



OJSC PHARMSTANDARD ANNOUNCES H1 2007 REVIEWED RESULTS

Moscow, 18 September, 2007 – OJSC Pharmstandard (“Pharmstandard” or the “Company”), the leading domestic pharmaceutical company in Russia and the third largest pharmaceutical company operating in Russia overall (LSE: PHST LI, RTS: PHST RU, MISEX: PHST RM), announces its financial and operating results for the six months ended 30 June 2007.

Key Highlights

- Revenue growth of 52%, to RUR4,426 million (US\$170¹ million)
- Profit for the period (Net Income) increased 49%, to of RUR962 million (US\$37 million) - 22% as percentage of revenue
- EBIDTA up 67% to RUR1,694 million (US\$65 million) and EBIDTA margin achieved 38% from revenue
- Core therapeutic segments driving growth; Arbidol® best selling product in Russian pharmaceutical market; 6 brands among top-20 best selling domestic brands in Russia: Arbidol®, Pentalgin®, Complivit®, Terpincod®, Codelac®, Flucostat®
- Pharmstandard strengthens market position: becomes #3 pharma company overall in Russia by sales value and the leader of the commercial segment
- Pharmstandard launched 6 new products which generated revenue of RUR127 millions (US\$5 million) or 3% of pharmaceutical products sales
- Medical equipment and disposables business up 18% to RUR649 million (US\$25 million)
- In May 2007 the Company successfully completed its IPO, selling 43% of its share capital to the international and domestic institutional investors

Commenting on today’s announcement, Igor Krylov, CEO of Pharmstandard said:

“Pharmstandard posted strong results in the first half of 2007, in line with management expectations. Market share continued to expand, and we entered the top3 among pharma companies in Russia. We continued to reap the benefits of the Masterlek acquisition, with excellent sales performance by Arbidol. Six new branded products were launched. Along with the solid top line growth, continued focus on cost management led to strong results at the EBITDA and net income level.”

Revenue

The Company reported revenue of RUR4,426 million (US\$170 million) for the six months ended June 30, 2007, compared to RUR2,916 million (US\$112 million) during the same period a year earlier representing growth of RUR1,510 million (US\$58 million) or 52%.

Revenue from pharmaceutical products was RUR3,778 million (US\$145 million), compared to RUR2,368 million (US\$91 million) in the prior year’s period, an increase of RUR1,410 million (US\$54 million) or 60%. Growth resulted from both the consolidation of the results of the operations of Masterlek, which was acquired in August 2006 and contributed revenue of RUR 1,015 million (US\$39 million), as well as organic growth of Pharmstandard’s existing products. This growth was primarily attributable to branded products sales. Revenue from pharmaceutical products represented approximately 85% of total Company sales, in line with management expectations.

¹ All USD figures based on average exchange rates for the relevant periods. These were USD / RUR 28.68474 for 1H 2006 and 26.08630 in 1H 2007.

The Company's revenue from OTC products increased by RUR1,188 million (US\$46 million), or 63% during 1H 2007 compared to 1H 2006, from RUR1,879 million (US\$72 million) to RUR3,067 million (US\$118 million). This growth was primarily attributable to high sales of the Company's branded OTC products, in particular its leading brands, such as Arbidol®, which generated revenue of RUR757 million (US\$29 million) and demonstrated 91% growth from the prior year's period (at which time the Arbidol was not yet owned by Pharmstandard).

Revenue from prescription products increased by RUR234 million (US\$9 million) or 54% during 1H 2007 compared to 1H 2006, from RUR436 million (US\$16 million) to RUR670 million (US\$ 26 million). This increase was mainly attributable to branded prescription product revenue, such as Phosphogliv®, which reached RUR203 million (US\$7.9 million), representing 116% growth from the prior year's period.

Products launched in H1 2007 accounted for sales of RUR127 million (US\$5 million) in first six months 2007, which is 3% of pharmaceutical products sales. These products included two biogeneric products Biosulin® and human growth hormone Rastan®.

Pharmstandard maintained relatively low exposure to the Russian Government's Federal (FRP) Reimbursement Programme during 1H 2007, with only 4% of its pharmaceutical product revenue generated from this source.

The Company reported revenue from its medical equipment and disposables business of RUR649 million (US\$25 million) during 1H 2007, compared to RUR549 million (US\$21 million) during the same period a year earlier, an increase of RUR100 million (US\$4 million) or 18%. Pharmstandard's medical equipment and disposables business represented approximately 15% of total Company sales.

Cost of sales

Cost of sales increased by RUR 657 million (US\$25 million) or 53%, to RUR1,890 million (US\$73 million) in first six months of 2007 from RUR1,232 million (US\$47 million) in the same period a year earlier. As a percentage of revenue, cost of sales remained constant relative to the prior year's period at approximately 43%.

Gross profit

The increase in Pharmstandard's sales enabled the Company to increase gross profits in first half 2007 by RUR 852 million (US\$33 million) or 51% to RUR2,535 million (US\$97 million) in first six month of 2007 from RUR1,683 million (US\$65 million) in the same period a year earlier. As a percentage of revenue, gross profit remained stable at 57%.

Selling and distribution costs

As a percentage of revenue selling and distribution costs remained constant at 17%. Pharmstandard's selling and distribution costs were RUR752 million (US\$29 million) during the six months ended June 30, 2007, an increase of RUR260 million (US\$10 million), or 53% from reported expense of RUR492 million (US\$19 million) during the six months ended June 30, 2006. The increase was due largely to increased advertising costs, as well as increased labour costs due to growing sales force.

General and administrative expenses

General and administrative expenses were RUR249 million (US\$10 million) during the six months ended June 30, 2007, an increase of RUR56 million (US\$2 million), or 29% from reported expenses of RUR193 million (US\$7 million) during the six months ended June 30, 2006. The increase was due largely to growing labor costs. As a percentage of revenue general and administrative expenses decreased by 1%, from 7% to 6 %, as the Company's higher revenues allowed for more leveraging of the fixed cost base.

Profit for the period

Profit for the period attributable to the shareholders of the Company increased RUR391 million (US\$15 million) or 70% to RUR947 million (US\$36 million) in 1H 2007 from RUR556 million (US\$21 million) in the same period a year earlier. The increase was primarily attributable to the Company's

strong growth in revenue and continued cost effective management of expenses. As a percentage of sales profit for the period remained constant at 22%.

EBITDA

EBITDA increased RUR677 million (US\$26 million) or 67% to RUR1,694 million (US\$65 million) in 1H 2007 from RUR1,017 million (US\$39 million) in the same period a year earlier. As a percentage of revenue, EBITDA increased to 38% in 1H 2007 from 35% in 1H 2006 largely due to growth of highly margin branded products sales.

Capital expenditures

In 1H 2007 the Company invested RUR193 million (US\$ 7.5 million) in property, plant and equipment. These investments were mainly attributable for production equipment upgrade in Ufa, Kursk and Tomsk and also to increase car fleet for sales force.

Market Position

According to Pharmexpert data Pharmstandard became #3 pharma company overall in Russia by sales value and the leader of the commercial segment in first half of 2007 with market share of 4.46% and 30% growth for the period. Pharmstandard has 6 brands among top-20 best selling domestic brands in Russia: Arbidol®, Pentalgin®, Complivit®, Terpinod®, Codelac®, Flucostat®. Arbidol® was the largest selling pharmaceutical product, by sales, in the Russian pharmaceutical market with growth rate of 46%, according to Pharmexpert. Arbidol® also has won “Platinovaya Uncia” – a national pharmaceutical award. According to Pharmexpert commercial segment of Russian pharmaceutical market in the first six months 2007 was USD 3.8 billion in consumer prices 20% higher then in the same period of 2006.

The Company’s summary condensed consolidated statement of operations and balance sheet are presented below:

Summary Condensed Consolidated Statement of Operations

RUR millions	six month 2007	six month 2006	Change %
<u>Sale of goods</u>	<u>4,426</u>	<u>2,917</u>	<u>+52%</u>
Pharmaceutical products	3,778	2,368	+60%
Medical equipment and disposables	649	549	+18%
<u>Cost of sales</u>	<u>1,890</u>	<u>1,232</u>	<u>+53%</u>
<u>Gross profit</u>	<u>2,535</u>	<u>1,684</u>	<u>+51%</u>
Selling and distribution costs	752	492	+53%
General and administrative expenses	249	193	+29%
Other expenses, net	98	77	+26%
Operating income	1,436	921	+56%
Interest expense, net	141	47	+202%
Profit before income tax	1,295	897	+44%
<u>Profit for the period</u>	<u>962</u>	<u>647</u>	<u>+49%</u>
Attributable to equity holders of the Company	947	556	+70%
Attributable to minority interests	15	91	-83%
Depreciation and amortization	258	96	+167%
<u>EBITDA</u>	<u>1,694</u>	<u>1,017</u>	<u>+67%</u>

Summary Condensed Consolidated Balance Sheet

(in millions of RUR)	30 Jun 2007	31 Dec 2006
Cash and Equivalents	483	193
Other Current Assets	5,183	5,300
Long-term Assets	8,137	8,277
Total Assets	13,804	13,770
Total Debt	3,778	3,875
Current Liabilities (excl. short-term debt)	1,558	2,425
Non-current Liabilities (excl. long-term debt)	1,165	1,129
Total Equity	7,303	6,340
Total Liabilities & Equity	13,804	13,770

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A conference call for analysts and investors will be held at 14.00 BST (17.00 Moscow time) on Tuesday, 18 September 2007.

Notes to Editors:

Overview of Pharmstandard

Pharmstandard is the leading domestic pharmaceutical company in Russia and the third largest pharmaceutical company operating in Russia overall, by sales value. Pharmstandard is a leader of the biggest commercial segment of the Russian pharmaceutical segment. The Company develops, manufactures, markets and sells generic and, to a lesser extent, original pharmaceutical products in various formulations, primarily in Russia. Pharmstandard's product portfolio includes market-leading brands (6 brands among top-20 best selling domestic brands in Russia), such as Arbidol® (antiviral for systemic use), Pentalgin® (analgesics), Terpinod® (cough and cold), Complivit® (vitamins), Codelac® (cough and cold) and Flucostat® (antifungal). In H1 2007, Arbidol® was the largest selling pharmaceutical product, by sales, at the Russian pharmaceutical market, according to data by Pharmexpert. Pharmstandard has limited exposure to the Russian Government's Federal Reimbursement Programme, through which 4% of its pharmaceutical product sales were made in H1 2007.

In August 2006, the Company acquired Masterlek, a Russian pharmaceutical company focused on the antiviral for systemic use and antifungal therapeutic segments. This acquisition was in line with Pharmstandard's corporate strategy to expand its market position in Russia through acquisitions that complement the Company's product portfolio. Masterlek contributed approximately 30 products to the Company's product portfolio, including the market-leading brands Arbidol® and Flucostat®.

Pharmstandard operates five manufacturing facilities in Russia and, with a production capacity of 1,070 million packs as of December 31, 2006, has one of the largest production capacities among domestic pharmaceutical companies in Russia. The Company has invested approximately RUR1.6 billion in capital investments in its manufacturing facilities since the start of 2004. Pharmstandard's flexible production capacity distinguishes it from its competitors by allowing it to quickly and efficiently adjust production based on input from its distributors and sales force.

In addition to its pharmaceutical business, the Company also develops, manufactures, markets and sells medical equipment, such as sterilizing and distilling machines, and disposable medical products, such as syringes.

www.pharmstd.ru

OJSC “Pharmstandard”

Interim Condensed Consolidated Balance Sheet at 30 June 2007

(in thousands of Russian Roubles)

		30 June 2007	31 December
	Notes	(unaudited)	2006
			(audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,734,009	3,788,581
Investment property		14,522	14,522
Intangible assets	6	4,388,466	4,473,639
		<u>8,136,997</u>	<u>8,276,742</u>
Current assets			
Inventories	7	1,684,166	1,406,952
Trade receivables	8	2,886,740	3,373,741
VAT recoverable		277,639	222,675
Prepayments		115,528	169,232
Income tax prepayment		39,353	-
Short term financial assets		101,105	104,866
Cash and cash equivalents	9	483,448	192,966
		<u>5,587,979</u>	<u>5,470,432</u>
Non-current assets classified as held for sale		<u>78,916</u>	<u>22,655</u>
Total assets		<u><u>13,803,892</u></u>	<u><u>13,769,829</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	13	37,793	37,793
Retained earnings		6,719,005	5,838,906
		<u>6,756,798</u>	<u>5,876,699</u>
Minority interest		<u>545,788</u>	<u>463,664</u>
Total equity		<u><u>7,302,586</u></u>	<u><u>6,340,363</u></u>
Non-current liabilities			
Long-term borrowings and loans	10	2,744,184	3,523,997
Deferred tax liability	20	1,118,348	1,080,828
Other non-current liabilities		46,837	47,767
		<u>3,909,369</u>	<u>4,652,592</u>
Current liabilities			
Trade payables and other payables	12	1,404,461	2,092,882
Short-term borrowings	10	1,033,629	351,415
Income tax payable		-	184,118
Other taxes payable	11	153,847	148,459
		<u>2,591,937</u>	<u>2,776,874</u>
Total equity and liabilities		<u><u>13,803,892</u></u>	<u><u>13,769,829</u></u>

OJSC “Pharmstandard”

Interim Condensed Consolidated Statement of Operations

for the six months ended 30 June 2007

(in thousands of Russian Roubles)

	Notes	6 months 2007 ----- (unaudited) -----	6 months 2006
Revenue - sale of goods	14	4,426,283	2,916,686
Cost of sales	15	<u>(1,890,839)</u>	<u>(1,232,982)</u>
Gross profit		<u>2,535,444</u>	1,683,704
Selling and distribution costs	16	(752,425)	(492,456)
General and administrative expenses	17	(249,403)	(193,247)
Other income	18	86,653	-
Other expenses	19	(184,174)	(77,432)
Interest income		502	22,587
Interest expense		<u>(141,256)</u>	<u>(46,633)</u>
Profit before income tax		1,295,341	896,523
Income tax expense	20	<u>(333,118)</u>	<u>(249,579)</u>
Profit for the period		<u>962,223</u>	<u>646,944</u>
Attributable to:			
Equity holders of the Parent (Note 13)		946,575	555,722
Minority interests		<u>15,648</u>	<u>91,222</u>
Basic and diluted earnings per share, Russian Roubles	13	<u>25.05</u>	<u>14.70</u>

OJSC “Pharmstandard”

Interim Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2007

(in thousands of Russian Roubles)

	Notes	6 months 2007 ------(unaudited)-----	6 months 2006
Cash flows from operating activities:			
Profit before income tax		1,295,341	896,523
Adjustments for:			
Depreciation of property, plant and equipment and intangible assets		257,989	96,498
Allowances for impairment of receivables, inventories and financial assets	7,8,19	46,214	556
(Income) loss on disposal of property, plant and equipment and assets classified as held for sale, net	5	(9,642)	36,351
Foreign exchange gain	10,18	(75,175)	-
Interest income		(502)	(22,587)
Interest expense		141,256	46,633
		<u>1,655,481</u>	<u>1,053,974</u>
Operating cash flows before working capital changes			
Decrease in trade and other receivables	8	486,027	329,897
Increase in inventories	7	(298,402)	(201,401)
(Increase) decrease in VAT recoverable		(54,964)	88,529
Decrease in prepayments		53,704	12,710
Increase (decrease) in other short-term financial assets		(105)	40,667
Increase (decrease) in trade payables, other payables and advances received	12	118,917	(328,557)
Increase (decrease) in taxes payable other than income tax		5,388	(167,700)
		<u>1,966,046</u>	<u>828,119</u>
Cash generated from operations			
Income tax paid	20	(524,684)	(325,680)
Interest paid, net		(138,284)	(23,802)
		<u>1,303,078</u>	<u>478,637</u>
Net cash from operating activities			
Cash flows from investing activities:			
Purchase of property, plant and equipment	5	(193,257)	(399,873)
Cash paid to settle the obligation for OJSC “TZMOI” shares acquired in 2005	4	(824,723)	(531,000)
Cash received from sale of short-term financial assets		32,958	92,556
Cash paid for short-term financial assets		(64,900)	-
Cash received from sale of assets classified as held for sale		34,133	370,466
Cash received from sale of property, plant and equipment	5	3,210	103,000
Deposits placed in related bank		-	(7,133)
Deposits repaid by related bank		-	71,649
Loans provided		(3,000)	-
Loans repaid by related parties	4	25,153	280,109
		<u>(990,426)</u>	<u>(20,226)</u>
Net cash used in investing activities			
Cash flows from financing activities:			
Repayment of loans and borrowings	10	(22,170)	(509,649)
Repayment of loans from related parties		-	(70,000)
Repayment of finance lease liabilities		-	(81,955)
		<u>(22,170)</u>	<u>(661,604)</u>
Net cash used in financing activities			
		<u>290,482</u>	<u>(203,193)</u>
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period	9	192,966	243,983
Cash and cash equivalents at the end of the period	9	<u>483,448</u>	<u>40,790</u>