Abstract

In pharmaceutical industry there are long period of research and development (R&D) and large amount of investments. Significant period between the start of investments and returns on investments made result in difficulty in raising funds. Issuing shares on stock market can be a solution of the problem. This study is aimed to examine how pharmaceutical companies in Russia disclose information related to their research and experimental development, and how investors on the stock market react to the disclosure of this information.

Firstly, we analyse the characteristics of the pharmaceutical companies whose ordinary shares are traded on the Russian stock market. In particular, we consider companies’ practices of R&D disclosure in the financial statements and in the announcements on the web-sites. Secondly, we investigate how Russian stock market investors react to the release of the new information related to R&D using event study methodology.

The results show that Russian pharmaceutical companies adequately disclose the late stages of research and development. However, the early stages of the research are poorly disclosed to investors. Analysis based on the event study methodology showed that the Russian stock market investors do not tend to react to R&D announcements. Thus, our results are in contrary with the results of previous studies that are conducted on US and European stock markets data and found out a positive reaction.

Thus, the Russian pharmaceutical companies to a lesser extent disclose R&D in announcements than European ones. This peculiarity should be taken into account if Russian companies decide to raise funds on foreign stock markets. Russian stock market investors do not take into account information about the company’s achievements in R&D; whereas the results of R&D made by pharmaceutical companies are necessary to create unique products that enable Russian pharmaceutical companies to compete with each other and with foreign rivals.

Key word: disclosure, R&D, pharmaceutical companies, event study, financial reporting

JEL: G30, G14

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