



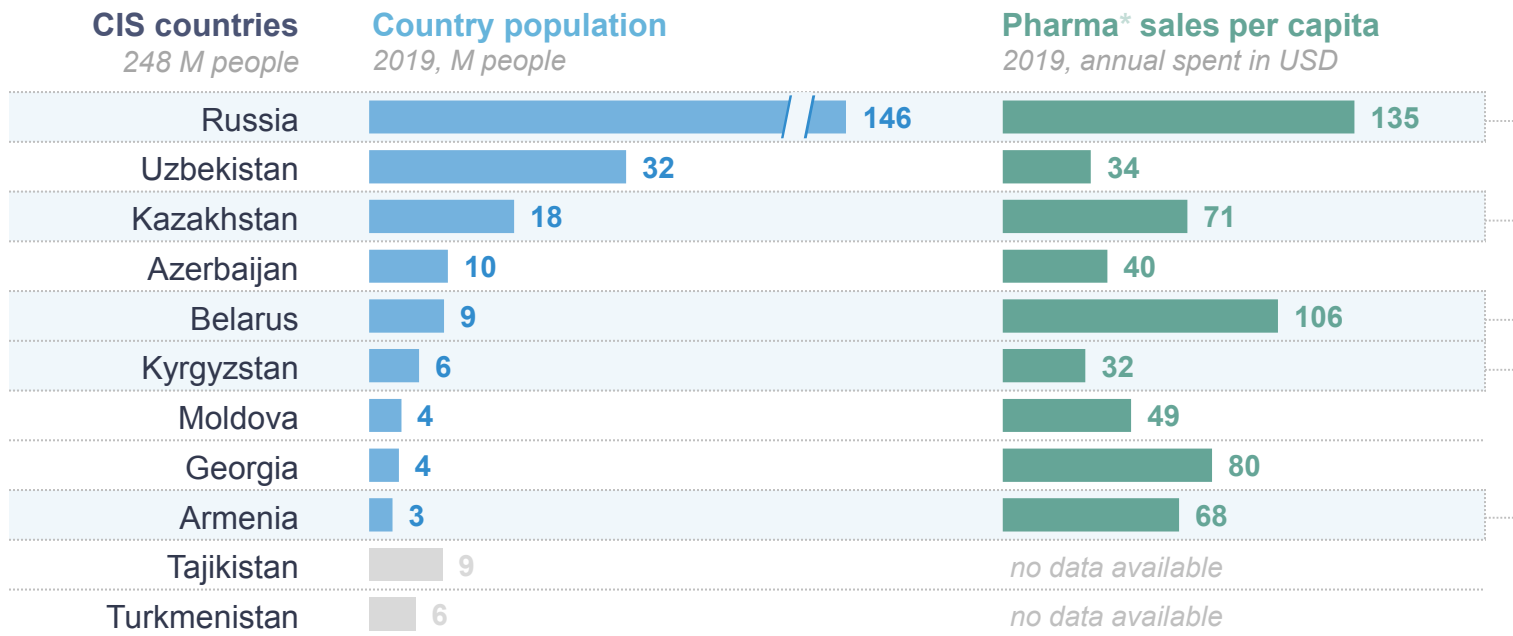
Russia and CIS

Markets Overview

Russia & CIS. Population and Pharma Spending



- Russia has the largest population and the highest pharma sales per capita
- Kazakhstan is the 2nd most attractive market in terms of population-spending balance
- The 2nd largest by population, Uzbekistan, has one of the lowest spending per capita on pharma drugs



EEU
 5 countries,
 183 M people,
 single
 registration
 rules since
 2021

Russia & CIS. Pharma Markets*



- Russia is the most developed market with the highest consumption. It contributes 59% to CIS population and 81% to CIS pharma sales (in value)
- Russian market is usually the first one to adopt most innovative drugs

	Pharma* sales value		Pharma* sales volume	
	2019, bn USD	2019 / 2018	2019, bn units	2019 / 2018
Russia	19.6	+11%	5.1	-2%
Uzbekistan	1.1	+14%	0.7	+5%
Kazakhstan	1.3	+2%	0.6	-2%
Azerbaijan	0.4	+10%	0.2	+7%
Belarus	1.0	+8%	0.4	+2%
Kyrgyzstan	0.2	+8%	0.2	+13%
Moldova	0.2	+25%	0.1	+27%
Georgia	0.3	+2%	0.1	+7%
Armenia	0.2	+6%	0.04	-1%
CIS total	24.4 bn USD	+11%	7.4 bn Units	0%
EEU total	22.4 bn USD	+10%	6.3 bn Units	-1%



Russia

The Most Developed Market of CIS Region

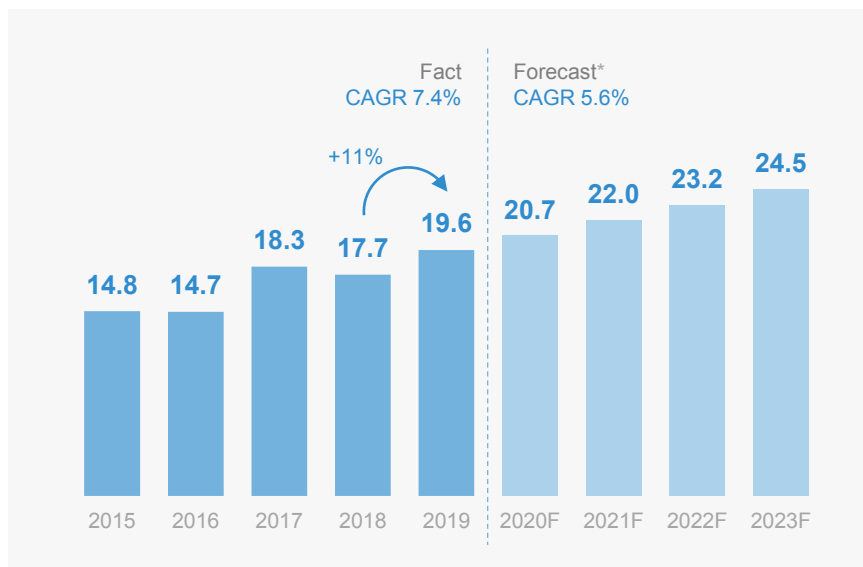
5Y Market Dynamics



- Market increased 11% in 2019 (sales value)
- IQVIA expects Russian market to grow by 5.6% annually
- If local currency will not devalue, by 2023 market may reach 24-25 bln USD in TRD prices

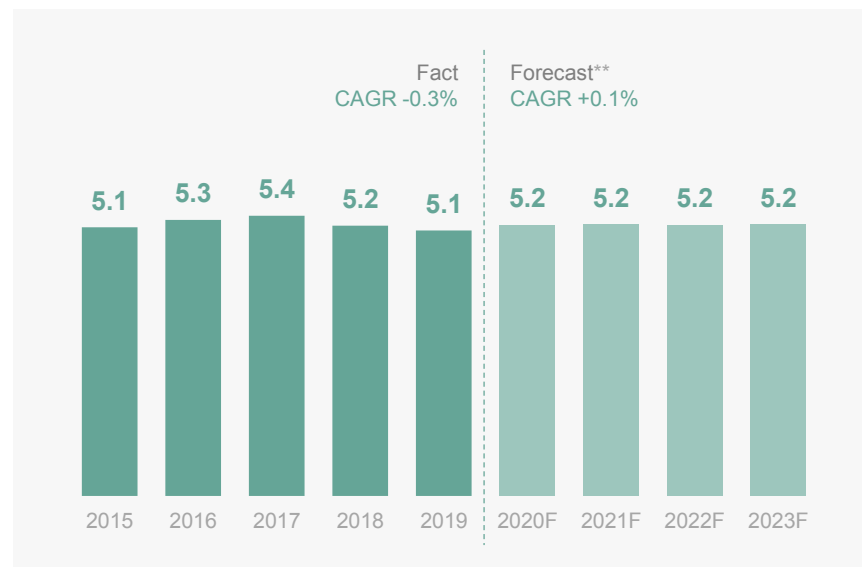
Market sales value

bn USD, TRD prices



Market sales volume

bn packs



Sales Split by Drug Type

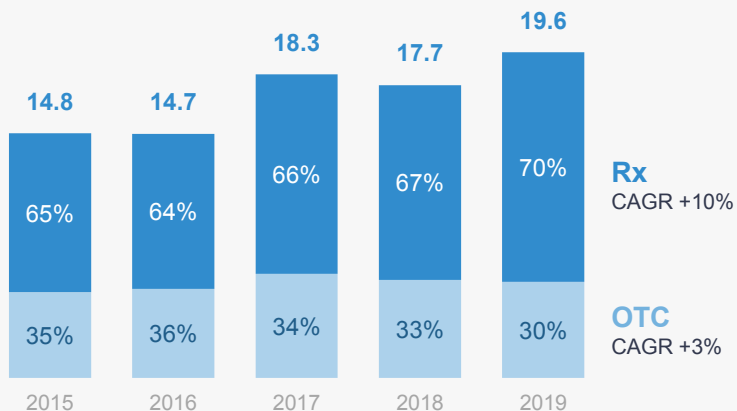


3 trends defining market shift to Rx:

- Decrease in real disposable income (-10.8% in 2018-2013*) force population to reduce consumption of auxiliary medicines
- Population ageing amplifies demand in severe treatments
- Government support boosts public procurement in Rx segment

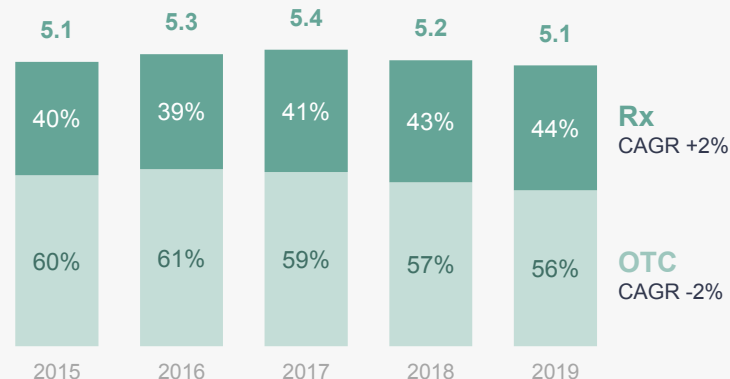
Sales Value by Rx/OTC Drugs

bn USD, TRD prices



Sales Volume by Rx/OTC Drugs

bn packs



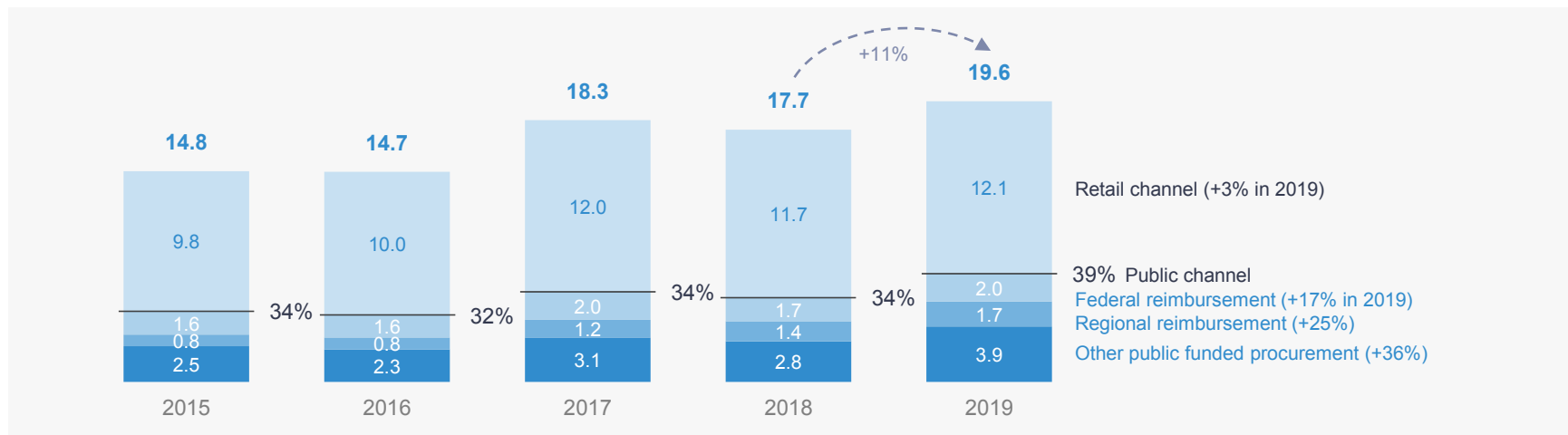
Sales Across Channels



- 11% growth in value is driven by public channel which increased by 28% in 2019
- Main growth factors in public channel:
 1. boost of new expensive product categories: monoclonal antibodies, insulins & analogues, hemostatics, etc.
 2. extension of High Cost Nosologies program (VZN, fully funded by federal budget): 5 new nosologies added to form 12N group and performed with much higher volumes vs 2018

Sales split by channels

bn USD, TRD prices





Public Market

- Population ageing and healthcare system development force growth in state-funded channels, more attention to oncology, hematology, autoimmune and rare diseases
- Government supports local manufacturers who further lobby spending in different categories, including expensive treatment
- Innovative and original drugs also boost spending
- State-funded channels will be the driver of growth for the overall market

Retail Market

- Limited growth/stagnation is expected in 2020 due to decrease in household disposable incomes
- Already competitive segment and competition will increase because market players set ambitious goals
- More control from the government in pharmacy chains (incl. pricing and promotion of domestic drugs)
- Rx will be the driver of growth, OTC – stagnating in value and declining in units
- Growing share of generics, almost equal to original drugs in Retail Rx segment



Public Market in Russia

Key Trends

Development of State Support 2011-2020



Pharma 2020 program

Launched in 2011, aimed for 10Y

FOCUS | Extensive development:
modernizing local manufacturing through localization stimulation

- Increasing % of domestic products on the market
- Increasing % of innovative drugs in domestic manufacturers portfolio

2015: The **Third out** program (preferences for local manufacturers in public tenders)

2016: Introduction of **Special investment contracts** tool (government-manufacturer contract with mutual obligations)

2017: Revision of “local product” definition: local FDF is required

Pharma 2030 program

Launch is expected in 2020

Intensive development: further industry stimulation with a bias for R&D competencies

Key Trends



1 FOCUS ON LOCALIZATION OF PRODUCTION

- Deepening localization to the level of API
- Decrease in the importance of a brand of product / manufacturer for the state in the markets for biosimilars (Gx)

2 FOCUS ON THE GROWTH OF INNOVATION

- The provision of subsidies and special contracts to stimulate drug development projects, including innovative ones, in strategically important areas

3 REVISION OF THE STATUS OF ORPHANE DISEASES

- Inclusion of five (5) additional diseases in the list of “High Cost Nosologies” since 2019
- Revision of the financing mechanism for patients with rare diseases

4 EXPORT DEVELOPMENT

- The long-term strategy of the state provides for substantial increase in exports by 2030.
- Creation of the EEU and provision of subsidies for clinical trials and R&D

5 REVIEW OF PRICES FOR VITAL AND ESSENTIAL DRUGS

- Revision of prices for Vital and Essential Drugs and mass re-registration of prices for generic / biosimilars
- Price reduction can reach ~70% for a company that does not have a full production cycle in Russia