PHARMSTANDARD – LEADING RUSSIAN PHARMACEUTICAL COMPANY

1H 2008 Results Presentation
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Company Overview
Pharmstandard 1H 2008 achievements

• Leading domestic pharmaceutical company in Russia (measured by sales)
  • #2 pharma company overall in Russia by sales value in 1H 2008
  • #1 pharma company in the commercial segment by sales value in 1H 2008

• Industry leading growth and profitability
  • Revenue growth of 40% to RUR 6,198 mln (US$259 mln) in 1H 2008
  • EBITDA growth +62% and to RUR 2,621 mln (US$110 mln) in 1H 2008, EBITDA margin equals 42%
  • Net profit grew by 83% to RUR 1,757 mln (US$ 73 mln)

• Market leading brands and new products
  • 7 brands among top-15 best selling domestic brands in Russia
  • Launched 8 new products

• Experienced sales force and modern and efficient manufacturing facilities
  • More than 445 sales force (hired more than 100 people)
  • Launched new workshop for capsules in Kursk
  • RUR 381 mln (US$ 16 mln) invested in modernisation of production facilities

• Consolidated interest in Ufa, Kursk and Tyumen subsidiaries up to 99%, 97%, and 96% of shares

Source: Company, Pharmexpert, retail prices, as of 1h 2008
#2 pharmaceutical company on Russian market

Market Share – All Market

- **NOVARTIS**: 4.6%
- **SANOFI-AVENTIS**: 4.0%
- **JANSSEN-CILAG**: 3.6%
- **BAYER HEALTHCARE**: 3.3%
- **BERLIN-CH/CHI/CHERINI**: 2.9%
- **ROCHE**: 2.8%
- **SANDOZ**: 2.7%
- **GEDEON RICHTER**: 2.6%
- **SERVIER**: 2.5%
- **OTHER**: 67.2%

Market Share - Domestic Companies

- **PHARMSTANDARD**: 19.5%
- **OTHER**: 47.5%
- **STADA ARZNEIMITTEL AG**: 9.0%
- **OTECHESTVENNIE LEKARSTVA**: 4.5%
- **MATERIA MEDICA**: 3.2%
- **VEROPHARM ZAO**: 3.1%
- **BIOTEK**: 2.9%
- **POLPHARMA**: 2.6%
- **MATERIA MEDIKA**: 2.6%
- **OTECHESTVENNIE LEKARSTVA**: 2.1%
- **KASNOGORSKLIBER**: 2.1%
- **MICROGEN EPO**: 2.7%
- **PHARMCENTR**: 2.9%

#2 pharma company in Russia overall

#1 domestic pharma company, with market share 2 times larger than that of #2 domestic player

Source: Pharmexpert preliminary data, retail prices 1H 2008. Subject to change.
A Leader in the Russian Commercial Segment

Commercial Segment - Market Share – All Companies

PHARMSTANDARD 5.3%
SANOFI-AVENTIS 3.9%
BERLIN-CH/MENARINI 3.5%
SANOZ 3.2%
NOVARTIS 3.2%
GEDEON RICHTER 3.0%
NYCOMED 2.9%
SERVIER 2.8%
BAYER HEALTHCARE 2.8%
Pfizer 2.6%

Commercial Segment - Market Share - Domestic

PHARMSTANDARD 21.4%
OTHER 47.1%
STADA ARZNEIMITTEL AG 9.0%
OTECHSTVENNIE LEKARSTVA 4.1%
MATERIA MEDICA 3.6%
MICROGENE NPO 2.6%
BIOTEK 2.6%
FEROPHARM ZAO 2.6%

PHS is #1 in commercial segment
(commercial segment is 75% of the total market)

Source: Pharmexpert preliminary data, retail prices 1H 2008. Subject to change.
1. Promote our market-leading brands to drive sales growth and profitability
2. Launch new products on a regular basis
3. Expand sales and marketing effort
4. Grow through acquisitions
5. Continue to actively control costs
6. Exploit opportunities from Federal Reimbursement Programme (FRP) as they arise
1. Promote our market-leading brands to drive sales growth and profitability

### Leading domestic pharma trademarks by sales value in 1H 2008

<table>
<thead>
<tr>
<th>Trademark</th>
<th>Ranking in 1H 2008</th>
<th>Ranking in 1H 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARBIDOL</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>PENTALGIN</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>MEXIDOL</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>TERPINCOD</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>ANAFERON</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>SODIUM CHLORIDE</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>COMPLIVIT</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>VIFERON</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>FLUKOSTAT</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>HAWTHORN</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>CODELAC</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>CORTEXIN</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>PHENOTROPIL</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>AMIXIN</td>
<td>14</td>
<td>26</td>
</tr>
<tr>
<td>ACTIVATED CHARCOAL</td>
<td>15</td>
<td>33</td>
</tr>
</tbody>
</table>

- 7 leading brands in top 15
- 3 in 5 fastest growing brands (Arbidol, Amixin, Phosphogliv)
- “Top of mind” position with consumers
- Significant brand loyalty

Source: Pharmexpert preliminary data, retail prices 1H 2008. Subject to change.
### 2. Launch new products on regular basis

<table>
<thead>
<tr>
<th>Product</th>
<th>Launch</th>
<th>Date of ATC</th>
<th>ATC value, US$m (2007)</th>
<th>Key market brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Influnorm</td>
<td>Jul-08</td>
<td>R05A – cold preparations without anti-infectives</td>
<td>175</td>
<td>Coldrex, Fervex, Teraflu</td>
</tr>
<tr>
<td>Pentalgine plus</td>
<td>Mar-08</td>
<td>N02B – non-narcotics analgesics and antipyretics</td>
<td>248</td>
<td>Tempalgin, Baralgin, Nurofen, Solpadeine</td>
</tr>
<tr>
<td>Complivit ophtalmo</td>
<td>Jul-08</td>
<td>A11A – multivitamins with minerals</td>
<td>232</td>
<td>Vitrum, Multi -Tabs, Supradine</td>
</tr>
<tr>
<td>Complivit Se</td>
<td>Aug-08</td>
<td>A11A – multivitamins with minerals</td>
<td>232</td>
<td>Vitrum, Multi</td>
</tr>
<tr>
<td>ComplivitFe</td>
<td>Aug-08</td>
<td>A11A – multivitamins with minerals</td>
<td>232</td>
<td>Vitrum, Multi</td>
</tr>
<tr>
<td>Complivit Mg</td>
<td>Sep-08</td>
<td>A11A – multivitamins with minerals</td>
<td>232</td>
<td>Vitrum, Multi</td>
</tr>
<tr>
<td>Neurocomplit</td>
<td>Feb-08</td>
<td>A11D – vitamin B1 and combinations</td>
<td>43</td>
<td>Milgamma, Multi -Tabs B complex, Neumovitlity</td>
</tr>
<tr>
<td>Lactazol</td>
<td>Dec-08</td>
<td>A15A – appetite stimulants</td>
<td>45</td>
<td>Lactasa Smecta, Carbone Activated</td>
</tr>
<tr>
<td>Neosmectine</td>
<td>Jan-08</td>
<td>A07B – intestinal absorbent antidiarrhoeals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comblilipen</td>
<td>Feb-08</td>
<td>A11D3 (injections) – vitamin B1 and combinations</td>
<td>34</td>
<td>Milgamma, Multi -Tabs B complex</td>
</tr>
<tr>
<td>Octolipen</td>
<td>May-08</td>
<td>A05B0 – hepatic protectors</td>
<td>209</td>
<td>Tiocetad, Berliton</td>
</tr>
<tr>
<td>Neupomax</td>
<td>Jun-08</td>
<td>L03A1 – colony-stimulating factors</td>
<td>13</td>
<td>Neupogen, Granocyte</td>
</tr>
<tr>
<td>Formetin</td>
<td>Sep-08</td>
<td>A10B2 – biguanide antidiabetics</td>
<td>21</td>
<td>Glucofazh, Siofor</td>
</tr>
<tr>
<td>Bloctran</td>
<td>Mar-08</td>
<td>C09C0 – antangiotensine-2 antagonists plain</td>
<td>21</td>
<td>Losap, Diovan, Kozaar</td>
</tr>
</tbody>
</table>

New product in 2008

Source: Pharmexpert, retail prices
3. Expand sales and marketing effort (1)

Marketing Efforts

- All sales reps have medical education/work experience
- Covers 75% of the Russian pharma market
- Incentivised sales force—up to 33% bonus of annual salary
- In 2008 looking to:
  - Increase “feet on the street” to over 470 sales people
  - Further specialise sales force by therapeutic area
  - Electronic Territory Management System (ETMS) system improving efficiency

Experienced sales force up to 445 sales persons

Source: Company, as of 1H 2008
3. Expand sales and marketing effort (2)

Diversified Product Portfolio in 1H 2008

- Pharmaceuticals: 92% of 1H 2008 sales
  - OTC: 77% of 1H 2008 sales
  - Rx: 23% of 1H 2008 sales
- Medical Devices: 8% of 1H 2008 sales

- Therapeutic focus:
  - Analgesics
  - Cough & cold
  - Vitamins
  - Anti-viral
  - Anti-fungal

- Product portfolio includes:
  - Coronary Therapy
  - Acid pump inhibitors
  - Nitrites & nitrates
  - ACE inhibitors
  - Alimentary tract

- Product portfolio includes:
  - Sterilisers
  - Distillers
  - Medical disposables

40% revenue growth in 1H 2008

Source: Company
3. Expand sales and marketing effort (3)

Mildronate

- Mildronate – original product related to the metabolic corrector product group, indicated for the complex therapy of cardio-vascular and cerebral diseases
- Marketed & promoted by PHS since Jan 2008 under exclusive sales contract with Grindex
- Complimented PHS cardio-vascular portfolio and increased cost efficiency of PHS cardio promotional activities
- Clinically validated
- First launched in 1997
- Achieved MS of 43% in 1H 2007 and 45% in 1H 2008
- C01D segment growth (1H 2008 vs. 1H 2007) +39%
- Mildronate sales growth (1H 2008 vs. 1H 2007) +43%

C01D Coronary Therapy Market Share in 1H 2008:
- PREDUCTAL (SERVIER) – 47%
- MILDRONATE (GRINDEX) – 45%
- OTHER – 8%

Source: Pharmexpert preliminary data, retail prices. Subject to change.
4. Grow through acquisitions

Afobazol

- Afobazol – novel original product for the treatment of anxiety disorder including anxiety in patients with chronic somatic diseases
- Clinically validated
- Patent protected until 2019
- First launched in 2Q 2006, sales in 2007 – RUR 223 mln
- Achieved MS of 18% in 1H 2007 and 21% in 1H 2008
- N05C segment growth (1H 2008 vs. 1H 2007) +44%
- Afobazol sales growth (1H 2008 vs. 1H 2007) +72%
- Expected to be significant growth driver

N05C Tranquillisers Market Share in 1H 2008:

Source: Pharmexpert preliminary data, retail prices Subject to change.
5. Continue to actively control costs

Pharmstandard Strong Margin Rates (1H 2008)

• Gross profit margin increased to 59% from 57%,
• S&D declined to 16%,
• G&A decreased by 1% to 5%,
• Net profit margin – increased to 28% from 22%,
• EBITDA margin is 42% in comparison with 37% in 1H 2007.
Financial Overview
## Financial Highlights

### IFRS basis

<table>
<thead>
<tr>
<th>Sales</th>
<th>2008 H1</th>
<th>2007 H1</th>
<th>Growth</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pharmaceutical products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTC products</td>
<td>5,672</td>
<td>3,777</td>
<td>1,894</td>
<td>50%</td>
</tr>
<tr>
<td>Branded generics</td>
<td>4,324</td>
<td>3,067</td>
<td>1,257</td>
<td>41%</td>
</tr>
<tr>
<td>Non-branded generics</td>
<td>1,327</td>
<td>670</td>
<td>657</td>
<td>98%</td>
</tr>
<tr>
<td>Prescription products</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Branded generics</td>
<td>1,221</td>
<td>545</td>
<td>675</td>
<td>124%</td>
</tr>
<tr>
<td>Non-branded generics</td>
<td>106</td>
<td>124</td>
<td>(18)</td>
<td>(15%)</td>
</tr>
<tr>
<td><strong>Other sales</strong></td>
<td>21</td>
<td>41</td>
<td>(20)</td>
<td>(49%)</td>
</tr>
<tr>
<td>Medical equipment and disposables</td>
<td>526</td>
<td>649</td>
<td>(122)</td>
<td>(19%)</td>
</tr>
<tr>
<td><strong>Sale of goods</strong></td>
<td>6,198</td>
<td>4,426</td>
<td>1,772</td>
<td>40%</td>
</tr>
</tbody>
</table>
Achieved 40% revenue growth in 1H 2008
Competitive Cost Structure

Selling and Distribution Costs

- 2007 H1 IFRS: RUR 752
  - Marketing: 47%
  - Labour costs: 26%
  - Other expenses: 27%
  - As % of sales: 47%

- 2008 H1 IFRS: RUR 964
  - Marketing: 50%
  - Labour costs: 28%
  - Other expenses: 22%
  - As % of sales: 50%

General and Administration Costs

- 2007 H1 IFRS: RUR 249
  - Labour costs: 62%
  - Other expenses: 38%
  - As % of sales: 62%

- 2008 H1 IFRS: RUR 327
  - Labour costs: 64%
  - Other expenses: 36%
  - As % of sales: 64%

Source: Company
Margin Expansion

Gross Profit

- 2007 H1 IFRS: 2,535 RUR mln
- 2008 H1 IFRS: 3,650 RUR mln

EBITDA

- 2007 H1 IFRS: 1,619 RUR mln
- 2008 H1 IFRS: 2,621 RUR mln

Source: Company
Attractive Profitability Growth

83% Net Profit growth in 1H 2008 (pro-forma)
## Consolidated Balance Sheet and CAPEX

### IFRS basis

<table>
<thead>
<tr>
<th>(In millions of RUR)</th>
<th>2007 31 Dec IFRS</th>
<th>2008 30 Jun IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Equivalents</td>
<td>193</td>
<td>1,016</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>6,696</td>
<td>7,009</td>
</tr>
<tr>
<td>Long-term Assets</td>
<td>8,405</td>
<td>8,536</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>15,294</strong></td>
<td><strong>16,562</strong></td>
</tr>
</tbody>
</table>

| Total Debt | 3,265 | 2,493 |
| Current Liabilities (excl. short-term debt) | 1,297 | 2,142 |
| Non-current Liabilities (excl. long-term debt) | 1,129 | 1,089 |
| Total Equity | 9,603 | 10,838 |
| **Total Liabilities & Equity** | **15,294** | **16,562** |

### Capital Expenditure

![CAPEX graph](image)

- Facility A: US$60.7m (maturity Dec-2009/L+150)
- Facility B: US$45.3m (maturity Dec-2011/L+190)
- Net debt: US$62.7m (excluding cash & equivalents)

### Debt summary

- Source: Company, Conversion rate 23.4573