

4.8. PHARMA- CEUTICAL AND MEDICAL SECTORS

4.8.1. Current situation and the sector role

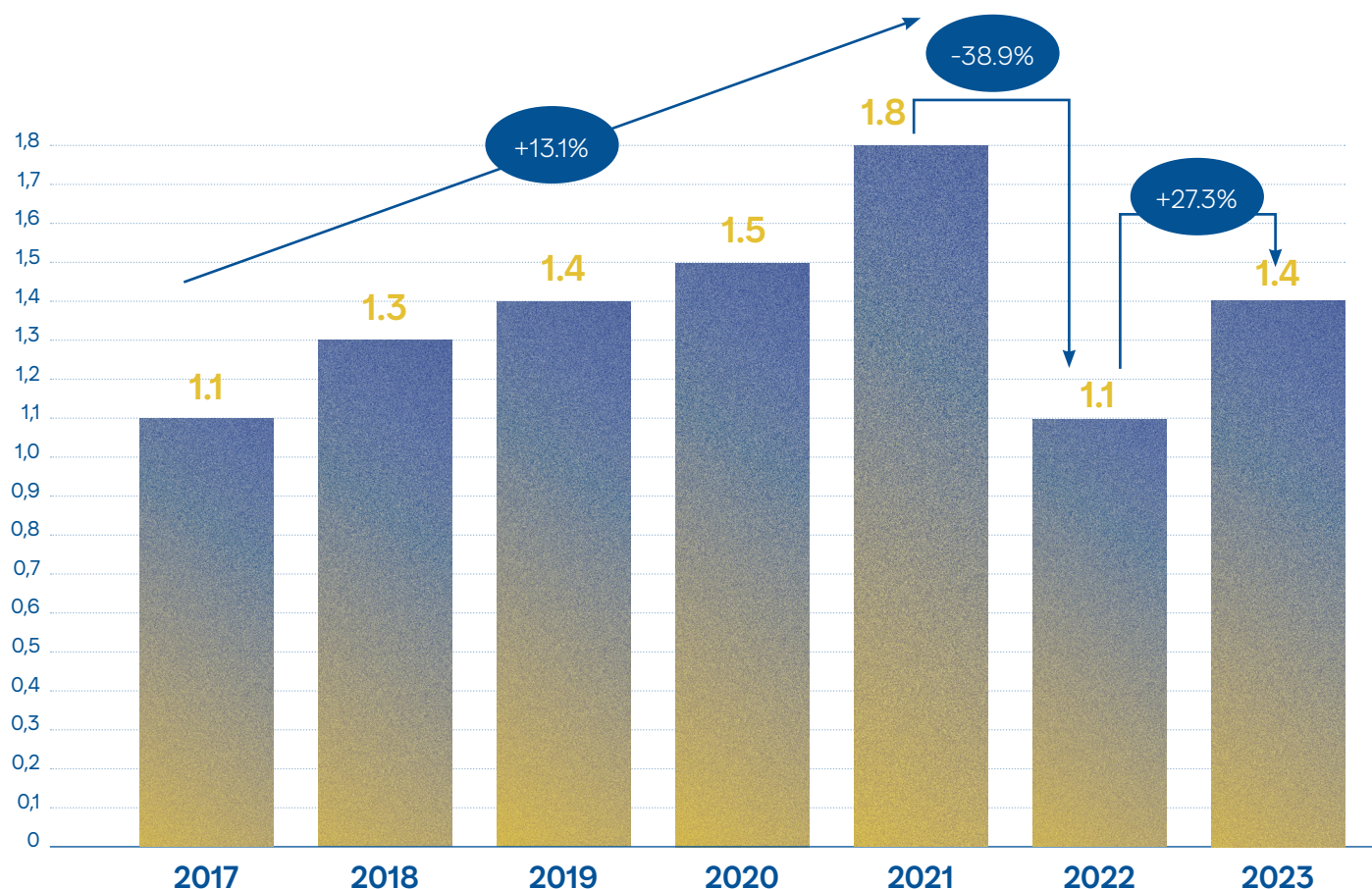
In the period from 2016 to 2021, the GDP of the Ukrainian pharmaceutical sector increased from USD 0.8 billion up to USD 1.8 billion, reaching a share of 0.9% of the total GDP in 2021. This strengthening of the industry was supported by an increase in capital investment in pharmaceutical production. Namely, from 2016 to 2021, the volume of capital investments grew steadily, increasing from USD 65 to 106 million during the specified period. The stability of capital

investments, which was maintained during the crisis period of the COVID-19 pandemic in 2020-2021, emphasises the orientation of the industry to long-term development.

According to the State Statistics Service of Ukraine, in 2021, Ukraine demonstrated a significant volume of pharmaceutical product sales, accounting for 0.9% of the country's total GDP.

However, the positive trend in sales during 2017-2021 was disrupted by a substantial decline in pharmaceutical product sales volumes due to the negative impact of the full-scale invasion in 2022.

Figure 1: The dynamics of sales volumes of the main pharmaceutical products in Ukraine, USD billion¹



¹ - State Statistics Service of Ukraine

Meanwhile, production volumes for the full year of 2023 reached USD 1.4 billion, demonstrating a 27.3% increase compared to 2022. This indicates a rapid recovery of the industry after challenging periods and the strengthening of production stability.

TABLE 1: The largest pharmaceutical companies in Ukraine by revenue, 2023²

№	Company	Revenue, USD million		Growth rates
		2023	2022	2022-2023
1	Farmak	265.0	238.1	+11.3%
2	Pharmaceutical company «Darnytsia»	190.6	160.8	+18.5%
3	YURIA-PHARM	131.4	117.5	+11.8%
4	Kyiv Vitamin Plant	117.8	95.8	+22.9%
5	Arterium	112.3	94.3	+19.2%
6	Biopharma Plasma	60.8	37.1	+63.9%
7	Borshchahivskiy CPP	49.7	49.5	+0.5%
8	Pharma Start, part of Acino Group	40.5	34.0	+19.0%
9	InterChem	34.7	37.1	-6.4%
10	Lekhim-Kharkiv	15.3	18.6	-17.4%

Market leaders continue to invest in expansion of the production capacities and companies' development: «Farmak» has increased its presence in EU countries by acquiring marketing pharmaceutical companies in the Czech Republic and Slovakia in 2023, as well as in Poland in 2024. Additionally, in 2022, «Farmak» invested: USD ~20 million in construction of a new production facility in Spain and more than USD 22.4 million in the development of its production facilities in Kyiv and Shostka (Ukraine).

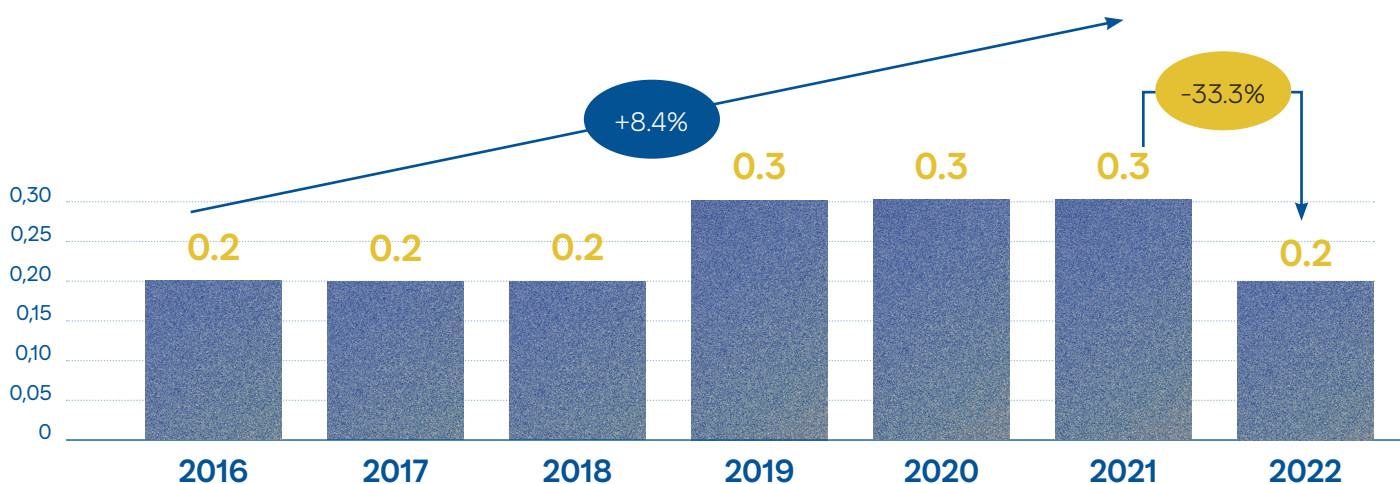
In 2023, the pharmaceutical company «Darnytsia» invested in the company's digital leadership in the industry and became the first Ukrainian company in the

pharmaceutical market to implement the latest version of the SAP S/4HANA ERP system.

In 2023, the pharmaceutical company «YURIA-PHARM» acquired the Uzbek pharmaceutical company «Reka-Med» for USD 10.8 million, obtained from the existing loan of the EBRD. This agreement will allow «YURIA-PHARM» which exports 15% of its products to Uzbekistan, to produce goods for the Uzbek market locally and release around 10% of its Ukrainian capacities for the production of products that are critically important for the domestic market.

The decrease in production volumes caused by the full-scale war has also impacted the volumes of pharmaceutical product exports. Namely, in 2022, the volume of pharmaceutical exports decreased by 24.3% compared to 2021.

Figure 2: The volume of export of pharmaceuticals, USD billion³



² - Opendatobot; Pharmacompass; The Page
³ - ITC Trade Map

At the same time, the pharmaceutical import was even more severely affected, showing a 38.7% decline in volumes in 2022 compared to the year before the full-scale invasion.

Figure 3: The volume of import of pharmaceuticals, USD billion

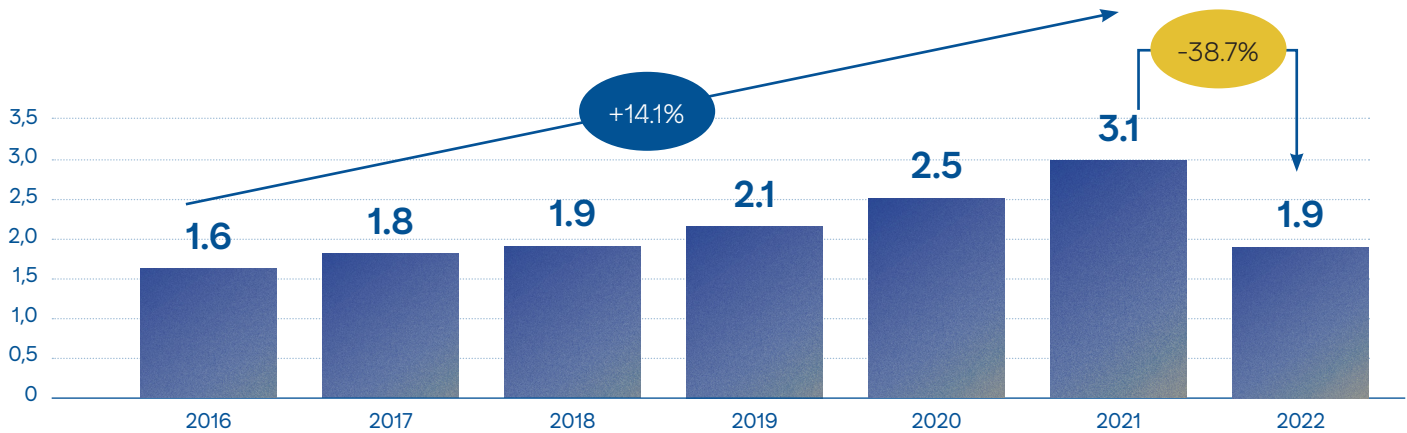


Figure 4: The largest categories of export of pharmaceuticals, USD million, 2022

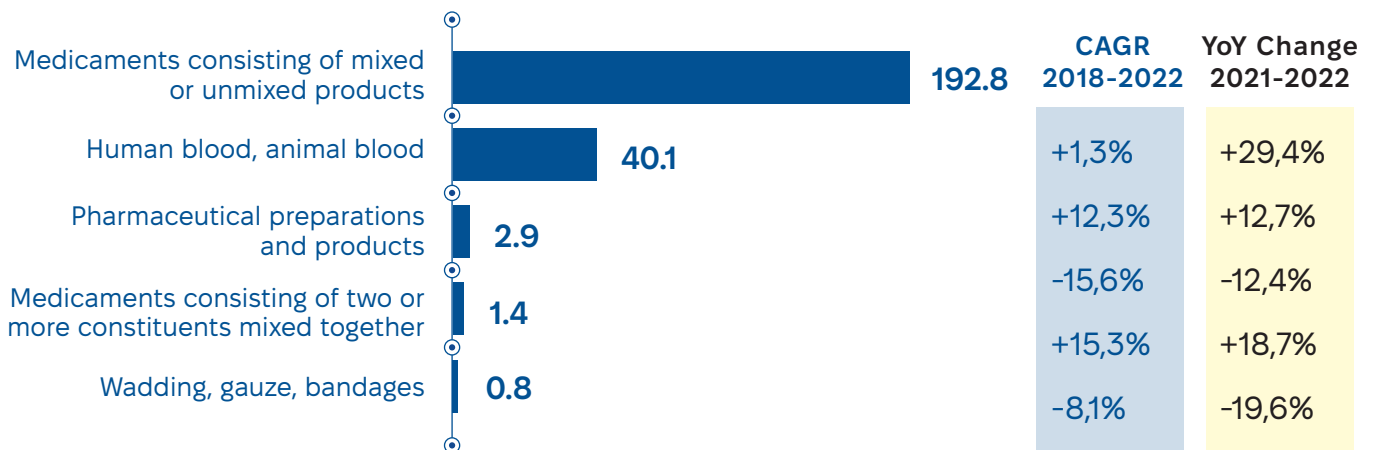
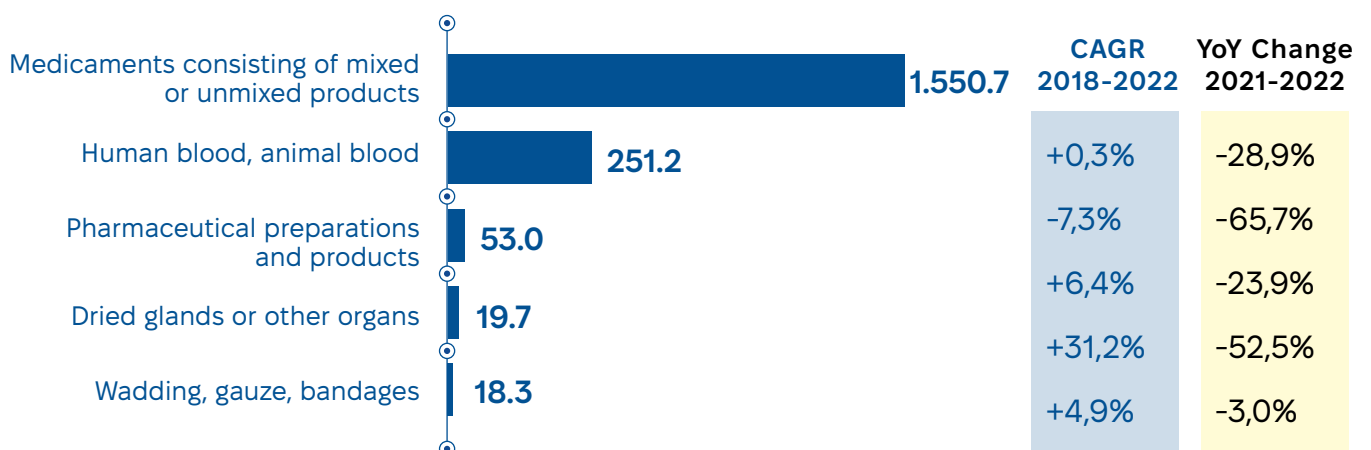


Figure 5: The largest categories of import of pharmaceuticals, USD million, 2022



The largest categories of pharmaceutical imports in 2022 were: medicaments consisting of mixed or unmixed products (USD 1.5 billion) and human and animal blood (USD 0.2 billion). The largest category of pharmaceutical exports was medicaments consisting of mixed or unmixed products (USD 0.2 billion). However, considering that the sales volumes of key pharmaceutical products in Ukraine began to

recover in 2023, approaching pre-invasion levels, and the largest pharmaceutical companies in Ukraine demonstrated positive changes in income indicators in 2023, it can be concluded that the Ukrainian pharmaceutical industry continues to show signs of recovery and demonstrates prospects for further growth in the future.

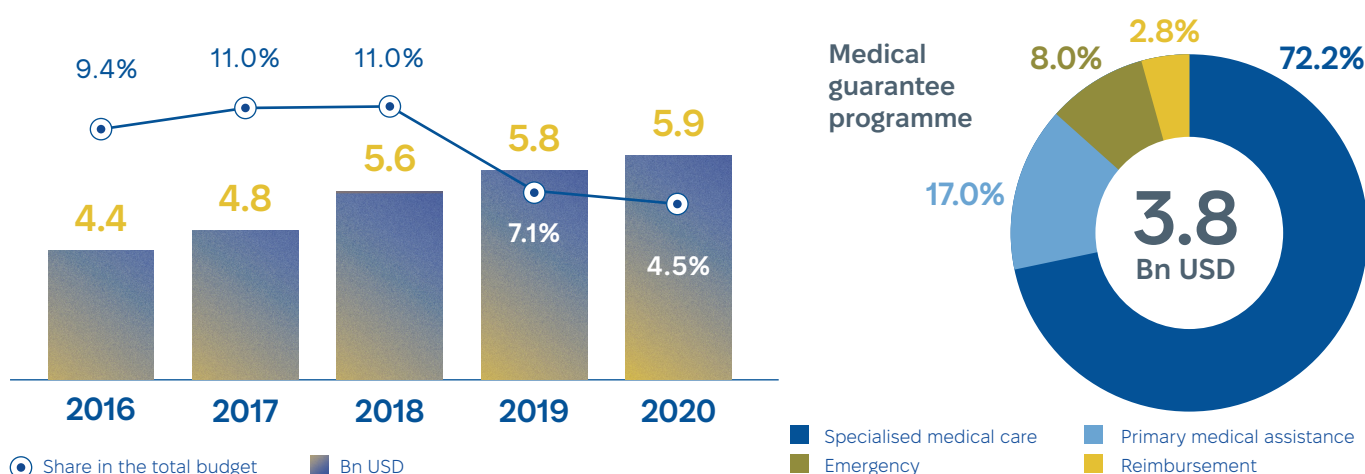
MEDICAL SECTOR

In recent years, the healthcare system in Ukraine has undergone a significant transformation towards the Beveridge model, which guarantee a free access to medical services for all Ukrainian citizens. Until 2017, the population of Ukraine was assigned to doctors based on their registration address, doctors were paid fixed salaries regardless of services' quality, and state medical institutions received funds directly for infrastructure capacity. Instead of these, in 2017, the GoU launched a Medical Guarantee Programme (MGP), which established a new model of the healthcare sector financing with a single tariff for guaranteed medical services. Since 2018, the state funds have been allocated to patients entitled to choose family doctors and sign a declaration on the provision of medical service with them. The costs

have been compensated to medical institutions and doctors through the National Health Service of Ukraine (NHSU).

Thus, the medical sector in Ukraine is gradually transforming into a patient-centred and anti-corruption healthcare model, while doctors and medical institutions became motivated to provide quality healthcare services due to the direct dependence of their income on the number of patients. In addition, public spending on healthcare in Ukraine grew steadily over the past five years at a CAGR of +7.6%. Despite the decrease in the healthcare sector's share in the overall budget of Ukraine since the start of the Russian war due to a greater focus on defence, the MGP remained in effect.

Figure 6: Healthcare spending in Ukraine⁴



However, the Russian invasion in 2022 hampered the access to medical services as a result of damaged infrastructure, massive population displacement and loss of medical specialists.

TABLE 2. Top private medical clinics in Ukraine in 2023 according to the UBA Ranking⁵

N ^o	Company	Score of UBA (out of 100)	Revenue, USD million		Foundation year	Number of facilities	Number of medical fields
			2023	% from 2022			
1	Medical network 'Dobrobut'	87.30	61.4	+71.6%	2001	41	62
2	Medicom clinic	86.93	10.7	+41.0%	1992	5	42
3	Smart Medical Center LLC	64.12	8.9	+48.5%	2017	3	70
4	Medical network 'VIVA'	54.99	n/a	n/a	2005	12	30
5	Oxford Medical	54.14	5.7	+48.5%	2005	43	20
6	Medical centre 'Omega-Kyiv'	50.07	n/a	n/a	2003	4	37
7	'Clinic Verum Expert' LLC	49.94	2.9	+52.4%	2018	2	41
8	Medical centre network 'On Clinic'	48.20	0.7	+20.2%	2007	25	22
9	EUROLAB LLC	47.03	1.5	+32.5%	2004	1	56
10	Medical centre 'Helyos'	37.77	n/a	n/a	2007	4	19

⁴ - Official website of the Ministry of Finance of Ukraine; State website of the budget for citizens 'open budget'

⁵ - Ukrainian Business Award website, Opendatabot

The key private medical clinics in Ukraine from the UBA Ranking increased their revenues in 2023 compared to 2022, primarily due to the higher demand for medical services related to the Russian invasion. In addition, the medical services market in Ukraine has expanding with new medical facilities, as well as the medical networks have investing in the development of new medical fields. Among selected investment projects in Ukraine are:

- In 2023, Medical network 'Dobrobut' opened a new multidisciplinary hospital in Kyiv with more than 200 medical specialists, investment in which amounted to approximately USD 20 million. The new hospital occupies 8 floors with a total area of over 10,000 square metres.
- In April 2023, the ADONIS medical group of companies with 11 medical facilities in Kyiv and Kyiv region opened a new physical rehabilitation centre in Kyiv.
- In February 2024, Fozzy Group, a trade group of companies in Ukraine, opened a multidisciplinary medical centre 'Doctor Sam' in Kyiv with a licence for 34 medical fields and a total area of 1,000 square metres.

In summary, despite the war challenges, the medical services sector in Ukraine demonstrated resiliency in terms of operations and receiving public funding.

4.8.2. Overview and outlook of key reforms

With the start of Health Reform 2016, Ukraine has improved its position in the Health component of the Legatum Prosperity Index, ranking 101st in 2023 compared to 135th in 2017. This component measures the overall level of public health and population's access to healthcare services, as well as includes the efficiency of the healthcare system, level of diseases, risk factors, and mortality rates. The improvement of Ukrainian position was resulted primarily from the rise in indicators of preventive healthcare measures and public satisfaction with the healthcare system, owing to the establishment of access to constant communication with family doctors and the expansion of guaranteed medical services' list.

Since 2016, the regulatory framework of the pharmaceutical sector in Ukraine has undergone a period of significant transformation, driven by the introduction of initiatives to strengthen the healthcare sector. In addition to the primary focus on reorganising the healthcare facilities' structure in Ukraine, the Health reform of 2016 aimed to regulate the turnover of medicines, which contributed positively to consumer demand for pharmaceutical products.

Despite the urgent healthcare priorities on the back of martial law, Ukraine continues to improve its pharmaceutical legislation to harmonise it with the EU requirements.

4.8.3. Tendencies and trends

Current global issues along with a number of technological advances are transforming the pharmaceutical and medical services sectors for the improvement of public access to medical services and the promotion of sustainable development goals:

Figure 7: Implementation of global tendencies in the pharmaceutical and medical services sectors in Ukraine⁶



The Russian invasion of Ukraine, demographic and climate changes, the COVID-19 crisis and other factors are forcing Ukrainian pharmaceutical manufacturers and medical facilities to move towards global trends in these areas.

⁶ - Visualisation of the KPMG analysis

1 Tendencies in the pharmaceutical sector:

- Production of mRNA vaccines.
- Application of AI for research.
- Increased demand for medicines for chronic diseases.
- Increased focus on mental health.

2 Tendencies in the medical services sector:

- Remote medicine.
- Personalised medicine.
- Improving surgical direction.
- Increased focus on reproductive medicine.

3 Common tendencies:

- Using 3D printing.
- Cell therapy.
- Gene therapy.

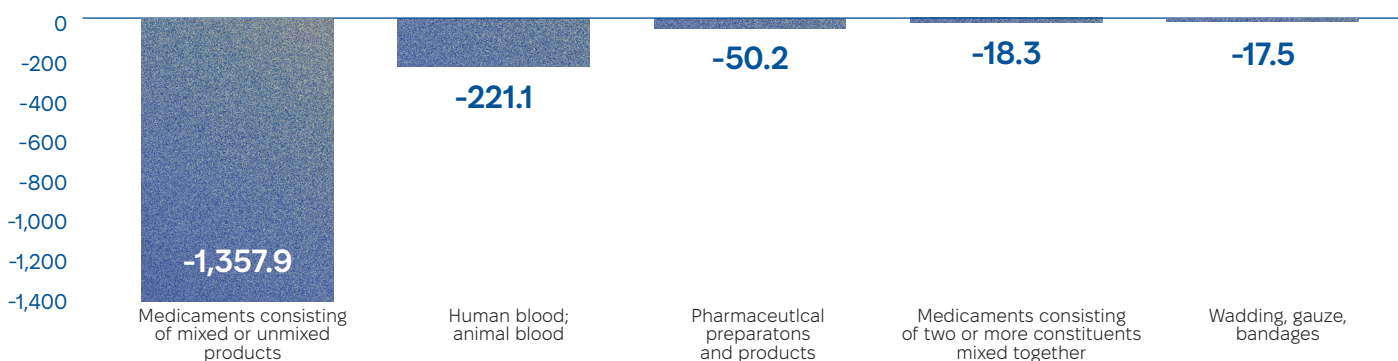
4.8.4. Advantages of industry development in Ukraine

High domestic demand

The full-scale war has significantly impacted the trade of pharmaceuticals, leading to negative changes in procurement and supply volumes. Specifically, the import of pharmaceutical products decreased by 37.5%, declining from USD 3.1 billion in 2021 to USD 1.9 billion in 2022.

At the same time, all categories of Group 30 'Pharmaceutical Products' demonstrated a negative trade balance in 2022, indicating Ukraine's dependence on the import of certain categories of pharmaceuticals and the high domestic demand.

Figure 8: Trade balance of pharmaceuticals in Ukraine, million USD, 2022⁷



As in previous years, the category 3002, which includes blood, immune serums, immunological products and vaccines, remained the second-largest category of imports, comprising 13.2% of the total import volume in 2022.

Overall, nearly 95% of imported pharmaceutical products consisted of Medicaments in measured

doses or packaged for retail sale and serums, along with vaccines, indicating that a large portion of the demand for pharmaceuticals (such as antibiotics, vaccines, etc.) can be met by domestic producers. Provision of domestic demand with local productions will initiate an increase in internal consumption of goods and services in the country, promoting economic growth.

Medical sector

The full-scale invasion has significantly impacted Ukraine's medical infrastructure. As of July 2023, 1,389 medical facility objects were damaged, while 186 objects completely destroyed. However, the restoration of medical infrastructure remains a key and prioritised aspect for ensuring accessibility of medical care to the population. Therefore, Ukraine has already managed to restore part of the medical facilities. Specifically, as of the end of July 2023, 343 medical facility objects have been fully restored, with an additional 414 objects partially restored.

The development of medical infrastructure in Ukraine is a key factor in providing accessible and quality healthcare to the population. Despite the challenges faced by the healthcare system due to military events, the implementation of the medical infrastructure restoration program aims to further improve accessibility and quality of medical services for the Ukrainian population, serving as a prerequisite.

4.8.5. Prospects and potential for the sector

The harmonisation of Ukrainian legislation with EU laws in the pharmaceutical and biopharmaceutical sectors will contribute to the creation of a favourable and predictable regulatory environment for the development and expansion of pharmaceutical enterprises.

Partnerships with international companies and institutions can help attract new technologies and investments, promote entry into the global market, increase competitiveness, and, accordingly, facilitate the development of exports of Ukrainian pharmaceutical products.

⁷ - ITC TradeMap