RUSSIAN
DENTAL MARKET OVERVIEW

Russia or the Russian Federation is a transcontinental country extending over much of northern Eurasia (Europe and Asia). With an area of 17,075,400 km², Russia is the largest country in the world, covering almost twice the total area of the next-largest country, Canada, and has large mineral and energy resources combined with the world's ninth-largest population.
The Russian Federation comprises 85 federal subjects.
Russia is one of the key players in international relations. As one of five permanent members of the UN Security Council, Russia has a special responsibility for maintaining international peace and security. Russia plays an important role in helping mediate international conflicts through the Quartet on the Middle East and the Six-party talks. Russia is a member of the Group of Eight (G8) industrialised nations and is a member of a large number of other international organisations, including the Council of Europe, OSCE and APEC. Russia usually takes the leading role in the organisations created on the territory of the former USSR; the CIS, EurAsEC, CSTO, and the SCO.
While the possibility of Russia joining the European Union in the future has been advocated and discussed, Russia aspires to be an equal partner with the EU rather than a member.
There are 13 cities in Russia with population over 1 000 000 people: Moscow, St. Petersburg, Volgograd, Yekaterinburg, Kazan, Nizhniy Novgorod, Novosibirsk, Omsk, Perm, Rostov-na-Donu, Samara, Ufa, Chelyabinsk

•• RUSSIAN ECONOMY

More than a decade after the collapse of the Soviet Union in 1991, Russia is trying to further develop a market economy and achieve much more consistent economic growth. Russia ended 2006 with its eighth straight year of growth, averaging 6.7% annually since the financial crisis of 1998. High oil prices and a relatively cheap ruble initially drove this growth, however, since 2003 high consumer demand and, more recently, investment have played a significant role. In 2006 the Russian economy has once again outperformed expectations, and the International Monetary Fund and World Bank forecast that Russia's GDP will grow by at least 7% in 2007. The Russian Ministry of Economic Development and Trade revised its forecast and projects that GDP will grow 7.3% in 2007.
Russia has the largest known natural gas reserves of any state on Earth, along with the second largest coal reserves, and the eighth largest oil reserves. It is the world's leading natural gas exporter and the second leading oil exporter. Russia is well ahead of most other resource-rich countries in its economic development, with a long tradition of education, science, and industry.
In January-June 2007, foreign investment in the Russian economy doubled year-on-year, reaching $60.3 billion. In 2000 total investment in fixed assets was $40 billion, giving growth of 300% by 2006. Since 2003, exports of natural resources started decreasing in economic importance as the internal market has strengthened considerably, largely stimulated by intense construction, as well as consumption of increasingly diverse goods and services. A simpler, more streamlined tax code adopted in 2001 simplified the taxation system and reduced the tax burden on people, and resulted in dramatically increased government revenue. Russia has a flat income tax rate of 13 percent, one of the lowest rates in the world, and its implementation has been so successful that it has been widely emulated by other countries.
The economic development of the country has been extremely uneven geographically: the Moscow region contributes one-third of the country's GDP while having only a tenth of its population. While the huge capital region of Moscow is an affluent metropolis, much of the country, especially indigenous and rural communities in Asia, lags significantly behind. Nevertheless, market integration is being felt throughout the country. The middle class has grown from just 8 million in 2000 to 55 million in 2006, estimates Expert, a market research firm in Moscow.
Over the last five years, fixed capital investments have averaged real gains greater than 10% per year and personal incomes have achieved real gains more than 12% per year. During this time, poverty has declined steadily and the middle class has continued to expand. Russia has also improved its international financial position since the 1998 financial crisis.
Russia's macroeconomic performance in recent years has been impressive. High oil prices and large capital inflows have contributed importantly to this success, but a principal factor has been the combination of strong growth in productivity, real wages, and consumption. Very high levels of education and societal involvement achieved by the majority of the population, including women and minorities, secular attitudes, mobile class structure, and better integration of various minorities into the mainstream culture set Russia far apart from the majority of the so-called developing countries and even some developed nations.

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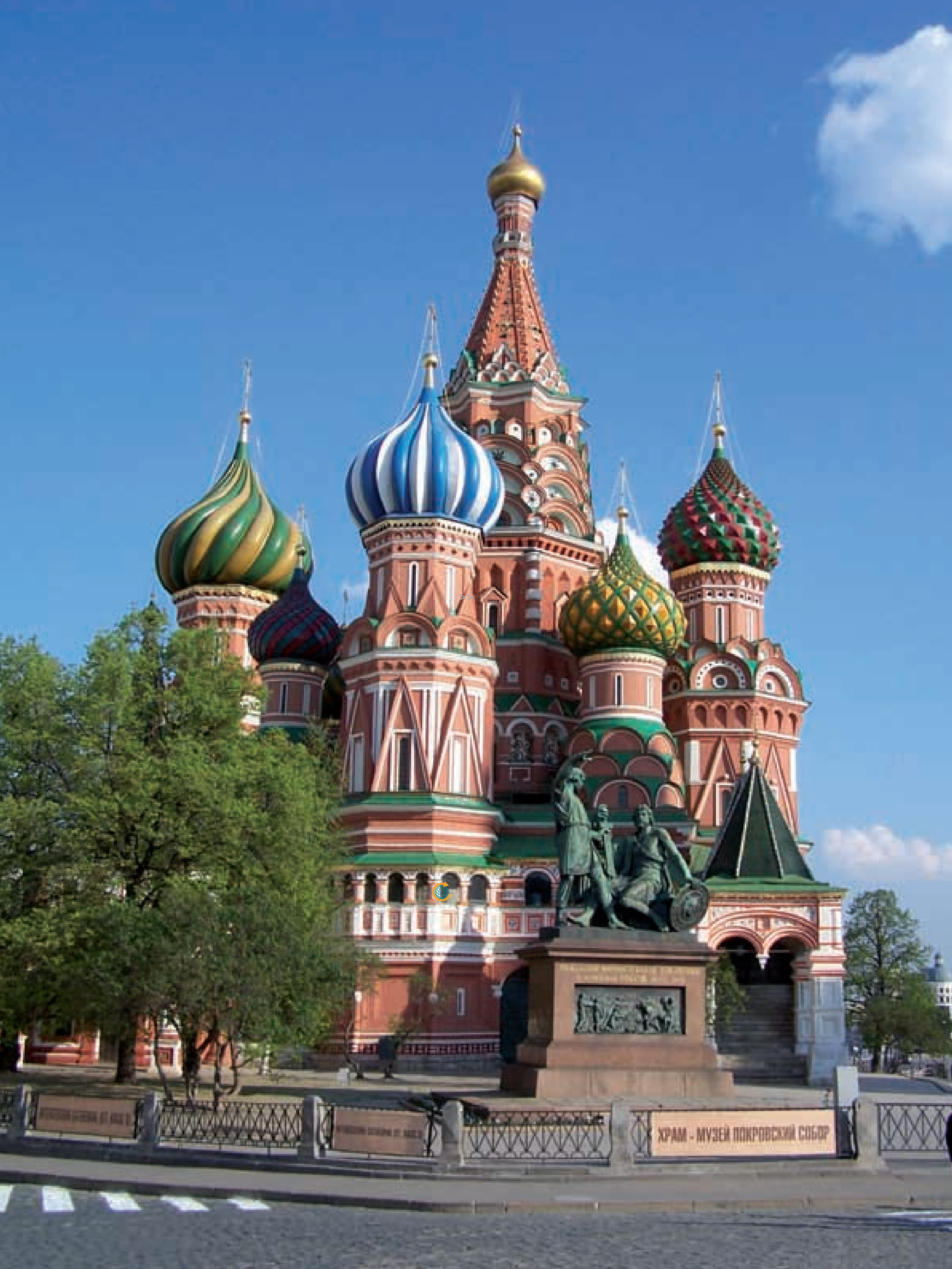
ХРАМ - МУЗЕЙ ПОКРОВСКИЙ СОБОР

Currency	1 Russian ruble (RUB) = 100 kopeks
Fiscal year	Calendar year
Trade organizations	CIS, APEC, EURASEC

Statistics

GDP ranking (PPP)	9th by volume (at PPP) (2006)
GDP (PPP)	$ 1,746 trillion (2006 est.)
GDP growth	6.7% (2006 est.)
GDP per capita (PPP)	$ 12,200 (2006 est.)
GDP by sector	agriculture 5.3%, industry 36.6%, services 58.2% (2006 est.)
Inflation	9% (2006 est.)
Pop. below poverty line	7.8% (2005 est.)
Labour force	73,88 million (2006 est.)
Labour force by occupation	agriculture 10.8%, industry 21.9%, services 60.1% (2005 est.)
Unemployment	6.6% plus considerable underemployment
Main industries	mining, machine building, defense, shipbuilding, agricultural machinery, construction equipment, consumer durables, textiles, foodstuffs, handicrafts

Trading Partners

Exports	$ 317,6 billion (2006 est.)
Main partners	Netherlands 10.3%, Germany 8.3%, Italy 7.9%, China 5.5%, Ukraine 5.2%, Turkey 4.5%, Switzerland 4.4% (2005)
Imports	$ 171,5 billion (2006 est.)
Main partners	Germany 13.6%, Ukraine 8%, China 7.4%, Japan 6%, Belarus 4.7%, U.S. 4.7%, Italy 4.6%, South Korea 4.1% (2005)

Public Finance

Public debt	8% of GDP (2006 est)
External debt	$ 287,4 billion (30 June 2006 est.)
Revenues	$ 222,2 billion (2006 est.)
Expenses	$ 157,3 billion (2006 est.)

Russia has more higher education graduates than any other country in Europe.
Over a quarter of the world's scientific literature is published in Russian. It is also applied as a means of coding and storage of universal knowledge—60–70% of all world information is published in English and Russian languages. Russian is still one of the official languages of the United Nations.
Russia's constitution guarantees free, universal health care for all Russian citizens. While Russia has more physicians, hospitals, and health care workers than almost any other country in the world, it has struggled to provide high levels of health care services.

Russian Dental Equipment and Supplies Market

Dentistry as a branch of Russian health care is becoming one of the most advanced and promising areas of Russian medicine.

The Russian dental industry is highly privatized. There is very little government-funded dental treatment. State dental clinics, which provide some free dental services, receive payment for them either from Mandatory Medical Insurance Funds or Voluntary Medical Insurance Programs. Private dental clinics or fee-for-service departments in state dental clinics, which provide the majority of dental services in large cities, charge patients directly. As disposable incomes intensively grow, dentistry is becoming a spending priority not only for high-income, but also for middle-income and low middle-income groups.
The Russian dental market has an impressive potential. The numbers of clinics, practicing dentists, technicians and patient visits are quite high. According to our estimations there are 11,000 state and 6,000 private dental clinics in the country. There are more than 85,000 dentists and more than 20,000 technicians who work in state dental clinics and more than 20,000 dentists and more than 10,000 technicians who work in private dental clinics. The number of patient visits is more than 150 million a year. Ehere are 4.5 dentists for every 10,000 people in Russia.

The dental market is one of the most highly controlled and organized markets in Russia. Professional dental industry associations play a significant role. The Russian Dental Association has 69 regional divisions. Dental Industry Association (RDI – ROSI) was founded in 2000 and has 50 members.

In the last ten years Moscow's dental market experienced rapid growth. Presently, over 700 private clinics offer a wide range of dental treatment. However, according to industry experts, the market is not yet saturated for the segment of clinics, which service the middle and low middle-income classes. Elite clinics experience fierce competition and suffer for a lack of patients. The number of state clinics in the city is not more than 30. The price difference in state and private clinics may be as high as 4-20 times. For example, a metal and ceramic prosthesis in a private clinic costs from $200 to $1000 while the same prosthesis in a state clinic costs from $50 to $150, in the majority of state clinics patients pay only 1-5$ for treatment of one caries tooth, in private clinics the price for treatment of one caries tooth is 50-100$. Private clinics buy modern equipment, including dental lasers, modern X-Ray equipment and tooth-bleaching systems. Advanced private clinics offer implantation and oral hygiene treatments and generally comply with Western standards. Implants and orthopedics treatments are the most demanded services in dentistry. Monthly returns of one dental office working with implants is $100 thousand. There are tens of Western dental clinics operating in Moscow.

The major dental University is Moscow State Medical and Dental University, the Sechenov Medical Academy is training high level professionals as well.

CNIIS Rosmedtehnology is one of the major scientific centers focused on the dentistry field.
Western materials, equipment, and techniques are now widely employed in private clinics, narrowing the gap between the services available in Russia and other European countries. The rapid growth of this sector during the early and mid-1990s, interrupted by the August 1998 ruble crisis, has recovered and the turnover of Russian dental market for today is 1 000 000 000$ and will increase to over 2 000 000 000$ during next 10-15 years.
The growth has pushed the market to generate a significant demand for imported dental supplies and equipment. Private clinics, the primary purchasers of imported dental equipment and supplies, continue to provide a significant amount of all dental services. Domestic products are generally of lower quality than imported products and meet only about 20 percent of demand. Currently, substantial opportunities exist for U.S. manufacturers of dental equipment and supplies seeking to enter the Russian market or expand their reach there.

Many large US and transnational companies have their own local offices in Russia:
Dentsply, 3M ESPE, Sirona, KaVo, Nobel Biocare, Colgate, Eastman-Kodak, Procter and Gamble, Discus Dental, SS White, Philips/Sonicare, Oral B, Wrigley, etc.

Current Russian legislation is not a significant barrier to importers of dental equipment. Customs duties for the majority of dental products are currently 5 percent. Exceptions concern IV sets, and disposable syringes for which customs duties are 15 percent.

The new Tax Code, which came into force on January 1, 2002, discontinued the VAT exemption for a large number of medical products, including pharmaceuticals and medical supplies for which 18 percent VAT is applied. However, the new regulation did not affect the majority of medical equipment, including dental equipment, which is VAT-exempt.
Imported products account for approximately 80 percent of the Russian dental market. U.S. manufacturers are among the leading sellers in Russia, along with those from Germany, Italy, France, Switzerland, Japan, Spain, and Finland. Dental products from Brazil, Argentina, Korea, China, Slovenia and Turkey provide competition in the lower-price range. The demand for dental products in the mid-price range is steady, and both state-run and private clinics are continually upgrading their facilities and services. Thus, the market is receptive to dental equipment and materials that use the most advanced technologies and have a high quality/price ratio.

Despite strong competition from Western manufacturers, especially from Germany and Italy, U.S. products enjoy a sound reputation in Russia as having good quality and reliability.

European products are competitive in certain categories of equipment; geographic proximity plays a significant role in their companies' ability to favorably position products on the market.
A positive factor for U.S. manufacturers is the nature of the industry as highly privatized. This means that it relies mainly on private financing and out-of-pocket payments, and does not suffer from the significant funding constraints that can hamper other medical purchases in Russia.

Currently, the Russian market is very receptive to imported goods in the following areas:

• Dental chairs, cabinetry, and delivery systems; equipment for dental laboratories; endodontal devices and supplies; polymerizing lamps; and micromotors. There are no Russian producers of high-quality equivalents for these products. Private clinics consider that imported furniture, particularly dental chairs, is necessary for shaping their image and attracting clients. Clinics are open to making significant investments in such equipment. Moreover, clinics that initially purchased simple, imported workhorses are upgrading to models in the $15,000-30,000 range.

• X-ray equipment and supplies, interoral x-rays, radiographs, modern ultrasound equipment, and dental lasers.

• Anesthetics (local and topical) and syringes. Anesthetics are widely used in Russian dentistry and demand far exceeds domestic production capabilities. Moreover, Russian brands are widely considered to be low quality, so clinics prefer imported products.

• Cosmetic dentistry, bleaching, and restoration are relatively new to the Russian market, but are gaining popularity. There is a growing demand for hygiene and scaling instruments, instruments and materials for modern aesthetic dentistry and tooth hygiene, teeth whitening and bleaching products. As the industry modernizes, the popularity of routine hygiene services is growing, creating demand for the materials and equipment necessary for all aspects of hygiene. Similarly, pediatric sealants, previously unknown in the Russian market, are coming into wider use.

• The demand for endodontic materials and the need for removable and permanent prostheses, such as dentures and bridges, are currently strong and expected to grow.

• The present market for implants is weak because of the procedure's high price, as well as a lack of familiarity with the procedure among patients and doctors. As with prostheses, though, the generally poor level of dental health drives the potential growth in the field of implantology. The implants and generally implantology market is one of the most perspective markets in Russia as it is in the World.

• Orthodontics.
There are currently few firms in Russia importing or distributing orthodontic products, but both pediatric and adult orthodontics offer promising opportunities.

• Used equipment. There is a substantial demand for used dental equipment, particularly ultrasound equipment, dental complexes, panoramic tomography devices, and other equipment and instruments for dental office. Mid and high-end clinics prefer to purchase new equipment as it is an integral part of the clinic's image. Therefore, the best potential end-users for refurbished equipment are state clinics.

Marketing Strategy and Promotion

The most efficient way to reach both dealers and dentists is to take part at one of the most important dental exhibitions in Russia – Dental-Expo or Dental Salon which are held in Moscow in fall and spring respectively. Organized by the Company "Dental-Expo" and supported by The Russian Dental Association and RDI – ROSI, these events are the ideal platform for the promotion of products and finding partners in Russia.
An efficient way of reaching dentists is holding educational seminars featuring the manufacturer's product because many firms have already established clienteles. In fields with complex procedures, such as implantology, orthodontics, and use of articulators, dentists have considerable interest in new materials and techniques, but lack the training necessary to incorporate these products into their practices. Venues for introductory seminars are major trade shows. The organization of seminars separately from the major exhibitions is very expensive and it is hard to convoke professionals.

Big potential have joint productions based on technologies of assembling of spare parts on the factories based in Russia. It allows decreasing of the customs taxes on import. Professionals think that market capacity of dental units assembled with these technologies is 5000 dental units per year.

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	State Sector	Private Sector
Clinics	11 143	6 000
Dentists and dental surgeons	> 85 000	> 25 000
Technicians	> 20 500	> 15 000

Prophylaxis reserve	150 000 000 visits yearly
Density	4,5 dentists for every 10 000 people

	Dental Schools	Yearly Graduated
Education	51	~ 8 200

In 2006 less that 1000 dental units – made in Russia, 6000 of imported dental units were sold in Russia:

• Around 2000 – from Brazil
• Around 1000 – from Slovakia
• Around 500 – from USA
• Around 500 – from Germany
• Around 400 – from Italy
• Around 300 – from Czech Republic
• Around 1300 – other factories

CERTIFICATION OF DENTAL EQUIPMENT AND SUPPLIES IN RUSSIA

In the modern World of large-scale market relationships in manufacture, economic exchange and trade cases when material interest turns from means of maintenance of normal existence for many to the purpose of enrichment, falsification, gamble, aspiration to promote out desirable for valid can be meet quite often.
In order to counteract these negative issues should be developed and used various means of protection.
With a view of the safety and efficiency of medical purpose products, they can be sold and used in the Russian Federation only after carrying out of some procedures in the order established by the legislation.

Objects due for check at the control over manufacture of medical purpose products:

• The medical purpose products intended for use by professionals (legal entities or individual businessmen) and people in home conditions
• Technical, operational and other associated documentation on the production process
• Activity of the organizations on maintenance of quality and safety of the production, organization of interaction with sellers and end users of made medical purpose products concerning their quality and safety
• Complaints and claims for quality and safety of production.

1st stage:

The State registration of medical purpose products represents a combination of actions carried out by Roszdravnadzor (Federal Supervision Service in the area of Public Health Services and Social Development), focused on the control over the admission of medical purpose products to manufacture, import, sale and use in territory of the Russian Federation.

Includes:

• Examination of documents
• Carrying out of technical, toxicological and medical tests
• Delivery of the registration certificate

Federal Supervision Service in the area of Public Health Services and Social Development (Roszdravnadzor)

APPLICANTS

Establishments or the test centers authorized to carry out tests of medical purpose products "CNIIS Rosmedtehnology" 119991, Moscow, Timur Frunze street, 16 tel/fax: (+7 495) 248 1047

2nd stage:

Federal Agency on Technical Regulation and Metrology (Rostehregulirovanie)

- Certification - acknowledgement of products (process) conformity to the requirements of the specifications and technical documentation, carried out by the third party (the accredited body on certification – i.e. "CNIIS Rosmedtehnology" 119991, Moscow, Timur Frunze street, 16, tel/fax: (+7 495) 248 1047.
- The Certificate of Conformity - the document confirming the conformity of products to certain requirements of quality and safety according to operating standards (GOST, GOST R, GOST R MEK, GOST R ISO and so forth).

Mandatory Certification is entered on potentially dangerous groups of the goods and services. In the case of mandatory certification acknowledgement of conformity can be obtained also by means of acceptance by the manufacturer (the seller, the executor) the declaration on conformity which is registered in the certification body and has a validity level same as the certificate.

The purposes of the certification:

• Creation of conditions for formation of the uniform commodity market
• Protection of the consumer against unconscientiousness of the manufacturer (the seller, the executor)
• The control of products safety
• Acknowledgement of parameters of products quality
• Assistance to consumers for a competent choice.

All requirements on the state registration and certification IMN are identical as to Russian, and to foreign manufacturers.

Certification Body
reg. Number ROSS RU.0001.11AV07
119991, Moscow, Timur Frunze street, 16
tel/fax (+7 495) 248 1047

APPLICANTS

The state supervising organizations

Test Laboratory (center)
reg. Number ROSS RU.0001.21IM38
119991, Moscow, Timur Frunze street, 16
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