



Investing into Belarus: exploring pharmaceutical industry opportunities

2009



Industry overview: Belarus Pharma production and distribution market

Key highlights

1. Pharma manufacturing

- ❑ In 2008 pharma production in Belarus exceeded \$ 200 m (12% yoy real growth). About 50% was exported (mainly to the CIS markets).
- ❑ The industry is dominated by state-owned companies. The majority of private companies are small or medium-sized.
- ❑ In 2008 the Belarusian Government issued lists of enterprises to be reorganized into open joint stock companies (505 enterprises) and to be privatized during 2008-2010 (144 enterprises). These lists include 5 pharmaceutical enterprises (Dialek, Nesvizhskiy zavod meditsinskikh preparatov, Ekzon, Ekzon-glukoza, Enzim).
- ❑ Moreover, on January 30 2009 the leading Belarusian pharmaceutical factory Borisovskiy Zavod Meditsinskikh Preparatov (Borimed) was transformed into open joint stock company. Currently the Government is looking for investors.

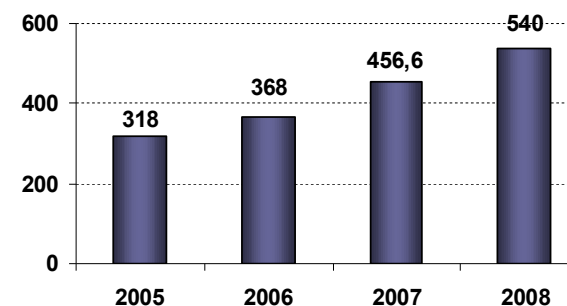
2. Pharma retail industry

- ❑ In 2008 gross retail drugs sales in Belarus reached \$ 540 m (18% yoy growth).
- ❑ 2 554 drug stores of the 1-st, 2-nd, 3-d, 4-th and 5-th categories* operate in Belarus
- ❑ In 2008 the number of private drug retail outlets reached 794 (31.1% of the total quantity of drug outlets).
- ❑ Private drug stores are mainly small-sized outlets of the fifth category (usable areas - at least 15 sq m, located in supermarkets, markets, rail way stations, etc.). Total number of such outlets reached 495 (66% of total number of private owned outlets) by the beginning of 2008. The number of Larger private outlets with usable area of at least 60 sq m reached 255 in 2008.
- ❑ The largest drug wholesaler and retailer is the fully state owned Belfarmacia (Farmacia in regions). The company possesses about 1 600 drug stores throughout the country.

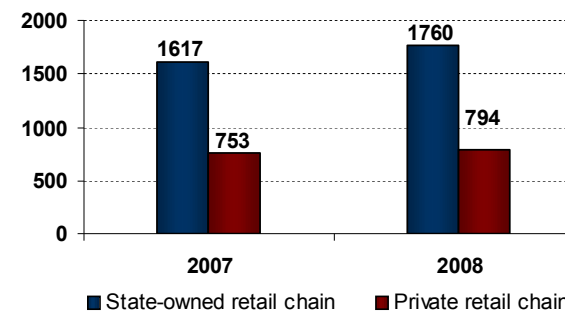
*For drug stores categories explanation see the next page

Figures

Retail drug sales in Belarus, mln.\$



Retail outlets in Belarus, items





Pharma retail market regulations

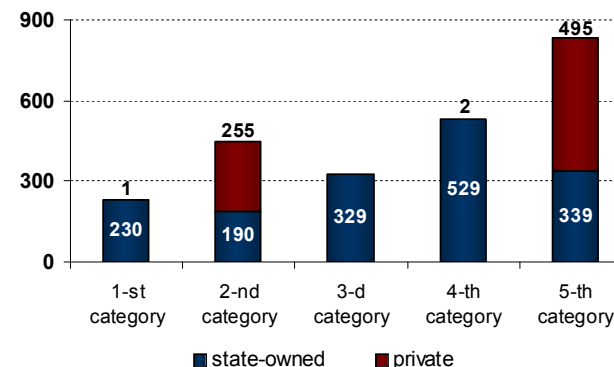
Key highlights

- ❑ Pharmaceuticals distribution retail activities belong to licensed types of business activities in Belarus. All the pharmacies should be registered with the Ministry of Healthcare of Belarus. Moreover, they are obliged to:
 - to observe Good Pharmacy Practice requirements
 - to have in stock the drugs included into the List of basic drugs
 - to employ qualified chemists
- ❑ The following medical products are allowed to be sold in pharmacies:
 - drugs, registered in Belarus
 - products of medical purpose and medical equipment;
 - cosmetic, perfumery and personal hygiene means
 - nutritional supplements
 - special children's and dietary foods
 - medical mineral waters
 - disinfection and disinfection means
- ❑ The markups of both wholesale and retail segments are closely regulated by the State. Maximum markups are set for different price segments of medicines.
- ❑ Main taxes and duties:
 1. VAT (18%)
 2. Import customs duties (5-15%)

Cost price, established by Belarusian producers, or calculated cost price for each imported product unit (USD per unit)	Wholesale maximal markup, %	Retail maximal markup, %
less 5 including	11	30
Over 5 - 10 including	10	25
Over 10 - 15 including	9	21
Over 15 - 30 including	8	17
Over 30 - 50 including	7	13
Over 50 - 100 including	4	6
Over 100	2	2

Retail market structure

Number of drug stores by form of ownership and category



*1. Description of categories

The 1st category Pharmacy:

- sales of drugs to individuals and to public health organizations, own production of drugs
- usable area – at least 100 m²

The 2nd category Pharmacy:

- sales of drugs to individuals in cities
- usable area – at least 60 sq m

The 3rd category Pharmacy:

- sales of drugs to individuals in country sides, agro towns
- usable area – at least 20 sq m

The 4th category Pharmacy:

- outlets located in public health organizations
- usable area – at least 15 sq m

The 5th category Pharmacy:

- sales of drugs in places of a high population concentration (supermarkets, markets, stations, hotel and others)
- usable area – at least 15 sq m



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