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## Generics will continue their domination on the pharmaceutical market in Central and Eastern Europe until 2011

Source: Report "Generic and innovative drugs market in Central and Eastern Europe 2009. Comparative analysis, reimbursement policies and development forecasts for 2009-2011"

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November 2009

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The pharmaceutical market in Central and Eastern Europe is dominated by generic drugs. This subdivision was worth €17.2bn in 2008 and is expected to develop by around 14% per annum between 2009 and 2011. The growth rate of the innovative drug market, which was worth €12.4bn in 2008, will be slower, according to our latest report entitled “Generic and innovative drugs market in Central and Eastern Europe 2009. Comparative analysis, reimbursement policies and development forecasts for 2009-2011”.

## Generics to account for 60% of the market in 2009

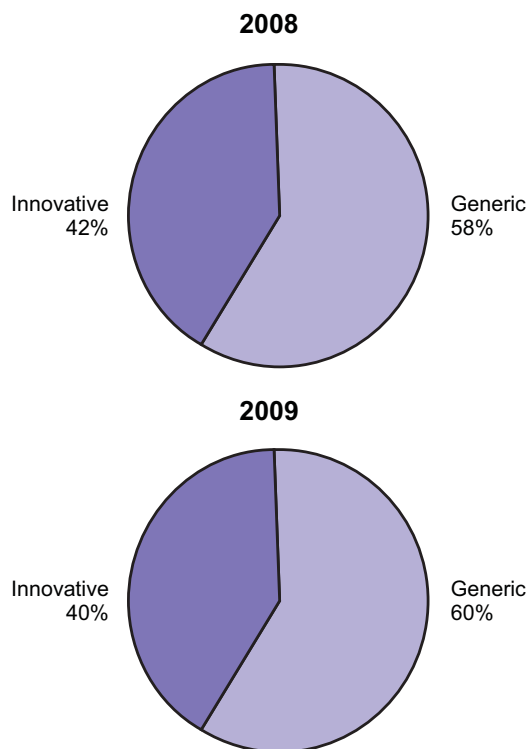
According to our estimates, the generic drug market (including non-branded generics, traditional products and other products which have never enjoyed patent protection) in Central and Eastern Europe<sup>1</sup> was worth €17.2bn in 2008, in contrast to a market value figure of €12.4bn for innovative drugs. Generic drugs therefore accounted for around 58% of the pharmaceutical market in the region in terms of value (taking into account both pharmacy and hospital sales).

The CAGR for generics will reach as much as 14% between 2009 and 2011, whereas that of innovative drugs will be much lower. As a result, the share of generic drugs will constantly increase and in 2009 generics will account for around 60% of the pharmaceutical market in Central and Eastern Europe.

Although the innovative drug market in Central and Eastern Europe will develop at a slower rate than that of generic drugs between 2009 and 2011, the growth rate of original medicines for the whole region will be positive. It has, for the time being, been compromised by the cost-containment policies of the CEE countries, which have been stepped up during the global financial crisis. However, in the medium term we expect an improvement in health awareness and the modernisation of healthcare systems, including the development of private health insurance and the establishment of health insurance and drug reimbursement systems, similar to those in European countries, in Russia and Ukraine, to be drivers of the innovative drug market in the CEE countries. An additional driver will be the aging of the population in the region.

<sup>1</sup> The following countries were analysed: Russia, Poland, the Czech Republic, Romania, Hungary, Ukraine, Slovakia and Bulgaria.

## Share of generic and innovative drugs as a proportion of the overall pharmaceutical market of Central and Eastern Europe, 2008 and 2009



Note : the "generic" category includes non-branded generics, traditional products and other products which have never enjoyed patent protection. Final consumer prices. Pharmacy and hospital sales. Share by value.  
 Source: "Generic and innovative drug market in Central and Eastern Europe 2009. Comparative analysis, reimbursement policies and development forecasts for 2009-2011" report, PMR Publications, a division of PMR, 2009

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## Local companies are generic-oriented...

There are few innovative pharmaceutical companies of local origin in Central and Eastern Europe. Most companies based in the region are generic drug manufacturers. The largest players of this kind include Gedeon Richter, Krka, Egis and Zentiva. These companies have a presence in most CEE countries and they are well-established there. For such companies, the region of Central and Eastern Europe is usually the main area of their activities.

The second group of companies consists of global generic players. Their presence differs from one CEE country to the next. For example, Dr. Reddy's, an Indian generic manufacturer, concentrates on Russia, which is one of the company's key markets worldwide. Actavis, an Iceland-based manufacturer, is at its strongest in Bulgaria and Russia. Ranbaxy's key markets in the region are Romania and the CIS countries (Russia and Ukraine in particular). Stada has a strong presence in Russia, particularly after the acquisition of two Russian companies (Nizhpharm and Makiz-Pharma); and at the beginning of 2009 the company entered Poland and Bulgaria by establishing subsidiaries there.

A number of consolidation processes recently took place in the generic arena, which were of great importance for Central and Eastern Europe. For example, Teva gained a strong presence in the region through the acquisition of Barr in July 2008, which included one of the largest local generic drug producers – the Croatian company Pliva. In June 2008, Mylan, a US generic manufacturer, acquired the CEE generics businesses of Merck KGaA, the prominent

German drug manufacturer. The deal includes Merck's operations in Poland, Hungary, Slovakia, Slovenia and the Czech Republic. In March 2009 Zentiva, one of the leading generic players in the region, was bought by Sanofi-Aventis. In May 2009 Novartis acquired the generic cancer drug production division of the Austria-based EBEWE Pharma.

## **...whereas innovation is the domain of global concerns**

The innovative drug market in the region is dominated by multinational pharmaceutical concerns. Such companies have representative offices in most of the Central and Eastern European countries, but, as they are active all over the world, the region is not, in most cases, their main market. However, innovative drug producers often choose Central and Eastern Europe as a place in which to locate clinical trials, because of the low costs, high population and limited access to innovative therapies in such countries.

Today innovative companies face a crisis associated with the loss of patent rights pertaining to their most important products, which is expected to affect their sales performance in Central and Eastern Europe also, as many players of domestic origin may launch the generic equivalents of their drugs on the market.

The article is based on the report "Generic and innovative drugs market in Central and Eastern Europe 2009. Comparative analysis, reimbursement policies and development forecasts for 2009-2011" published by PMR Publications in November 2009.

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