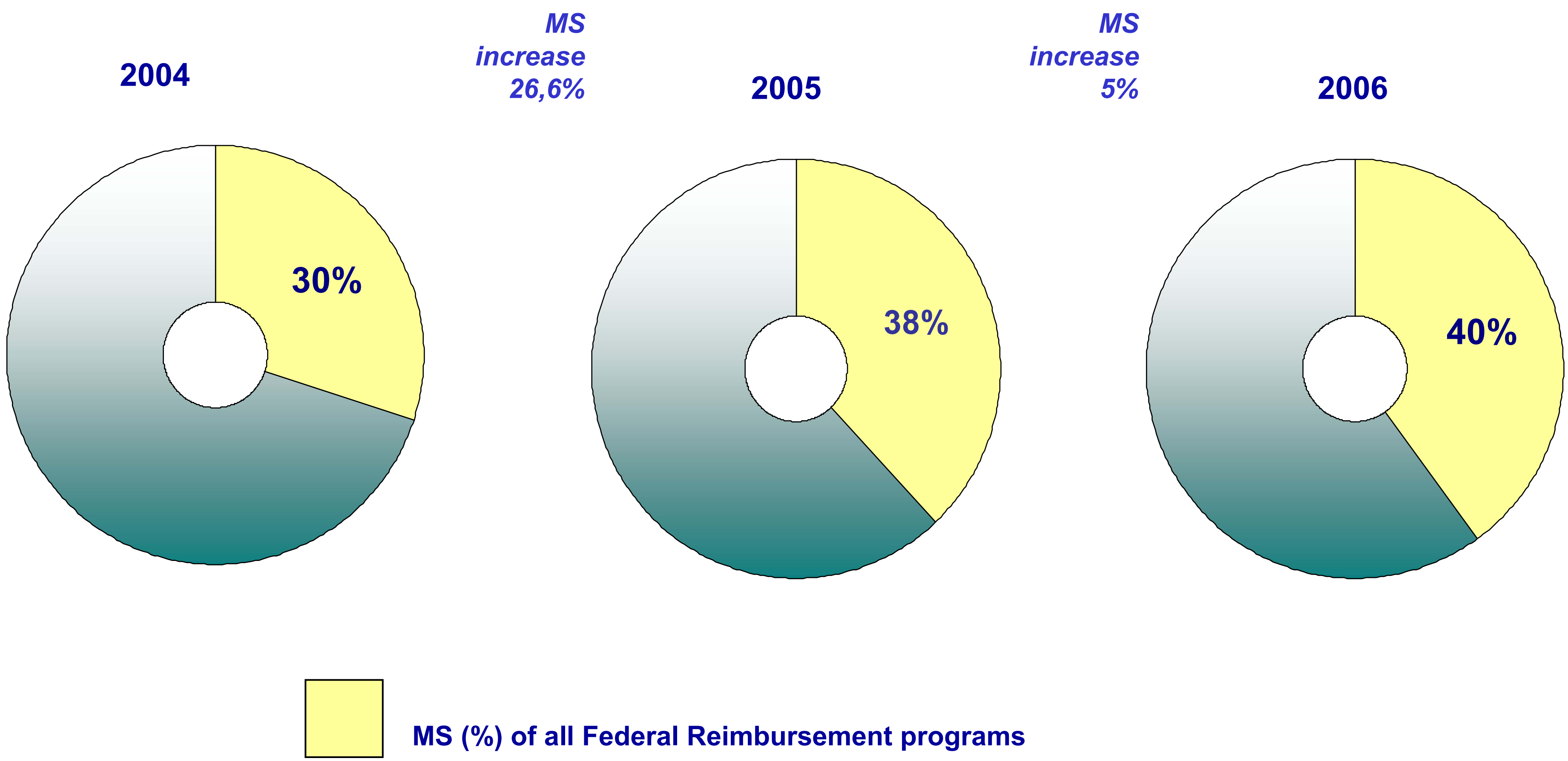
Internal key drivers

- *State funding*
- *Vertical integration of players*
- *M&A processes*

Reimbursement program arrangement



MS (%) of all Federal reimbursement programs in the Russian pharmaceutical market, 2004-2006 (consumer prices, VAT is incl.)



The source: Pharmexpert, 2007

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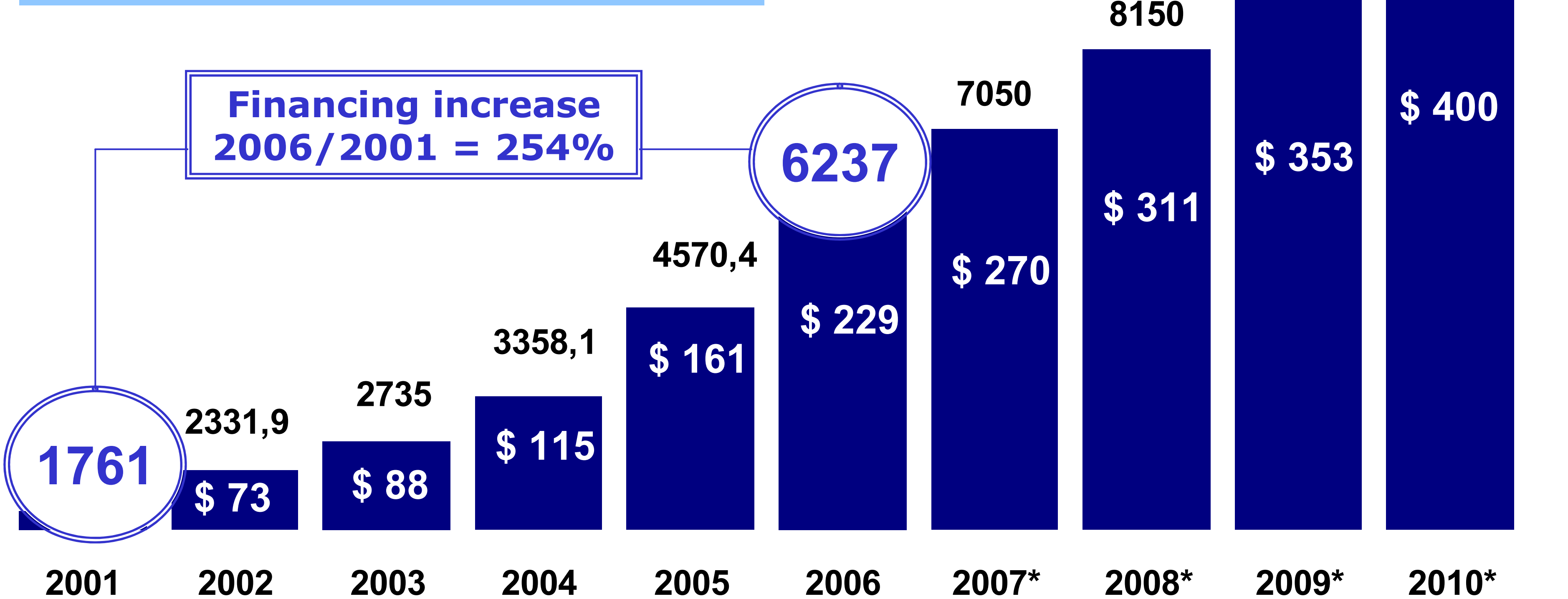
Public Health system governmental financing, 2001-2010, per capita, RUR (USD)

In 2006 per capita Public Health financing = 6 237 RUR (229 USD)
Increase 2006/2005 = 36,5%



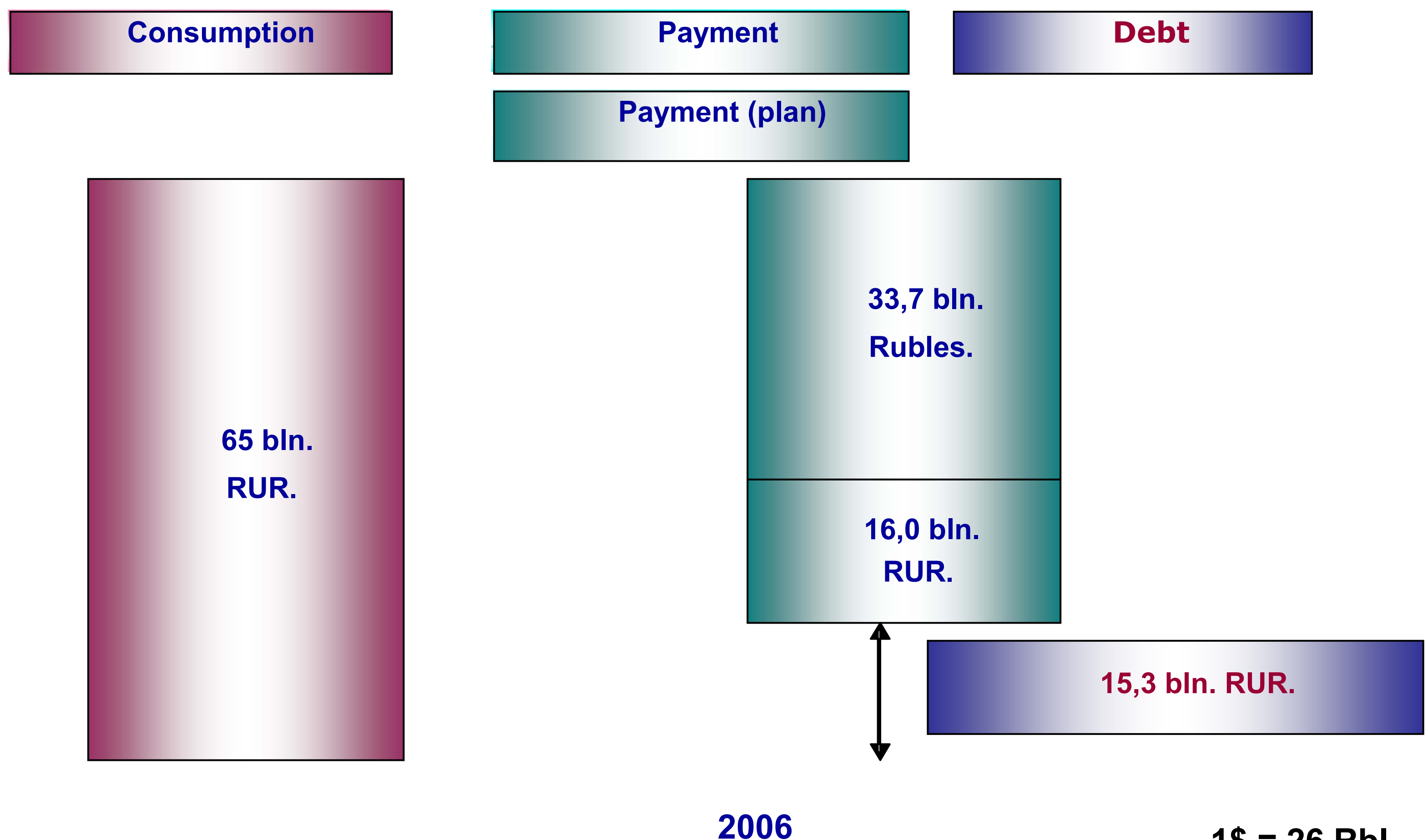
*prognoses

Average retail price in different segments of pharmaceutical market: retail, hospital, Reimbursement 2004, 2005, 2006

Market segment	Average price per unit, USD, 2004	Average price per unit, USD, 2005	Average price per unit, USD, 2006
Retail	1,32	1,53	1,87
Reimbursement	-	5,00	10,28
Hospital	1,29	1,67	2,08

The source: Pharmexpert, 2007

Gap in funding in DLO according to the results of the year 2006



1$ = 26 Rbl

The source: DSM Group

Vertical integration in Russian pharmaceutical market

Pharmacy chain	*Distributors*	*Manufacturing*
RIGLA + Soyuz Pharma	**PROTEK**	**SOTEX**
PHARM MIR	**SIA**	**PHARM CENTER, MAKIZ**
RADUGA	**ROSTA**	
BIOTECH	**BIOTECH**	**MARBIOPHARM, BIOSINTEZ etc**
ERMAK	**KATREN**	
MOYA LUBIMAYA APTEKA	**ALLIANCE-HLTH***	
	SHREYA	**SHREYA LIFE SCIENCES**
STARY LEKAR	**MORON**	
PERVAYA POMOCH’	**GENESIS**	**VERTEX**

*** Before 2006 – Apteka Holding**

Last years history on the Russian PhMarket – the history of intensive investments into the manufacturing

1. Building the plants

(Servier, KRKA, Gedeon Richter)

2. Acquisitions by domestic companies

(Makiz, Pharmstandart)

3. Acquisitions by foreign companies

(Stada, Actavis,Polpharma)

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Investment case 2007:

Polpharma has acquired strategic stake of Akrikhin - the famous 70-years history plant situated near to Moscow in spring 2007.

Polpharma

- Established in 1935
- Privatized in 2000
- Leading company in Poland
- Selling products in 50 countries
- More than 50 years presents in Russia
- 5 years presents in Russia by Russian legal entity
- Russia – 60% of the export market

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Akrihin: 70-years history

2007

Acq. by Polpharma

2005

HTC owner

Marketing period

- Generic FDF
- New FDF (liquid & soft)
- Quality management
- New production site (WHO inspected - GMP compliance)
- Marketing and Sales force
- Cooperation projects

FDF period

1992

First Russian GMP production in cooperation with Bristol-Myers Squibb

- 100 APIs production
- API export to 54 countries
- 15 FDF

API period

1936

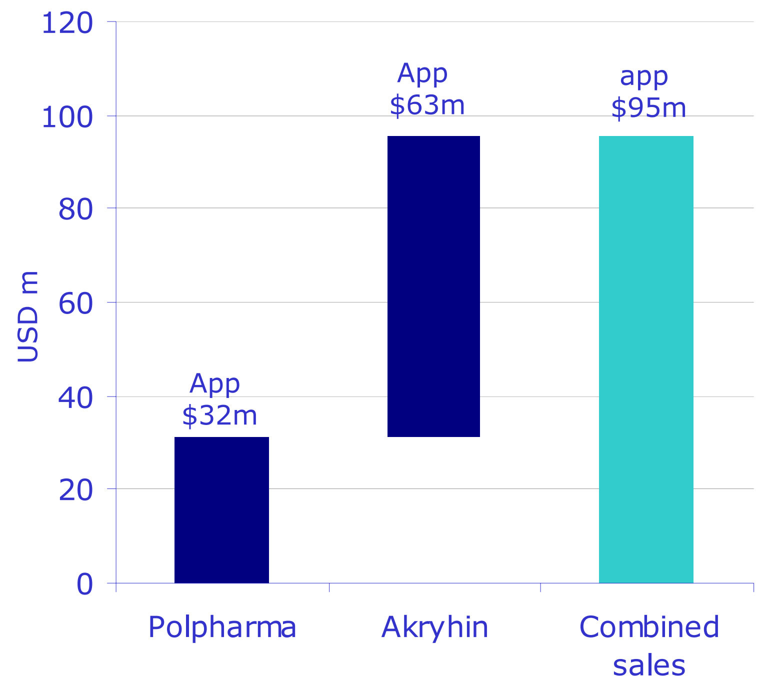
Production of anti-malaria drug "Akrikhin" started, enterprise established

Akrikhin investment highlights

1	Build competitive products portfolio on the highly growing Russian market	over 135 products in different areas
2	Build a strong promotion team	200 Med Reps is well perceived among Russian producers by doctors
3	Build strong company brand in Russia	N2 in terms on influence N9 among Russian producer in 2006 (in value)
4	Improve Polpharma's co-operation with international companies in Russia	Akrikhin has established reputation of a safe and reliable licensing/cooperation partner

Acquisition of Akrihin will allows Polpharma to achieve a position among the Top-20

Combined sales of Polpharma and Akrihin

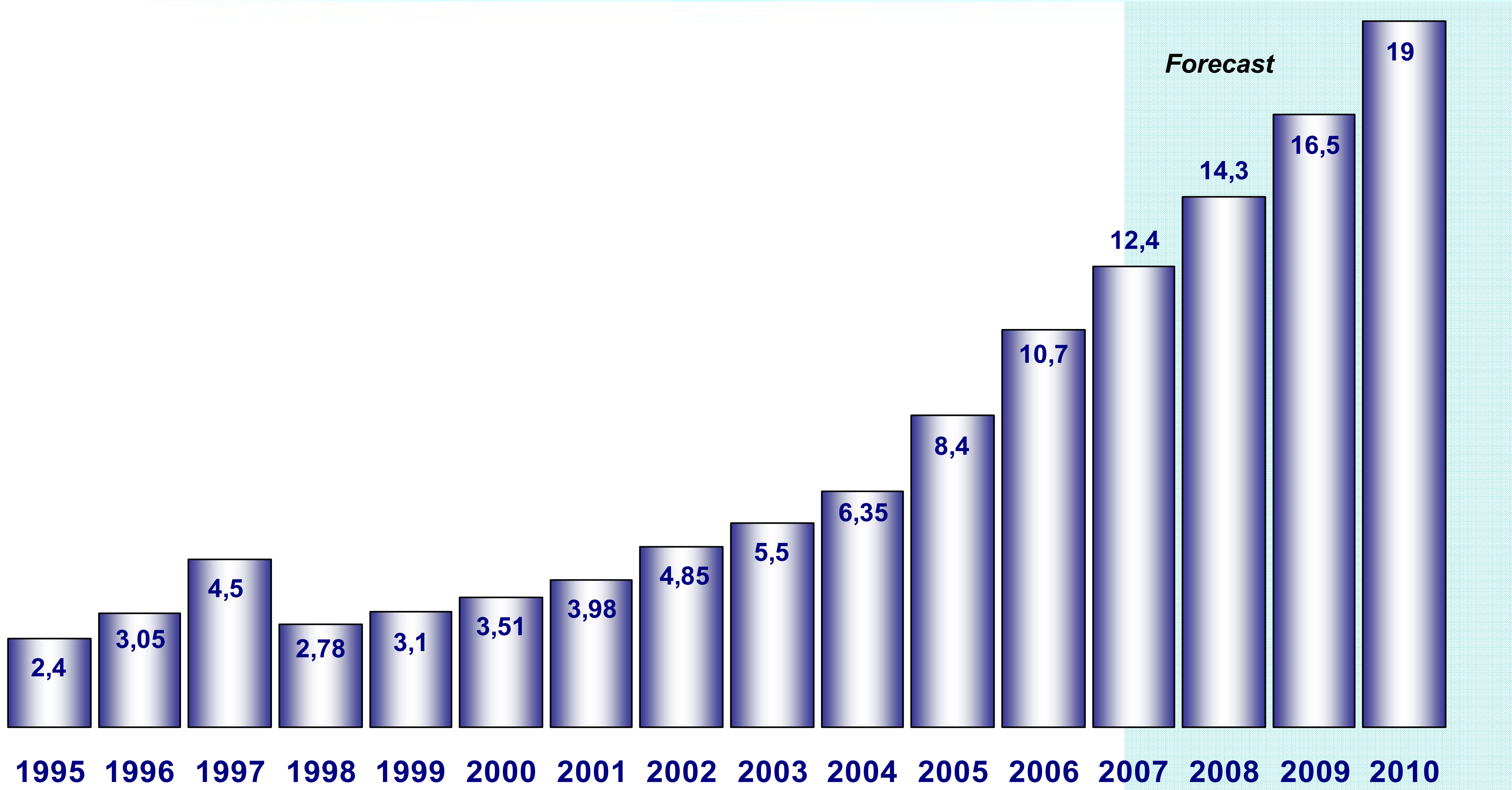


polpharma + АКРИХИН

Positions on the Russian market

Rank	Corporation	USD, thousand for 2006
1	NOVARTIS	478 824
2	SANOFI-AVENTIS	404 323
3	JANSSEN-CILAG	250 201
4	ФАРМСТАНДАРТ	242 062
5	BERLIN-CH/MENARINI	233 312
6	SERVIER	225 376
7	ROCHE	222 663
8	GEDEON RICHTER	205 934
9	PFIZER	203 285
10	NYCOMED	176 858
11	KRKA	168 260
12	GSK	161 112
13	SCHERING AG	156 607
14	ASTRAZENECA	145 721
15	SOLVAY PHARMA	143 519
16	TEVA	141 722
17	STADA ARZNEIMITTEL AG	134 418
18	BOEHRINGER INGELHEIM	115 770
19	SCHERING-PLOUGH	110 246
20	NOVO NORDISK	99 354
21	ELI LILLY	98 111
22	EGIS	89 848
23	ASTELLAS PHARMA INC	88 114
24	PLIVA	84 823
25	BMS	80 636

Volume of the Russian pharmaceutical market in 1995-2006. Forecast up to 2010 (In consumer prices, including VAT)



The source: Pharmexpert

Future. Russia - stability or new period

Thank you for your attention!