

# PHARMSTANDARD – LEADING RUSSIAN PHARMACEUTICAL COMPANY

*1H 2008 Results Presentation*

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# Company Overview



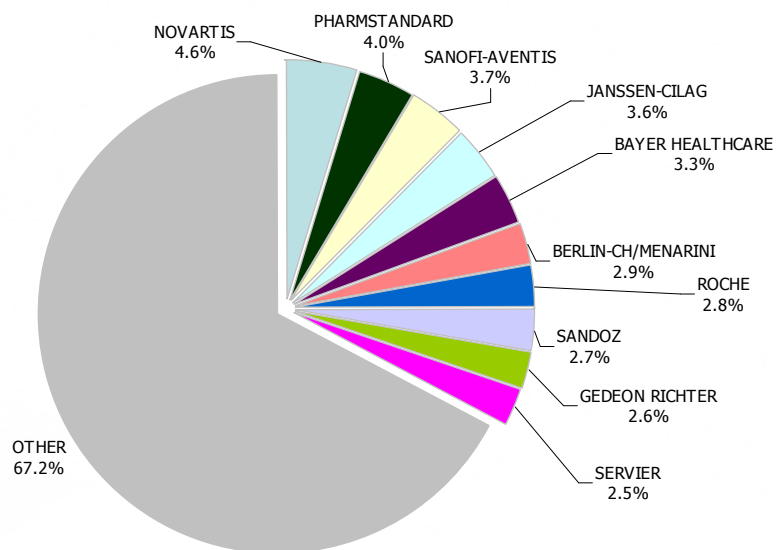
# Pharmstandard 1H 2008 achievements

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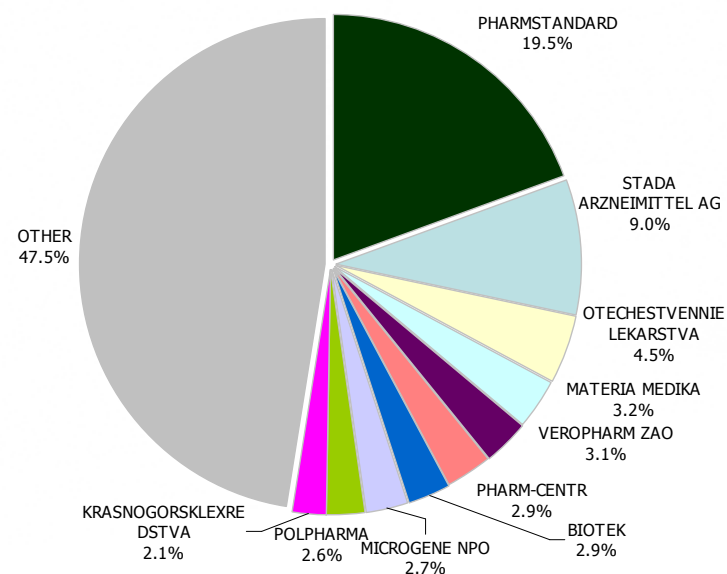
- **Leading domestic pharmaceutical company in Russia (measured by sales)**
  - #2 pharma company overall in Russia by sales value in 1H 2008
  - #1 pharma company in the commercial segment by sales value in 1H 2008
- **Industry leading growth and profitability**
  - Revenue growth of 40% to RUR 6,198 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**

# #2 pharmaceutical company on Russian market

## Market Share – All Market



## Market Share - Domestic Companies

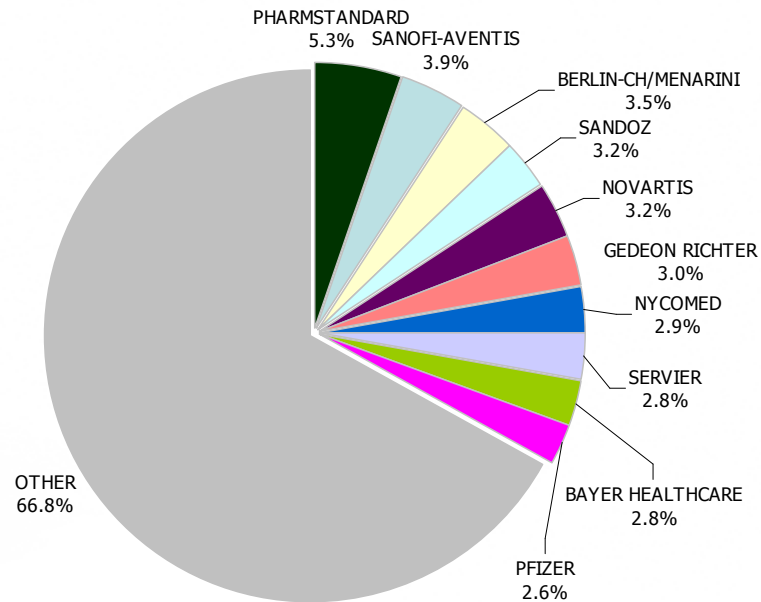


**#2 pharma company in Russia overall**

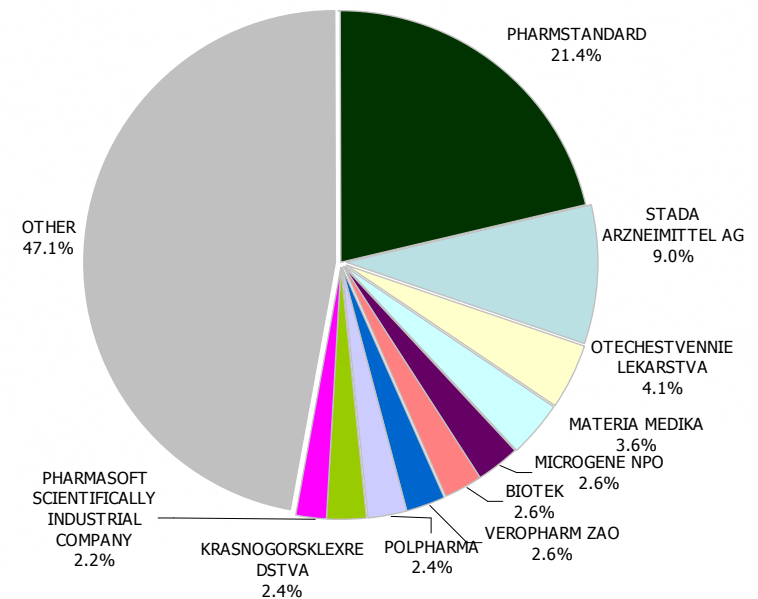
**#1 domestic pharma company, with market share 2 times larger than that of #2 domestic player**

# A Leader in the Russian Commercial Segment

## Commercial Segment - Market Share – All Companies



## Commercial Segment - Market Share - Domestic



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

# Strategy

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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



**Building the leading pharmaceutical company in Russia**

# 1. Promote our market-leading brands to drive sales growth and profitability

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

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



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

■ Exclusively produced by Pharmstandard



## 2. Launch new products on regular basis

		Product	Launch	Date of ATC	ATC value, US\$m (2007)	Key market brands
		<i>New product in 2008</i>				
<b>OTC</b>	<b>Launched</b>	<b>Influnorm</b>	Jul -08	R05A – cold preparations without anti-infectives	175	Coldrex, Fervex, Teraflu
	<b>Launched</b>	<b>Pentalgine plus</b>	Mar-08	N02B – non-narcotics analgesics and antipyretics	248	Tempalgine, Baralgine, Nurofen, Solpadeine
	<b>Launched</b>	<b>Complivit ophtalmo</b>	Jul -08	A11A – multivitamins with minerals	232	Vitrum, Multi -Tabs, Supradine
	<b>Launched</b>	<b>Complivit Se</b>	Aug-08	A11A – minerals	232	Vitrum, Multi
	<b>Launched</b>	<b>ComplivitFe</b>	Aug-08	A11A – multivitamins with minerals	232	Vitrum, Multi
		<b>Complivit Mg</b>	Sep-08	A11A – multivitamins with minerals	232	Vitrum, Multi
	<b>Launched</b>	<b>Neurocomplit</b>	Feb-08	A11D – vitamin B1 and combinations	43	Milgamma, Multi -Tabs B complex, Neuromultivit
		<b>Lactazar</b>	Dec -08	A15A – appetite stimulants		Lactasa
	<b>Launched</b>	<b>Neosmectine</b>	Jan-08	A07B – intestinal absorbent antidiarrhoeals	45	Smecta, Carbone Activated
	<b>Rx</b>	<b>Launched</b>	<b>Combilipen</b>	Feb-08	A11D3 (injections) – vitamin B1 and combinations	34
<b>Launched</b>		<b>Octolipen</b>	May-08	A05B0 – hepatic protectors	209	Tioctacid, Berlition
<b>Launched</b>		<b>Neupomax</b>	Jun-08	L03A1 – colony-stimulating factors	13	Neupogen, Granocyte
		<b>Formetin</b>	Sep-08	A10B2 – biguanide antidiabetics	21	Glucofazh, Siofor
<b>Launched</b>		<b>Bloctran</b>	Mar-08	C09C0 – antihypertensive-2 antagonists plain	21	Losap, Diovan, Kozaar

### 3. Expand sales and marketing effort (1)

#### Marketing Efforts

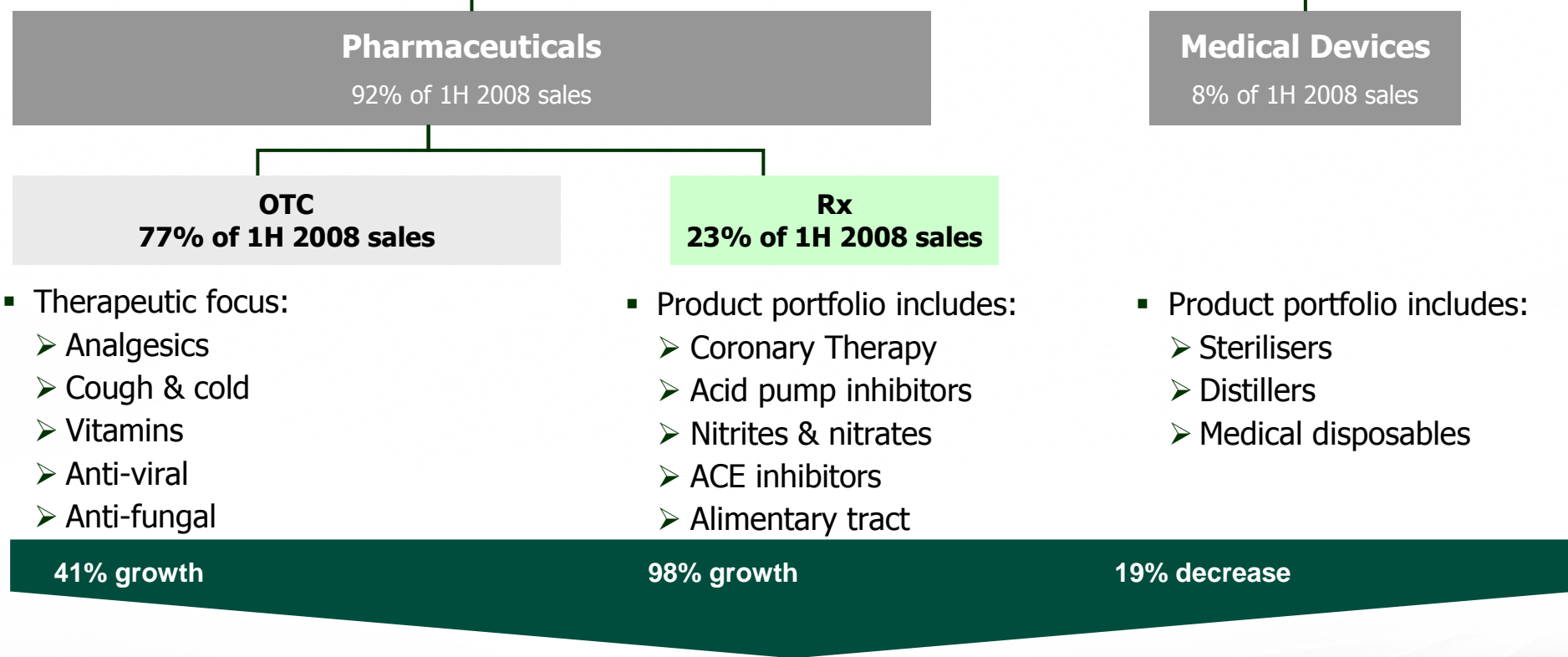
- All sales reps have medical education/work experience
- Covers 75% of the Russian pharma market
- Incentivised sales force—up to 33% bonus of annual salary
- In 2008 looking to:
  - Increase “feet on the street” to over 470 sales people
  - Further specialise sales force by therapeutic area
  - Electronic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



**Experienced sales force up to 445 sales persons**

### 3. Expand sales and marketing effort (2)

#### Diversified Product Portfolio in 1H 2008



**40% revenue growth in 1H 2008**

# 3. Expand sales and marketing effort (3)

## Mildronate

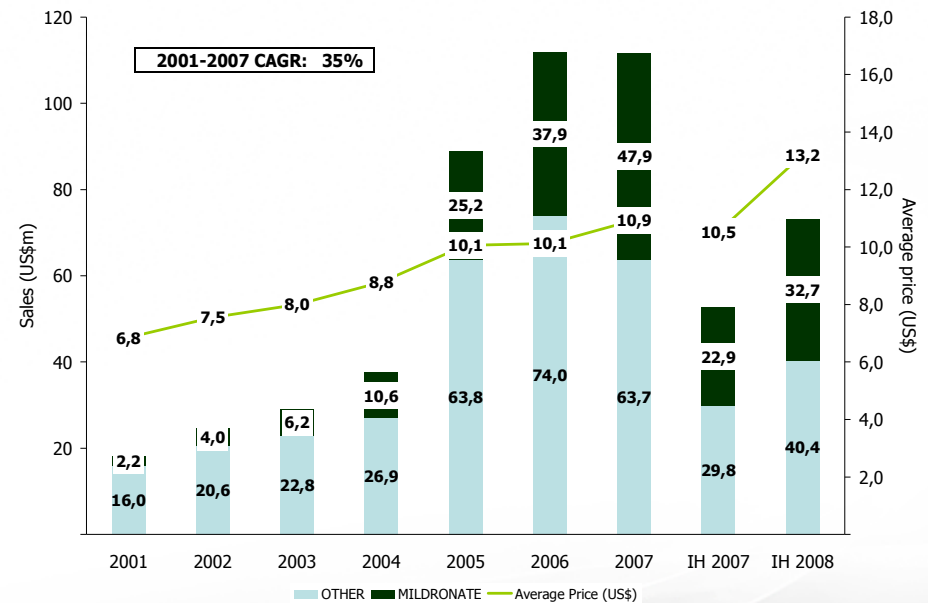
- Midronate – original product related to the metabolic corrector product group, indicated for the complex therapy of cardio-vascular and cerebral diseases
- Marketed & promoted by PHS since Jan 2008 under exclusive sales contract with Grindex
- Complimented PHS cardio-vascular portfolio and increased 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%

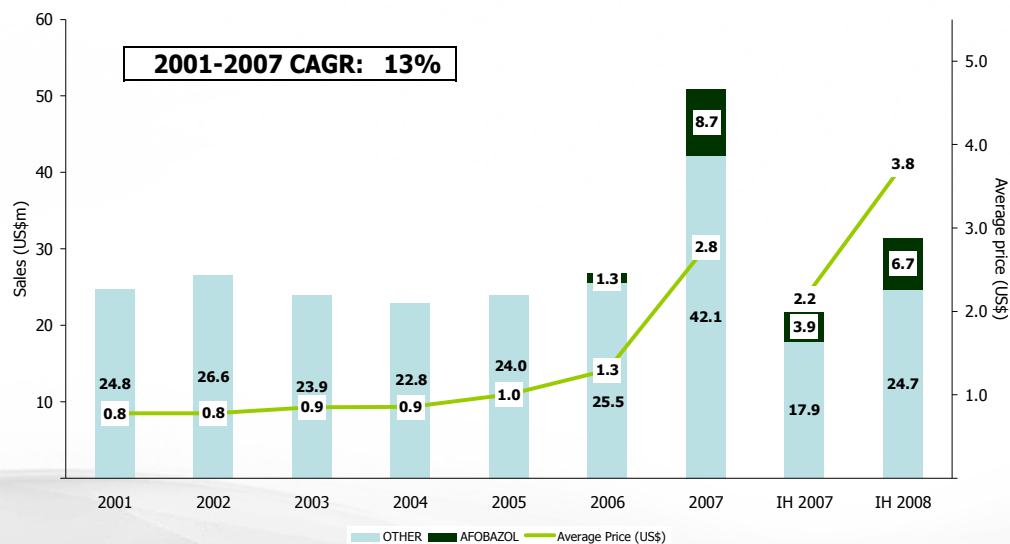
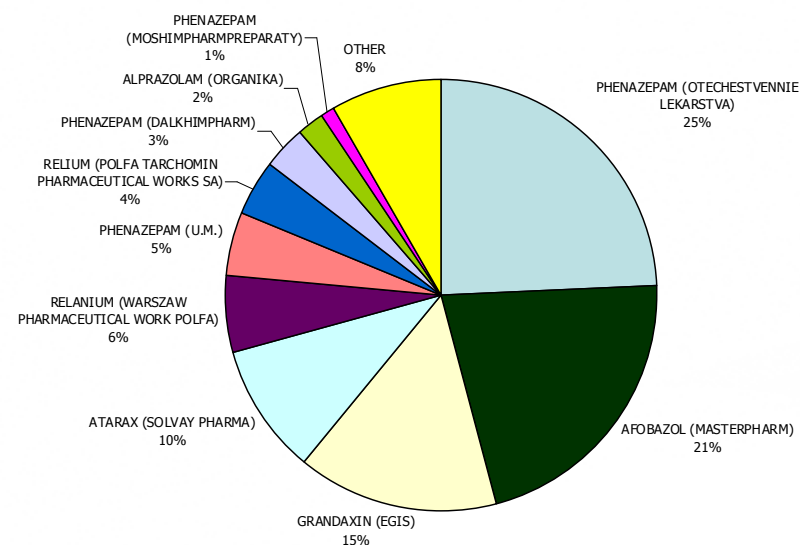


# 4. Grow through acquisitions

## 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:



## 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

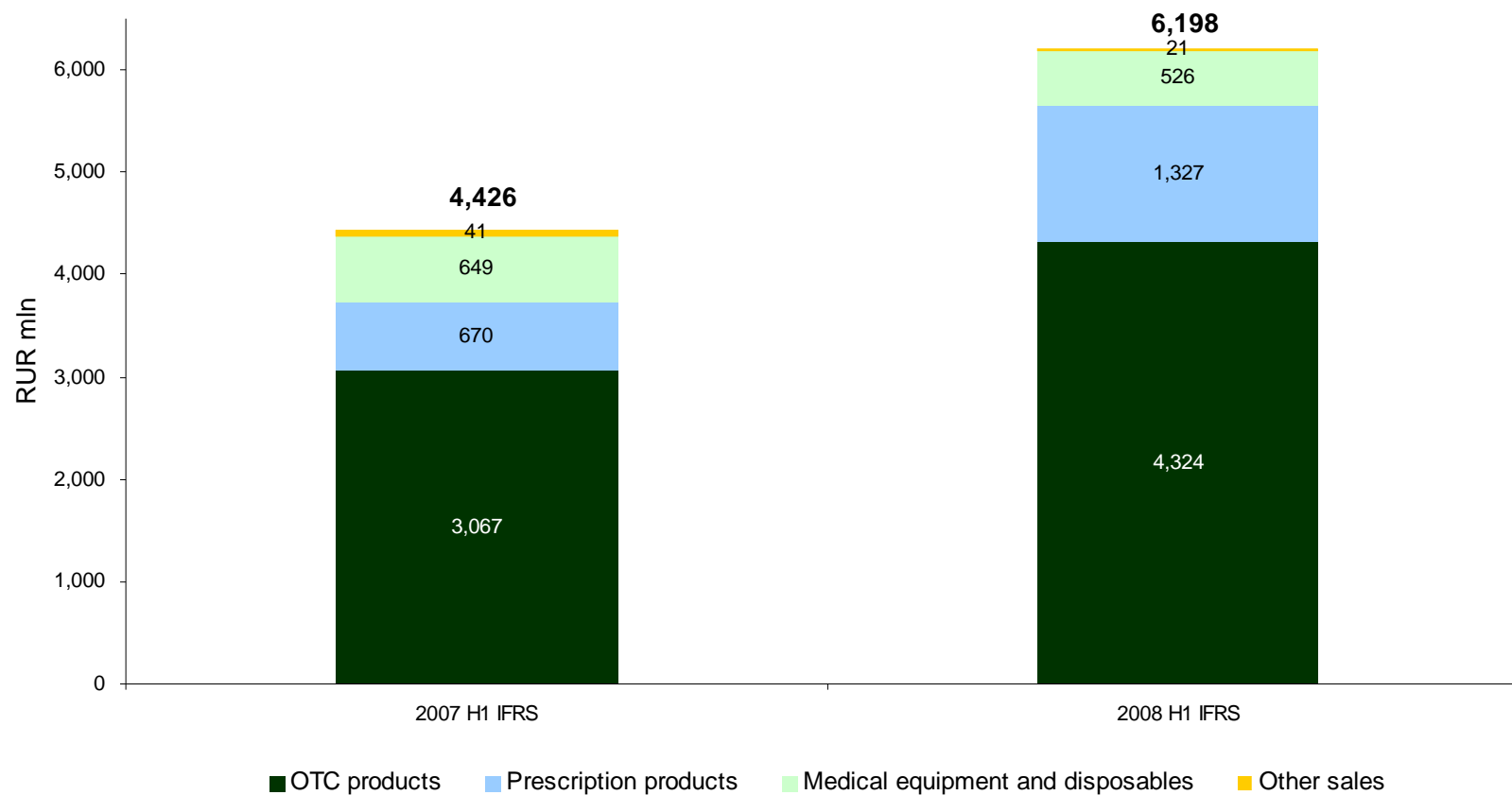
## IFRS basis

Sales	2008 H1	2007 H1	Growth	Growth %
<b>Pharmaceutical products</b>	<b>5,672</b>	<b>3,777</b>	<b>1,894</b>	<b>50%</b>
<b>OTC products</b>	<b>4,324</b>	<b>3,067</b>	<b>1,257</b>	<b>41%</b>
Branded generics	3,730	2,768	962	35%
Non-branded generics	594	299	295	99%
<b>Prescription products</b>	<b>1,327</b>	<b>670</b>	<b>657</b>	<b>98%</b>
Branded generics	1,221	545	675	124%
Non-branded generics	106	124	(18)	(15%)
<b>Other sales</b>	<b>21</b>	<b>41</b>	<b>(20)</b>	<b>(49%)</b>
<b>Medical equipment and disposables</b>	<b>526</b>	<b>649</b>	<b>(122)</b>	<b>(19%)</b>
<b>Sale of goods</b>	<b>6,198</b>	<b>4,426</b>	<b>1,772</b>	<b>40%</b>



# Rapidly Growing Revenue Profile

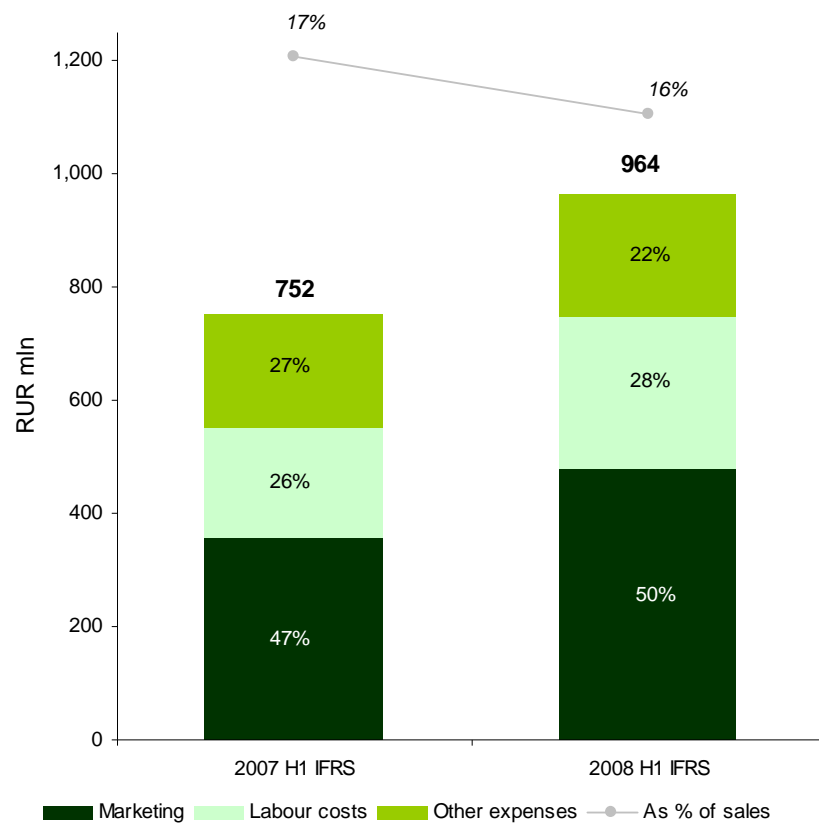
## Revenue



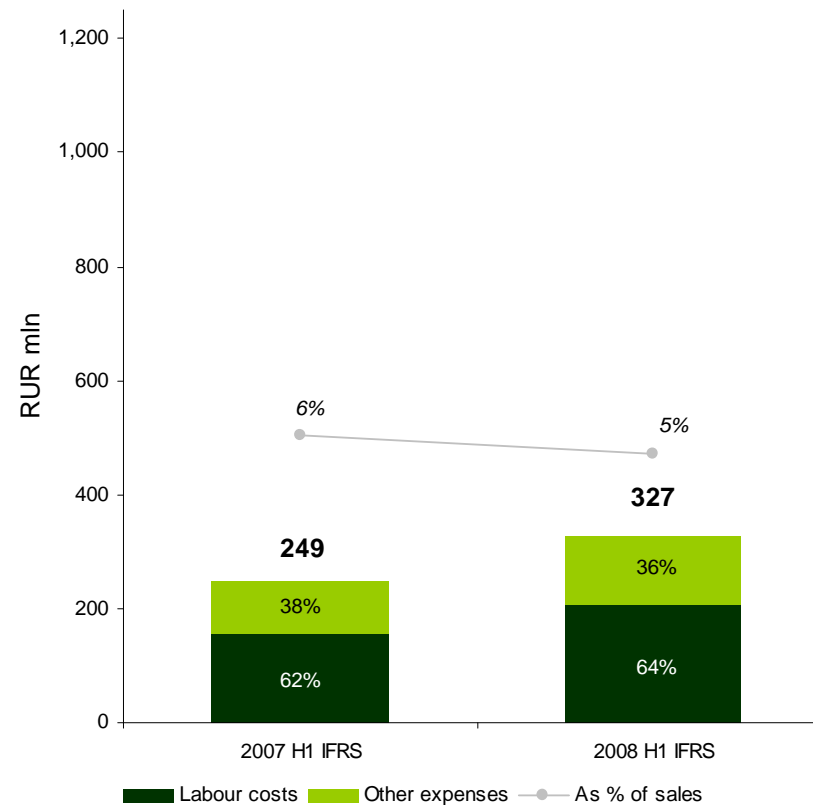
**Achieved 40% revenue growth in 1H 2008**

# Competitive Cost Structure

## Selling and Distribution Costs

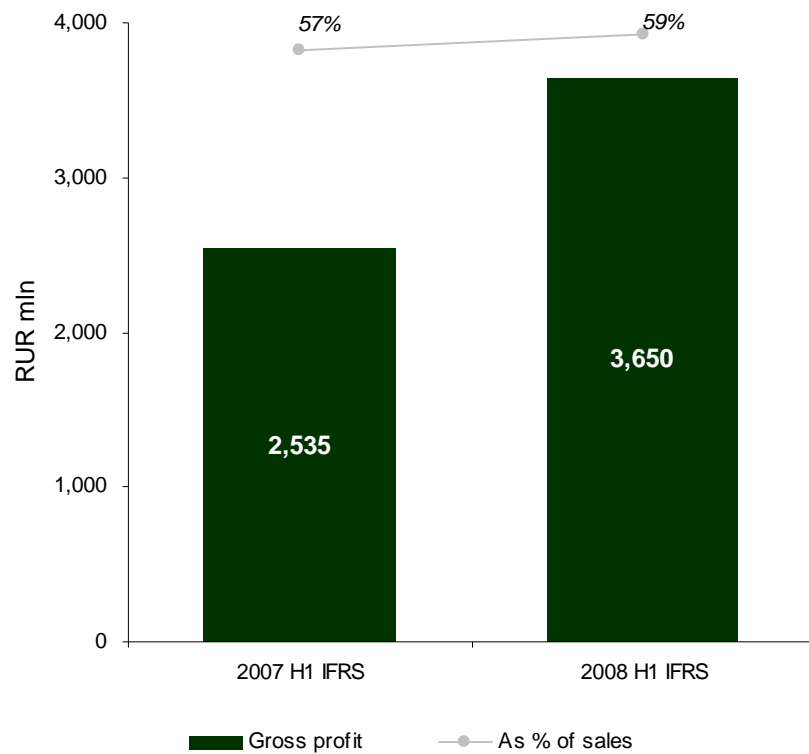


## General and Administration Costs

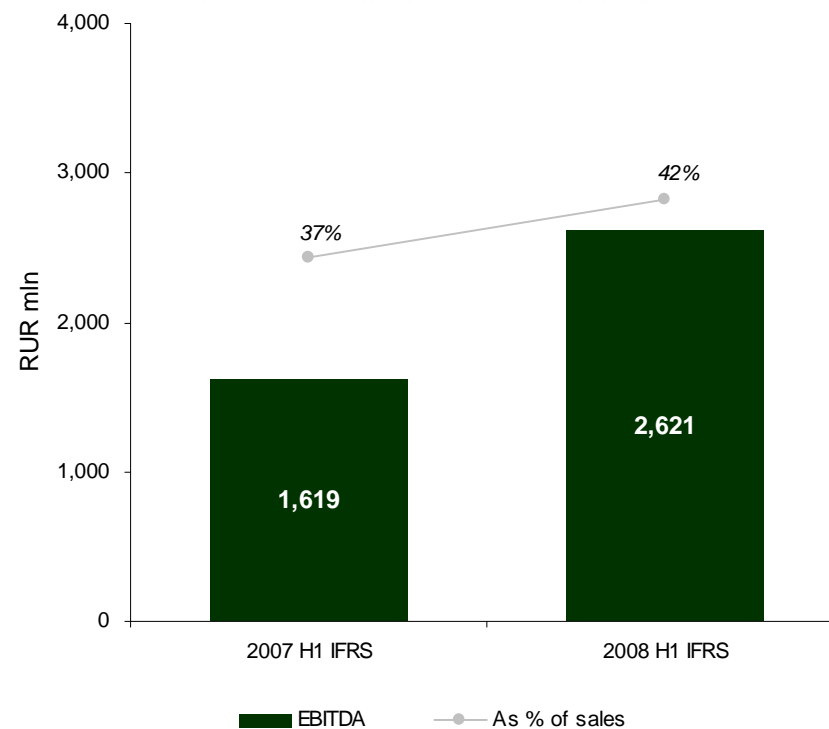


# Margin Expansion

## Gross Profit

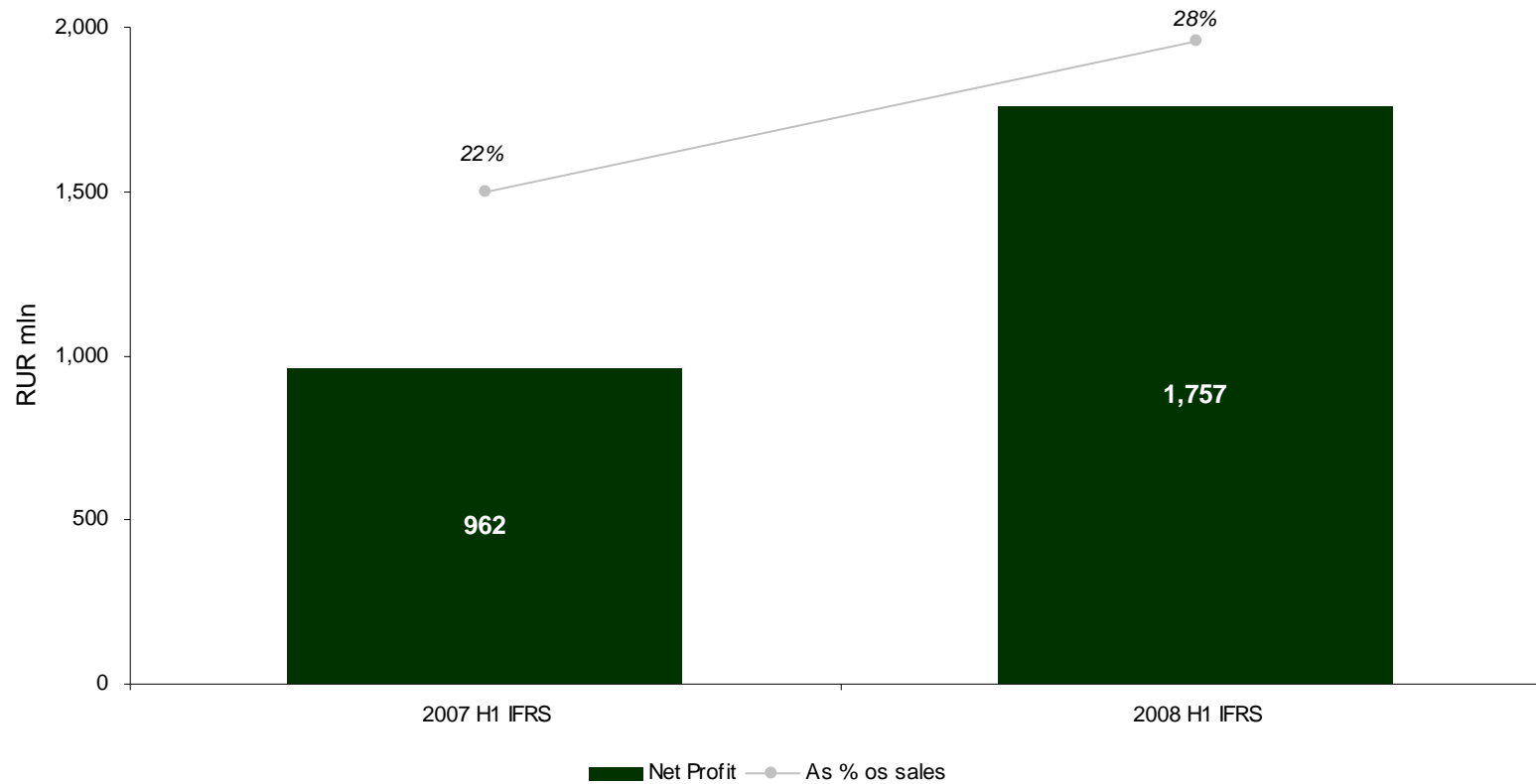


## EBITDA



# Attractive Profitability Growth

## Net Profit



**83% Net Profit growth in 1H 2008 (pro-forma)**

# Consolidated Balance Sheet and CAPEX

## IFRS basis

(in millions of RUR)	2007 31 Dec IFRS	2008 30 Jun IFRS
Cash and Equivalents	193	1,016
Other Current Assets	6,696	7,009
Long-term Assets	8,405	8,536
<b>Total Assets</b>	<b>15,294</b>	<b>16,562</b>
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
<b>Total Liabilities &amp; Equity</b>	<b>15,294</b>	<b>16,562</b>

## Debt summary

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)

## Capital Expenditure

