



AZERBAIJAN PHARMACEUTICALS MARKET



Azerbaijan Export & Investment
Promotion Foundation



VALUE PROPOSITION

- DOMESTIC MARKET
- PROXIMITY TO LARGE FOREIGN MARKETS
- FAVOURABLE BUSINESS CLIMATE
- QUALIFIED WORK FORCE



DOMESTIC MARKET

value proposition



STATE OF ECONOMY (2015)



5558,7 US\$
GDP PER CAPITA



9 705 600
POPULATION



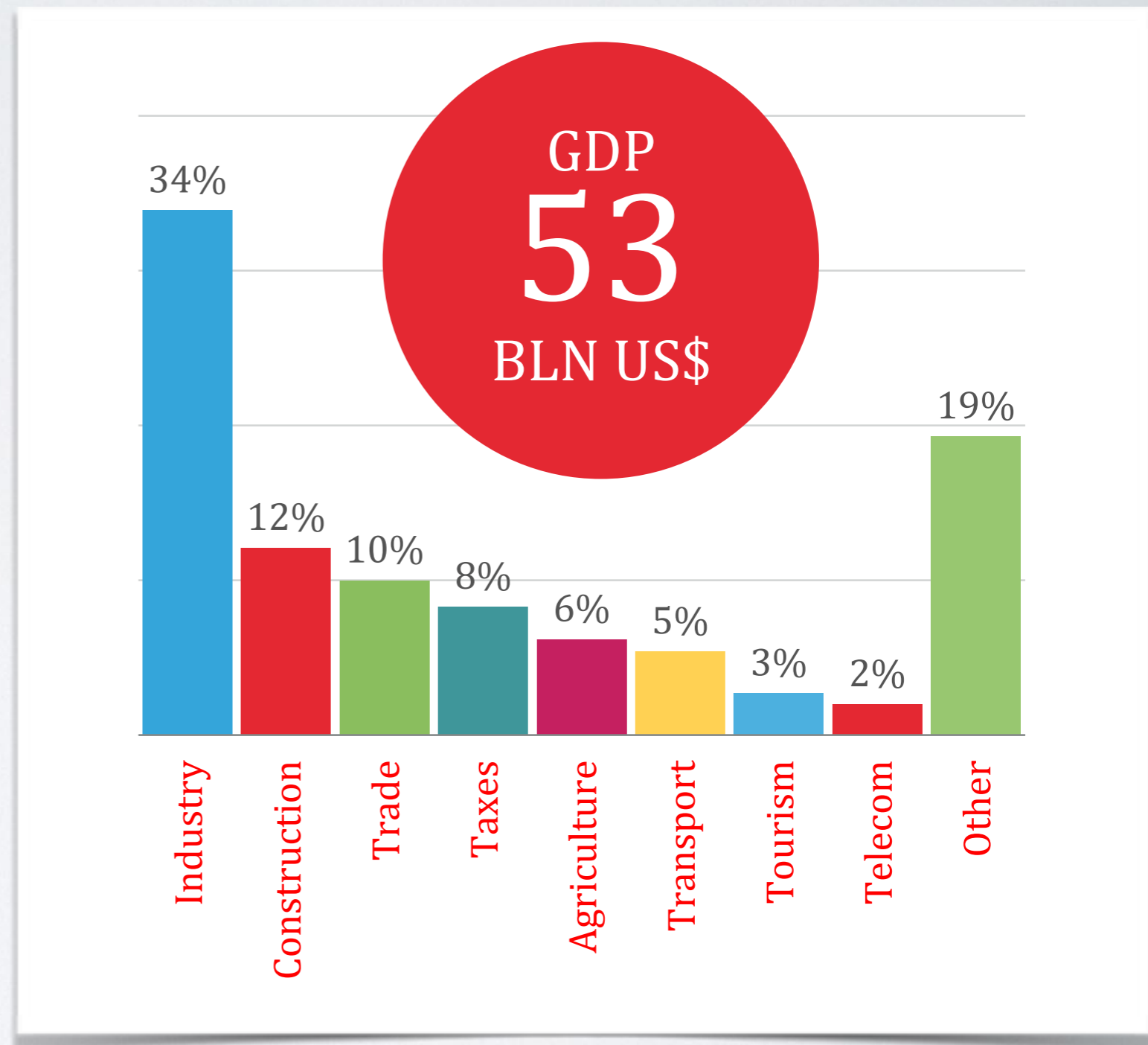
6,894.3 MLN US\$
EXTERNAL PUBLIC DEBT



20,645.9 MLN US\$
TRADE TURNOVER



15,957.0 MLN AZN
INVESTMENT INTO FIXED
CAPITAL



DOMESTIC MARKET OF PHARMACEUTICALS

700 MLN USD
MARKET SIZE

2000
PHARMACIES

3 MLN USD
LOCAL PRODUCTION

1 BLN USD
MID-TERM MARKET
SIZE PERSPECTIVE

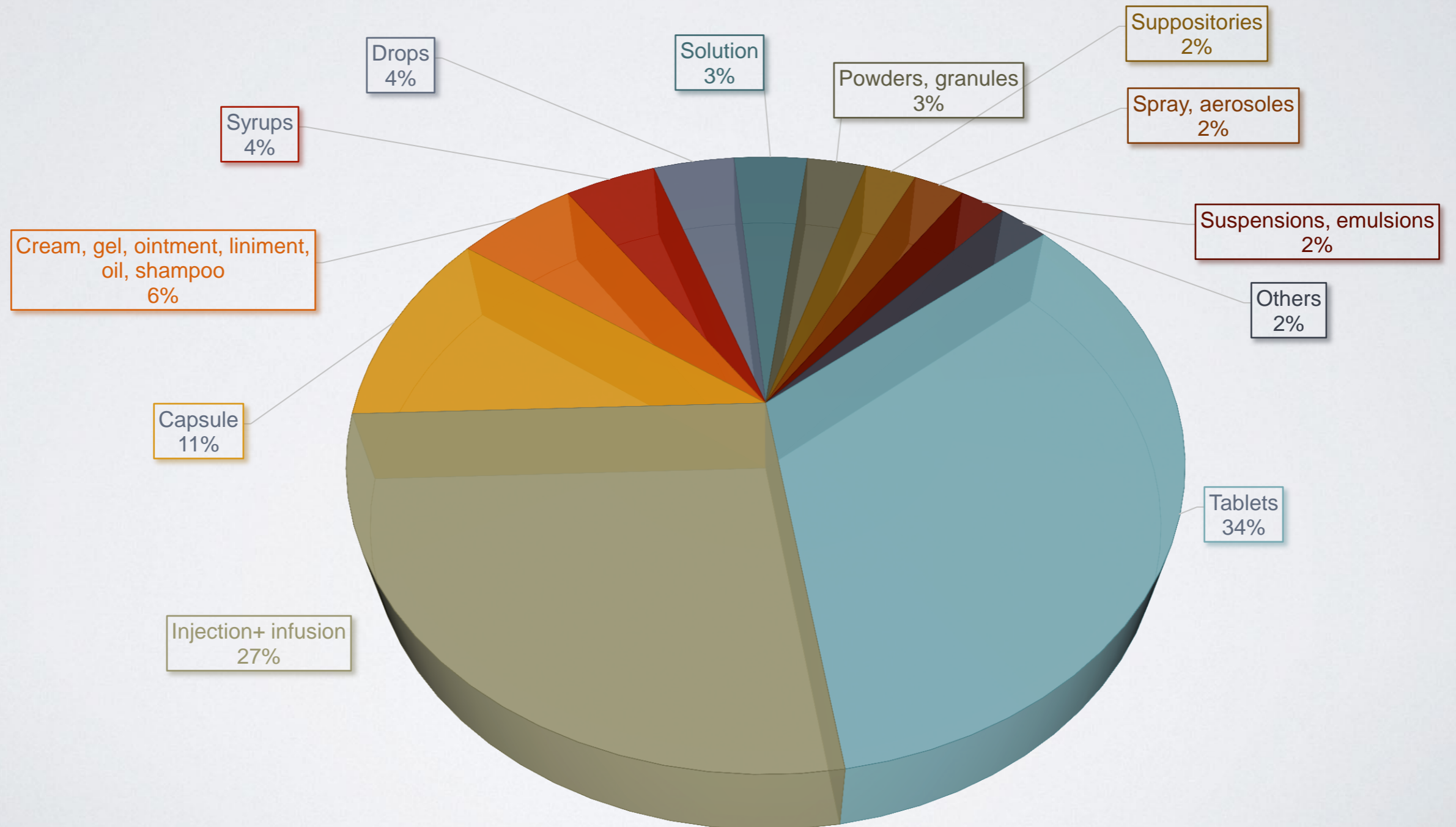
1ST PLACE
IN CIS IN TERMS OF THE
NUMBER OF CLIENTS
SERVED BY
PHARMACIES

185 MLN USD
STATE PROCUREMENT
OF MEDICINE

DOMESTIC MARKET OF PHARMACEUTICALS

	2012	2013	2014
Market value, mln. EUR	386,8	476,3	537,0
Market volume, mln. UNITS (box)	115,3	141,2	190,2
Gross (EUR), %	23%	23%	13%
Gross (AZN), %	14%	27%	12%
Gross (Units), %	-6%	23%	35%
AVG price EUR	3,36	3,37	2,82
Generic share (EUR), %*	83,3%	85,2%	86,4%
Import Share (EUR), %	97,5%	97,7%	97,9%
TOP3 country of supplier (EUR), %	GERM, USA, FRA	GERM, RF, USA	TUR, GERM, RF
Russian products Share (EUR), %	7,97%	7,95%	7,61%
OTC products share (EUR), %	31,29%	32,76%	32,47%

DOMESTIC MARKET OF PHARMACEUTICALS



MAJOR SUPPLIERS



SANOFI



GLAXOSMITHKLINE



STADA



NOVARTIS



WORLD MEDICINE



GEDEON RICHTER



SERVIER



TAKEDA



BERLIN-CHEMIE



MUSTAFA NEVZAT

MAIN DISTRIBUTORS

AVROMED

AZERIMED

ALFAMED

PASHA-K

VELGA

NOVAVITA P

LOGHMAN FARM

PHARMA-SERVICE

PROFARMA

PROXIMITY TO MARKETS

value proposition



LARGE SURROUNDING MARKETS

GLOBAL OUTREACH

50 COUNTRIES WITH 50% OF WORLD CONSUMERS WITHIN 4 HOURS
FLIGHT (MEDIUM-HAUL FLIGHT)

FREE ACCESS

TO CIS + GEORGIA MARKETS OF 270 MIL CONSUMERS AND OVER
1.6 TRILLION US\$ GDP

TRANSIT HUB

AT EAST-WEST, SOUTH-NORTH AND SOUTH-WEST TRANSIT ROUTS

UNIQUE ACCESS

TO THE UNTAPPED MARKETS OF AFGHANISTAN, IRAQ

BUSINESS
CLIMATE
value proposition



WB DOING BUSINESS REPORT 2016

OVERALL RANKING

63 / 189

STARTING A
BUSINESS

7 / 189

REGISTERING
PROPERTY

22 / 189

PAYING TAXES

34 / 189

PROTECTING
INVESTORS

36 / 189

ENFORCING
CONTRACTS

40 / 189

ENABLING BUSINESS ENVIRONMENT

REDUCED RED TAPE

No state inspections of businesses
(except for tax, human health and state security reasons)

Streamlined licensing system
(no. of licensed activities - 37, no validity period, low fees, max 10 working days waiting period)

E-Gov services for business
(incl. e-registration, e-taxation, e-licensing, e-trade, e-intellectual property, e-payment)

The one-stop-shop systems
(business registration, customs, construction permits, licensing)

INVESTMENT CLIMATE

No discrimination between foreign and domestic investor

No prior authorization of foreign investment required

No limits on the amount of foreign capital in companies

No restrictions on repatriation of profits, foreign exchange and technology transfer

ENABLING BUSINESS ENVIRONMENT

COMPETITIVE TAX REGIME

Low tax burden

Streamlined procedures

Number of payments (per year) - 7

Time (hours per year) - 195

Competitive tax rates

Corporate tax - 20%, VAT - 18%, Simplified tax – 4 or 2%, Personal income tax - 14 or 25%, WHT - 10%

Tax holidays

Tax holidays for agriculture, industrial and technological parks, holders of investment promotion document

STIMULATION OF EXPORTS

No export duties

Export reimbursement system

Export grant scheme

Removing trade barriers

TAX HOLIDAYS

HOLDERS OF INVESTMENT PROMOTION DOCUMENT

7

50% REDUCED CORPORATE TAX

0% LAND AND PROPERTY TAX

YEARS

0% VAT ON HARDWARE, TECHNOLOGICAL EQUIPMENT AND STRUCTURES IMPORTED BY IPD HOLDERS

0% CUSTOMS DUTY ON HARDWARE, TECHNOLOGICAL EQUIPMENT AND STRUCTURES IMPORTED BY IPD HOLDERS

RESIDENTS OF INDUSTRIAL AND TECHNOLOGY PARKS

7

0% CORPORATE TAX

0% LAND AND PROPERTY TAX

YEARS

0% VAT ON HARDWARE, TECHNOLOGICAL EQUIPMENT AND STRUCTURES IMPORTED BY RESIDENTS

0% CUSTOMS DUTY ON HARDWARE, TECHNOLOGICAL EQUIPMENT AND STRUCTURES IMPORTED BY RESIDENTS

INTELLECTUAL PROPERTY

PATENT LAW

- ▶ Invention - 20 yrs. protection (5 yrs. extension possibility)
- ▶ Utility models - 10 yrs. protection
- ▶ Industrial designs - 10 yrs. protection (5 yrs. extension possibility)
- ▶ PCT route available

Member to:

Paris Convention
Patent Cooperation Treaty
Strasbourg Agreement
Budapest Treaty

PHARMACEUTICALS MARKET REGULATION

REGULATORY BODIES

MINISTRY OF HEALTH

formulates state policy in the field and ensures its implementation

MINISTRY OF ECONOMY

issues licences, permits, certificates and other documents for various entrepreneurial activities

TARIFF (PRICE) COUNCIL

in compliance with relevant legislation regulates prices of pharmaceuticals

PHARMACEUTICALS MARKET REGULATION

PRICE REGULATION

- ▶ In 2015, the Tariff Council adopted the mechanism for calculating the prices of medicines
- ▶ The mechanism determines the prices for medicines that passed state registration and includes methods for calculating wholesale and retail prices for these medicines
- ▶ The Tariff Council identifies base prices by referring to at least 5 out of 10 reference countries (Turkey, France, Italy, Spain, Portugal, Greece, Poland, Hungary, Bulgaria and Slovenia)
- ▶ In determining the cost of medicines, the Council relies on the lowest price established in these countries
- ▶ The Ministry of Economy controls the observance of established prices

PHARMACEUTICALS MARKET REGULATION

PUBLIC PROCUREMENT

- ▶ In the framework of various State Programmes, the Ministry of Health insures different types of free medicines for certain illnesses
- ▶ Annual public procurement of medicines in the framework of various state programmes reaches 185 mln USD
- ▶ 166 types of medicine offered in the hospitals and 99 types of medicine distributed to various privileged groups of population are provided at the cost of the Ministry of Health

PHARMACEUTICALS MARKET REGULATION

CERTIFICATION AND REGISTRATION

According to the law on Medicines, State registration of medicines - a system of measures, which envisages an expert assessment of medicines with the purpose of their use in medical practice on the basis of relevant documents and (or) according to the results of tests licensing their manufacture in the Republic of Azerbaijan by the industrial method, their import and application, and also registering them in the established order.

QUALIFIED WORK FORCE

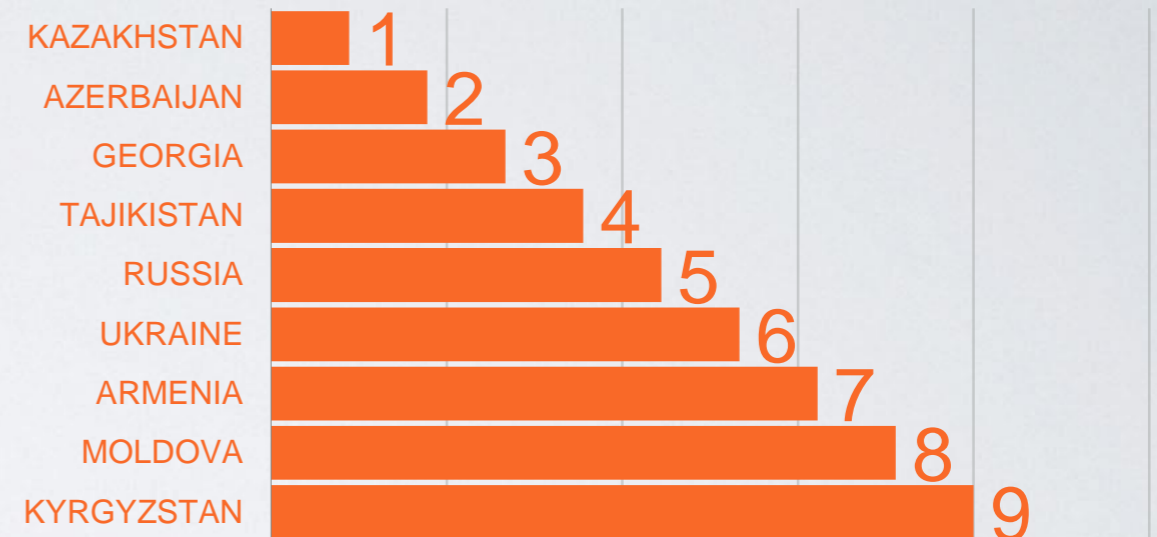
value proposition



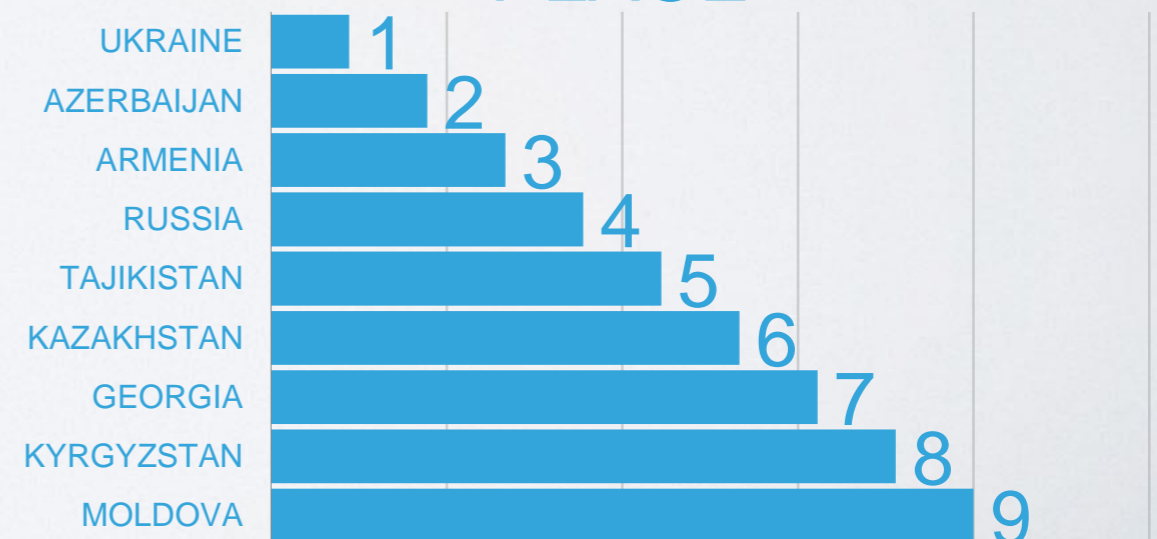
YOUNG AND QUALIFIED WORK FORCE

- ▶ LABOUR FORCE = 4.8 MILLION PERSONS
- ▶ APPROX. 40% OF THE POPULATION IS UNDER THE AGE OF 30
- ▶ HIGH EMPLOYMENT RATE (95%)
- ▶ EXTREMELY HIGH LITERACY RATE (99.8%)
- ▶ 30 THOUSAND STUDENTS GRADUATE FROM 51 UNIVERSITY ANNUALLY
- ▶ A LARGE R&D CENTER, THE NATIONAL ACADEMY OF SCIENCES WITH 28 RESEARCH INSTITUTES

LABOUR MARKET EFFICIENCY
PLACE



AVAILABILITY OF SCIENTISTS AND ENGINEERS
PLACE



INVESTMENT PROPOSAL

value proposition



INVESTMENT PROPOSAL

- ▶ The Ministry of Economy invites pharmacy producers to invest in production of pharmaceuticals in Azerbaijan.
- ▶ Strategic investors would be issued an investment promotion document and subjected to relevant incentives.
- ▶ Full state support would be offered to strategic investors including site selection, company establishment, licensing, certification, liaison with regulators.
- ▶ Co-investment opportunities by Azerbaijan Investment Company, a fully state-owned equity investment fund (www.aic.az).
- ▶ Possibility of production location in the Sumgait Chemical Industrial Park (www.scip.az).