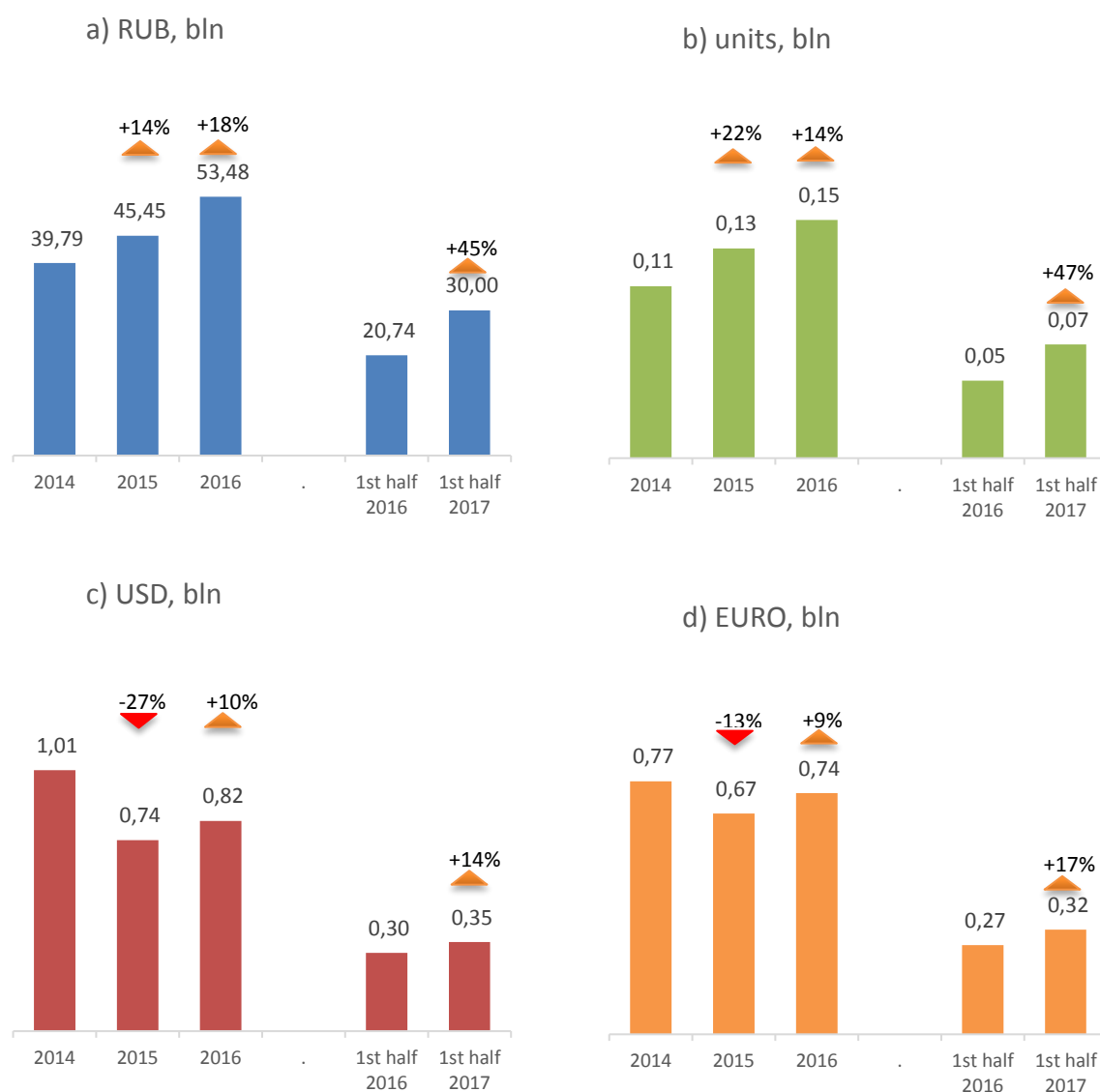


Overview of the target segment of the Russian pharmaceutical market (target segment¹) based on the results of the 1st half of 2017

The volume of the target segment of the Russian pharmaceutical market in the 1st half of 2017 reached a value of 30 billion rubles, and the volume of 0.07 billion packages. The natural consumption in this segment and its value in rubles are growing noticeably, stimulated by the government's active measures both with regard to vaccination of the population within the National Schedule of Preventive Vaccination (NSPV) and to treating socially significant diseases such as HIV and hepatitis. A certain decrease in the market value in other popular currencies (USD, EURO) was observed in 2015, due to fluctuations in the exchange rate. However, in 2016 and 2017, the market was on its way to recovery (Figure 1).

Evolution of the shipments in the target segment of the Russian pharmaceutical market



Source: AlphaRM – Audit of the shipments of medicinal products in the target segment in RF Figure 1

Federal health programs make up almost 80% of the target segment, while about 15% of the value is directed towards regional programs. The rest of the funds are allocated to the procurements by various departments, Federal Penitentiary Service of Russia, and social and preventive institutions.

Within the system of drug provision in target segment, approximately 90% in terms of value and 80% in volume are accounted for by the drugs of the ATC group J General antiinfectives for systemic use, of which about 48% by value go towards purchasing antiretroviral drugs, about 37% are spent on vaccines and about 6%, on anti-tuberculosis drugs. The ATC group L Antineoplastic and immunomodulating agents is on the second position by value, while the ATC group B Drugs for blood and blood forming organs is the second by volume, with rehydrating products with INN sodium chloride making up 60% of this group (Table 1).

¹ The target segment includes drug provision under federal and regional targeted health programs, high-tech medical care, and drugs shipments to departmental and other institutions that are not part of the hospital segment of the pharmaceutical market (Federal Penitentiary Service of Russia, Federal Security Service, educational institutions, forensic medical institutions, psychiatric / psychoneurological clinic and hospitals, preventive health care clinics, sanatoriums, recreation and retreat centers, orphanages, boarding houses (including homes for the elderly and disabled), emergency medical care and blood transfusion stations, applied research centers, research institutes, clinical diagnostic centers, family planning centers, social service centers, rehabilitation centers, military units).

ATC groups rating in the target segment of the pharmaceutical market of RF, 1st half of 2017

| Rating | ATC group (WHO) | | In value, rub. (%) | | | In volume, packages (%) | | |
|----------------------|-----------------|--|--------------------|---------------|-----------------------------|-------------------------|---------------|-----------------------------|
| | | | Group's share | | Growth of shipments | Group's share | | Growth of shipments |
| | | | 1st half 2017 | 1st half 2016 | 1st half 2017/1st half 2016 | 1st half 2017 | 1st half 2016 | 1st half 2017/1st half 2016 |
| 1 | J | General antiinfectives for systemic use | 87.2 | 72.7 | 73 | 80.6 | 50.9 | 133 |
| 2 | L | Antineoplastic and immunomodulating agents | 2.9 | 7.6 | -46 | 0.2 | 0.5 | -47 |
| 3 | A | Drugs influencing the alimentary tract and metabolism | 2.0 | 3.8 | -25 | 3.3 | 7.8 | -38 |
| 4 | V | Other drugs | 1.9 | 3.0 | -9 | 1.2 | 2.5 | -26 |
| 5 | B | Drugs for blood and blood forming organs | 1.8 | 4.2 | -37 | 4.4 | 12.8 | -50 |
| 6 | N | Drug for treating nervous system diseases | 1.6 | 3.3 | -30 | 3.5 | 9.2 | -44 |
| 7 | C | Drugs for treating cardiovascular system diseases | 0.8 | 1.6 | -29 | 2.0 | 4.3 | -30 |
| 8 | R | Drugs for treating respiratory system diseases | 0.5 | 1.0 | -31 | 1.3 | 3.7 | -47 |
| 9 | S | Drugs for treating sensory organs diseases | 0.4 | 0.3 | 83 | 0.2 | 0.3 | -12 |
| 10 | M | Drugs for treating musculo-skeletal system diseases | 0.3 | 0.8 | -47 | 0.9 | 1.9 | -30 |
| 11 | D | Dermatologicals | 0.3 | 0.6 | -35 | 1.6 | 4.6 | -49 |
| 12 | G | Drugs for treating genito urinary system diseases and sex hormones | 0.2 | 0.7 | -48 | 0.1 | 0.3 | -32 |
| 13 | H | Systemic hormonal drugs, excluding sex hormones and insulins | 0.2 | 0.4 | -35 | 0.3 | 0.8 | -41 |
| Target segment total | | | 100.0 | 100 | 45 | 100 | 100 | 47 |

Source: AlphaRM – Audit of the shipments of medicinal products in the target segment in RF

Table 1

With a share of 17.3% of the total shipments value in target segment supplies, *Pfizer* takes the first place in the ranking with its brand *Prevenar 13* (the vaccine for the prevention of pneumococcal infections, delivered under NCPV program), which, in turn, occupies the first position in the rating of brands. In the 1st half of 2017, the total value of the procurements of *Prevenar 13* was comparable to its procurement in previous years, which meant a significant growth of the total value. In the portfolio of the corporation # 2 *Johnson & Johnson*, TOP-3 brands are antiretroviral *Intelence*, *Presista*, and *Evipler* that make it to the TOP-10 in value terms in the target segment and accumulate more than 90% of all the shipments of the corporation. *Ebbvi* is on the third position, due to the shipments of the antiretroviral *Caletra* (# 2 in the TOP of the segment's brands by value). The brands of the TOP-3 corporations are located on the territory of the Russian Federation: *Prevenar 13* at *Petrovax Pharm*; *Intelence* and *Presista* at *Pharmstandart*, and *Caletra* at *R-Pharm*. They are followed by *NPO Microgen* with 77% of the value of shipments represented by an influenza vaccine purchased under NCPV program, *Sovigripp* that won the public tender in 2017, outperforming another previously more successful vaccine, *Ultrix* of the company *Forte* (Table 2, 3).

TOP-10 corporations by volume of shipments in the target segment of the pharmaceutical market of RF, 1st half of 2017

| Rating | | Corporation | Share in shipments (%) | | Growth of shipments (%) |
|---------------------------|---------------------------|-------------------|---------------------------|---------------------------|---|
| 1 st half 2017 | 1 st half 2016 | | 1 st half 2017 | 1 st half 2016 | 1 st half 2017 / 1 st half 2016 |
| 1 | 10 | Pfizer | 17.3 | 1.9 | 1 207 |
| 2 | 2 | Johnson & Johnson | 14.0 | 7.1 | 186 |
| 3 | 1 | Ebbvi | 10.5 | 15.8 | -4 |
| 4 | 6 | NPO Microgen | 10.4 | 4.1 | 264 |
| 5 | 7 | MSD | 6.2 | 3.6 | 146 |
| 6 | 3 | BMS | 5.1 | 6.0 | 21 |
| 7 | 4 | GSK | 3.3 | 5.9 | -21 |
| 8 | 11 | Pharmstandart | 2.5 | 1.9 | 93 |
| 9 | 5 | Pharmasynthez | 1.9 | 5.7 | -52 |
| 10 | 17 | AZT Pharma KB | 1.6 | 1.3 | 75 |

Source: AlphaRM – Audit of the shipments of medicinal products in the target segment in RF

Table 2

TOP-10 brands by volume of shipments in the target segment of the pharmaceutical market of RF, 1st half of 2017

a) by value, rubles

| Rating | | Brand | Corporation | Share in shipments (%) | | Growth of shipments (%) |
|---------------------------|---------------------------|-----------|-------------------|---------------------------|---------------------------|---|
| 1 st half 2017 | 1 st half 2016 | | | 1 st half 2017 | 1 st half 2016 | 1 st half 2017 / 1 st half 2016 |
| 1 | 14 | Prevenar | Pfizer | 16.8 | 1.3 | 1 803 |
| 2 | 1 | Caletra | Ebbvi | 10.1 | 14.2 | -12 |
| 3 | 1203 | Sovigripp | NPO Microgen | 8.0 | 0.003 | -20 |
| 4 | 3 | Intelence | Johnson & Johnson | 6.0 | 3.3 | 590 |
| 5 | 6 | Icentress | MSD | 5.8 | 2.7 | 12 |
| 6 | 4 | Presista | Johnson & Johnson | 5.1 | 2.9 | 37 |
| 7 | 2 | Reatase | BMS | 4.8 | 4.5 | -1 |

| | | | | | | |
|----|-----|----------|-------------------|-----|-------|-----|
| 8 | 965 | Eviplera | Johnson & Johnson | 1.9 | 0.005 | -13 |
| 9 | 307 | Sirturo | Pharmstandart | 1.7 | 0.03 | -13 |
| 10 | 13 | Nicavir | AZT Pharma KB | 1.6 | 1.3 | -26 |

b) by volume, packages

| Rating | | Brand | Corporation | Share in shipments (%) | | Growth of shipments (%) |
|---------------------------|---------------------------|---|--|---------------------------|---------------------------|-------------------------|
| 1 st half 2017 | 1 st half 2016 | | | 1 st half 2017 | 1 st half 2016 | |
| 1 | 1649 | Sovigripp | NPO Microgen | 39.5 | 0.001 | 8 966 788 |
| 2 | 62 | Prevenar | Pfizer | 5.7 | 0.3 | 2 596 |
| 3 | 60 | Capreomycin | Group of corporations | 4.5 | 0.3 | 1 954 |
| 4 | 37 | Levofloxacin | Group of corporations | 3.8 | 0.6 | 878 |
| 5 | 1 | Euvax B | LG Life Sciences | 3.6 | 15.9 | -66 |
| 6 | 2 | Sodium Chloride | Group of corporations | 2.9 | 6.8 | -38 |
| 7 | 7 | Pyrasinamid | Group of corporations | 2.3 | 1.6 | 113 |
| 8 | 70 | Ritonavir | Group of corporations | 1.3 | 0.3 | 602 |
| 9 | 5 | ADS-M (Modified adsorbed diphtheria-tetanus) anatoxin | Pharmstandart | 1.2 | 1.9 | -4 |
| 10 | 12 | Oral polio vaccine, type 1, 2, 3 | Federal Unitary enterprise for producing bacterial and viral drugs, the Poliomyelitis institute named after M.P. Chumakov of the Russian Academy of Sciences | 1.0 | 1.1 | 43 |

Source: AlphaRM – Audit of the shipments of medicinal products in the target segment in RF

Table 3

The companies that are related to TOP-10 corporations in one way or another occupy the leading positions in the rating of public procurement suppliers in the target segment (Table 4). In this segment, the procurements are mostly centralized, and the TOP-10 customers include public procurement institutions (Table 5).

TOP-10 public procurement suppliers in value (rubles) in the target segment of the pharmaceutical market of RF, 1st half of 2017

| Rating | Supplier | Share of signed contracts (%) |
|--------|-----------------|-------------------------------|
| 1 | R-Pharm | 29.2 |
| 2 | Nacimbio | 16.8 |
| 3 | Petrovacs Pharm | 13.0 |
| 4 | Pharmstandart | 9.6 |
| 5 | Biotec | 4.6 |
| 6 | Cosmopharm | 4.2 |

| | | |
|----|----------------------------|-----|
| 7 | Pharmimex | 2.3 |
| 8 | Virend International | 1.7 |
| 9 | Rusmedcom | 1.5 |
| 10 | Medical Leasing Consulting | 1.5 |

Source: AlphaRM – Monitoring of public procurements. Contracts.

Table 4

TOP-10 public procurement customers in value (rubles) in the target segment of the pharmaceutical market of RF, 1st half of 2017

| Rating | Customer | Share of signed contracts (%) |
|--------|--|-------------------------------|
| 1 | Ministry of Health of the RF | 82.8 |
| 2 | Competition policy committee of Moscow region | 1.7 |
| 3 | Ministry of Defense of the FR | 0.8 |
| 4 | State procurement committee of St. Petersburg | 0.7 |
| 5 | Ministry of Health of Moscow region | 0.5 |
| 6 | FSI Central Pharmacy FSR RF | 0.5 |
| 7 | Publicly funded institution of Khanty-Mansi autonomous district Center for Drug Monitoring | 0.5 |
| 8 | Ministry of Health of Chelyabinsk region | 0.4 |
| 9 | Regional publicly funded institution Sakhalin Agency for Development Projects | 0.3 |
| 10 | FSI of Novosibirsk region Contract System administration | 0.3 |

Source: AlphaRM – Monitoring of public procurements. Contracts.

Table 5

Summary

In the target segment of the pharmaceutical market, trends are difficult to forecast, and its structure is heterogeneous due to a wide range of targeted health programs that it covers. Today, antiretroviral drugs and vaccines purchased under the NSPV program are setting the pace, with their manufacturers, the companies Pfizer, Johnson & Johnson, and Ebbvi localizing their drugs, to various extents, in the Russian Federation.