MARKET OVERVIEW FOR “HEAD OF PRODUCTION”

****, GROUP COMPANIES

Moscow 2010

HUNTEXPERT
EXECUTIVE SEARCH

INDEX

PART I

PART II

PART III

Domestic Manufacturers

Russia has approximately 500 pharmaceutical companies employing about 60 000 workers. About 90% of companies are private although this percentage may decrease in the future.

TOP 10 Domestic Manufacturers

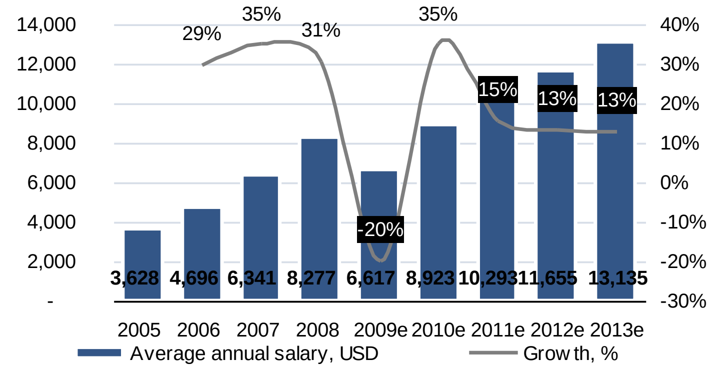
	Manufacturers	Output Value	As % of Total Production
1	Pharmstandart	296,6	11,9
2	Otechestvennye Lekarstva (Valenta)	272,2	10,9
3	Veropharm	158,5	6,3
4	Pharm-Center	139	5,6
5	Nizhpharm	121,5	4,9
6	Materia Medica	100,4	4,0
7	Biosintez	79,7	3,2
8	Immunopreparat	70,3	2,8
9	Moskhimpreparaty	67,3	2,7
10	Akrikhin	63,6	2,5

Pharmstandard (ranked 1)

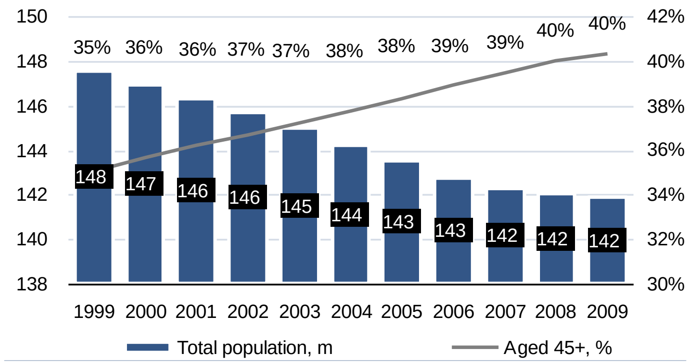
Pharmstandard is the leading domestic pharmaceutical company in Russia. It develops, manufactures and sells three original products (Arbidol, Phosphogliv and Aftobazol) and over 200 branded and non-branded generic products in various formulations.

Main Trends – Pharmaceutical Market Drivers

AVERAGE ANNUAL INCOME PER CAPITA, USD



DEMOGRAPHIC SITUATION IN RUSSIA



Income growth

- Per capita income growth is to stimulate shift of consumption from low-priced products (<$6/ unit) to medium-priced

Low per capita spending on pharmaceuticals

- Average spending in Russia USD67, which is 60% lower than in Western Europe
- Expenditure is expected to grow from 1.26% of total consumer spending in 2008 to 1.81% (USD144) in 2013

Government spending

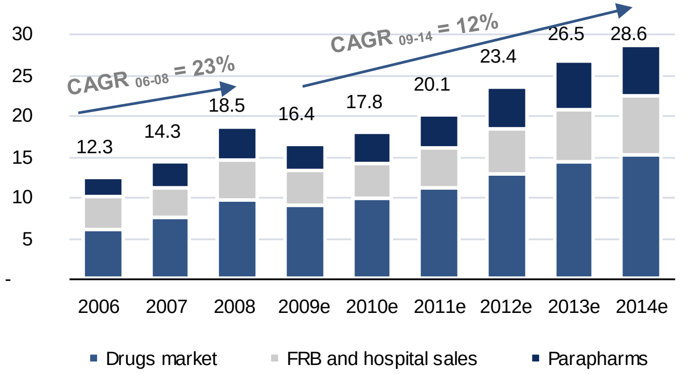
- Government spending on healthcare growth from 1.1% of total government spending in 2003 to 10.2% in 2008, which is still below European level of 16.4%
- Implementation of DLO programme in 2005 boosted pharmaceutical market by 22%
- DLO and hospital purchases in 2008 comprised 1.3% of total federal budget spending, accounting for 26% of pharmaceutical market value
- Government 2020 strategy budgeted at USD5.6bn is aimed at
- Increase of domestic drugs share to 50%
- Increase of innovative drugs production to 60%
- 8x drugs export increase

Demographic situation

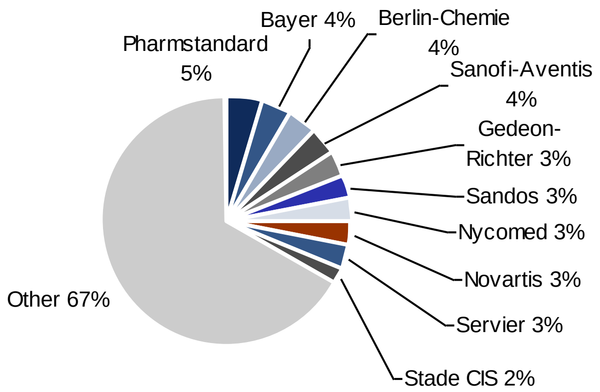
- Worsening demographics in Russia, with aging of population and low life expectancy is to create favourable implications for the pharmaceutical market development

Pharmaceutical Market Development

PHARMACEUTICAL MARKET DYNAMICS



TOP-10 DRUG PRODUCERS, H1 2009



Overall attractiveness

- GMP-certified producers of branded OTC and Rx products are a good investment opportunity
- High margins and low maintenance capex allow generating substantial cash flows
- Benefits from Rouble devaluation

Fragmented market

- top 10 producers accounting for 33% of pharmaceuticals production in value terms in H1 2009
- Pharmastandard is leader among domestic and foreign companies with market share of c. 5%

Non-price competition among domestic producers

- Leading position of generics, sold with a 30-50% discount to the price of original products

Barriers to entry Russian market

- Licensing of pharmaceuticals and substances
- Long registration process (up to 3 years)

Overall consolidation mood on the market

- International Pharmaceutical companies are buying domestic producers in order to
- Enter Russian market
- Acquire fully licensed and registered portfolio of products
- Secure participation in Government Programmes, favourable for local producers

LONG LIST

Plant	Candidate Name	Position Currently Held	Compensation	Comments on plant & candidate
VALENT PHARMACEUTICALS **SHELKOVSKIY VITAMINNIY ZAVOD**	***	Head of Production	***USD	Very young candidate, in his 30s, after all the M&A deals of Otechestvennie Lekarstva were completed, he was appointed as the Head of Production Shelkovskiy Vitaminniy Zavod
KRASPHARMA **(Sold to OOO Bigreyt)**	***	Head of Production	***USD	The manufacturing site doesn't have GMP Certificate We do not consider the plant or any candidates from the manufacturing site to be interesting for Group ***
NOVSIBKHIMPHARM **(sold to R-Pharm)** (based in Novosibirsk)	***	Head of Production	***USD	The manufacturing site doesn't have GMP Certificate We do not consider the plant or any candidates from the manufacturing site to be interesting for Group ***
KURSK GLASS PLANT **(sold to Investor)** (based in Kursk)	***	Head of Production	***USD	The manufacturing site doesn't have GMP Certificate We do not consider the plant or any candidates from the manufacturing site to be interesting for Group ***

<table>
<tr><td colspan="5">VEROPHARM
The VEROPHARM's industrial base is comprised of three large facilities: Voronezh chemical and pharmaceutical plant, Belgorod ready-made medications plant, and Pokrov ready-made medications plant. Today these facilities have the total annual production capacity of 625 million tablets and capsules, 10 million ampoules, 468 million plasters, and 40 million vials. Currently, VEROPHARM produces more than 240 titles of medical products in 12 anatomic and therapeutic groups. Studying the morbidity trends in Russia, VEROPHARM forms its product portfolio according to the demand for medications and their efficiency, and makes them available for the customers. Today it is working on 72 new titles.</td></tr>
<tr><th>Plant</th><th>Candidate Name</th><th>Position Currently Held</th><th>Compensation</th><th>Comments on plant & candidate</th></tr>
<tr><td rowspan="2">BELGOROD MANUFACTURING SITE

(based in Belgorod)</td><td>***</td><td>Head of Production</td><td>***USD</td><td>Was appointed as Head of Production in 2009, worked for the plant for over 20 years.</td></tr>
<tr><td>***</td><td>Plant Director

(ex- Head of Production)</td><td>***USD</td><td>Currently acting Head of plant</td></tr>
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