



CONCORDE CAPITAL

Ukraine / Pharmaceuticals

# Kyivmedpreparat

Notes from company AGM

March 28, 2008

Current price: USD 67.82  
12M Target: N/R

N/R

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### Tickers

Bloomberg KMED UZ

### Market information

Market price, USD\* 67.82

\* PFTS mid-market

MCap\*, USD mln 271.6

\* Calculated at the number of shares including recent share issue

Chg 12M 63.1%

Hi/Low 12M, USD 89.11/35.64

No of shares, mln

Before share issue 1.2

After share issue 4.0

Free float 20%

Free float, USD mln 54.3

### Shareholders

Finance & Credit Group 80%

Other 20%

- At yesterday's AGM, Kyivmedpreparat disclosed its 2007 results
- Top line grew by 21.2%, EBITDA margin was 4.7 pp up, to 27.7%
- Share of key product group, antibiotics, decreased to 55%
- 2007 and this year's CapEx seem to focus on capacity buildup and strengthening its antibiotics portfolio; no breakdown was disclosed
- Shareholder conflict still lingers, share issue awaits registration

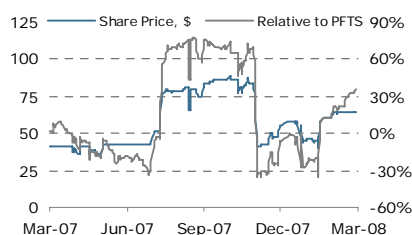
**Sales up 21% yoy to USD 46.2 mln, stronger margins.** Sales of its own products (88% in net revenue) grew by 13.3%, while revenues from reselling third-party medicines increased 2.5 times to USD 5.4 mln. Domestic sales of own products increased by 13.4%, on par with exports. Strong growth in sales to Kazakhstan and Belarus was partly offset by a decrease in sales to other destinations. Meanwhile, the price-driven nature of 2007 growth resulted in buildup in the company's EBITDA margin by 4.7 pp, to 27.7%.

**The share of its key product group, antibiotics, is down to 55%.** Sales of antibiotics, Kyivmedpreparat's key product group, increased by only 3%, resulting in its share in sales decreasing down to 55%, from 64% in 2006. Kyivmedpreparat launched 10 new products, including Valeriana-Forte, Thiotriazolium, Tiocetam, Riboxinum (Inosine), Xantinol, etc. In 2007, the company's top-5 products were Amicin (Amikacin), Herpevirum, Thiotriazolium, Gepacef and Lorizan.

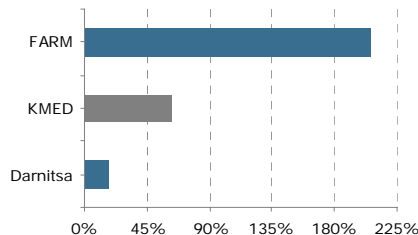
**2007-2008 CapEx: expanding capacity, new antibiotics.** In 2007, company's CapEx amounted to USD 16.0 mln. The projects included expansion of pills packaging capacity, first stage of ERP system implementation, projects on ecological control and waste treatment. Its 2008 plan involves construction of another pill production workshop, reconstruction of an injections workshop, launch of frozen-dried preparations and betalactam and aminoglycoside antibiotics, 2nd stage of ERP implementation and energy-saving projects. According to management, CapEx will reach at least USD 5 mln.

**December 2007 share issue awaits commission's approval.** In December 2007, Kyivmedpreparat conducted a USD 13.9 mln additional share issue, which has not yet been approved by the Ukrainian Securities & Exchange Commission, as several minority shareholders are suing the company for restricting their subscription rights. Officially, the number of shares remains 1.2 mln. Once the issue is registered, the number of shares will increase more than threefold to 4.0 mln. The market already reacted to the increase with a downward correction in mid-December, but if the issue is cancelled (unlikely), the price could more than double to its level prior to the share issue announcement.

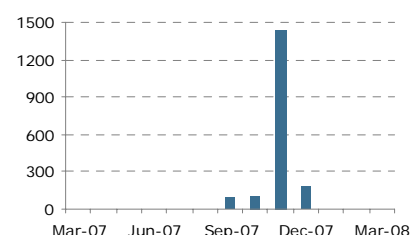
### Stock performance



### Sector performance\*, 12M



### Monthly trading volume, USD ths



\* Full names: FARM = Farmak, KMED = Kyivmedpreparat, Darnitsa = Nord Star Pharmashare (FSE quotes, ticker: 4S11). For Darnitsa, share price performance was calculated, Oct. 5, 2007  
Source: Bloomberg, PFTS

### Key financials & ratios, USD mln

	Revenue	EBITDA	Net Income	EBITDA Mgn	Net Mgn	EV/EBITDA	P/CF	P/E
2006	38.1	8.8	2.3	23.0%	6.0%	33.30	129.69	118.97
2007	46.2	12.8	5.3	27.7%	11.4%	22.74	254.14	51.43

Spot exchange rate: 5.05 UAH/USD

Source: Company data, Concorde Capital

**Sales structure and profitability, USD mln**

	2006	2007	% change
<b>Total net revenue</b>	<b>38.1</b>	<b>46.2</b>	<b>21.2%</b>
Own products	36.0	40.8	13.3%
Ukraine	29.2	33.1	13.4%
incl. antibiotics	24.5	25.3	3.4%
Exports	6.8	7.7	13.2%
including:			
Kazakhstan	1.9	2.9	54.4%
Belarus	1.2	2.0	61.3%
Uzbekistan	1.0	0.6	-37.8%
Share of exports	17.8%	16.7%	-1.2 p.p.
Share of CIS in exports	60.3%	71.4%	11.2 p.p.
Resold products	2.1	5.4	154.5%
<b>Gross margin</b>	<b>39.4%</b>	<b>46.2%</b>	<b>6.7 p.p.</b>
Own products	40.2%	47.9%	7.6 p.p.
Resold products	25.3%	33.2%	7.9 p.p.

Source: Company data, Concorde Capital estimates

**Company financials\*, USD mln**
**Income Statement Summary**

	1Q06	2Q06	3Q06	2006	1Q07	2Q07	3Q07	2007
<b>Net Revenues</b>	<b>8.9</b>	<b>17.9</b>	<b>27.7</b>	<b>38.1</b>	<b>9.7</b>	<b>18.7</b>	<b>31.6</b>	<b>46.2</b>
Change yoy	n/m	n/m	n/m	n/m	8.7%	4.5%	14.1%	21.2%
Cost Of Sales	(4.9)	(10.4)	(16.8)	(23.1)	(5.4)	(10.3)	(16.9)	(24.9)
Gross Profit	4.0	7.5	10.9	15.0	4.3	8.4	14.7	21.3
Gross margin	45.0%	41.9%	39.4%	39.4%	44.6%	45.1%	46.5%	46.2%
SG&A	(1.3)	(2.3)	(3.3)	(4.4)	(1.4)	(2.6)	(4.1)	(5.7)
% of Net Revenues	14.5%	13.0%	11.7%	11.5%	14.0%	14.2%	12.8%	12.3%
Other OpEx, net	(0.4)	(0.8)	(1.3)	(2)	(0.6)	(1.1)	(1.8)	(2.9)
<b>EBITDA</b>	<b>2.4</b>	<b>4.4</b>	<b>6.3</b>	<b>8.8</b>	<b>2.4</b>	<b>4.7</b>	<b>8.9</b>	<b>12.8</b>
Change yoy	n/m	n/m	n/m	n/m	1.1%	7.5%	39.7%	46.2%
EBITDA margin	26.6%	24.3%	22.9%	23.0%	24.7%	25.0%	28.0%	27.7%
Depreciation	(0.5)	(1.1)	(1.8)	(2.4)	(0.7)	(1.3)	(2.0)	(2.7)
<b>EBIT</b>	<b>1.8</b>	<b>3.2</b>	<b>4.6</b>	<b>6.3</b>	<b>1.7</b>	<b>3.3</b>	<b>6.8</b>	<b>10.1</b>
EBIT margin	20.5%	18.0%	16.5%	16.6%	17.8%	17.9%	21.6%	21.8%
Interest Expense	(0.6)	(1.2)	(1.8)	(2.5)	(0.7)	(1.3)	(1.9)	(2.6)
Financial income/(expense)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income/(expense)	(0.0)	(0.2)	(0.2)	(0.3)	(0.0)	(0.0)	(0.1)	(0.1)
<b>PBT</b>	<b>1.3</b>	<b>1.8</b>	<b>2.5</b>	<b>3.5</b>	<b>1.0</b>	<b>2.0</b>	<b>4.8</b>	<b>7.4</b>
Tax	(0.3)	(0.6)	(0.8)	(1.2)	(0.2)	(0.5)	(1.4)	(2.1)
Effective tax rate	27.9%	32.8%	33.3%	34.6%	22.5%	23.5%	29.0%	28.5%
<b>Net Income</b>	<b>0.9</b>	<b>1.2</b>	<b>1.7</b>	<b>2.3</b>	<b>0.8</b>	<b>1.6</b>	<b>3.4</b>	<b>5.3</b>
Change yoy	n/m	n/m	n/m	n/m	-11.5%	27.7%	104.1%	131.3%
Net margin	10.1%	6.8%	6.1%	6.0%	8.2%	8.3%	10.8%	11.4%

**Balance Sheet Summary**

	1Q06	2Q06	3Q06	2006	1Q07	2Q07	3Q07	2007
<b>Current Assets</b>	<b>23.0</b>	<b>22.9</b>	<b>22.4</b>	<b>26.9</b>	<b>26.2</b>	<b>27.8</b>	<b>31.0</b>	<b>41.9</b>
Cash & Equivalents	0.6	0.3	0.4	0.1	0.0	0.0	0.1	0.1
Trade Receivables	11.1	10.4	11.8	14.9	15.0	15.6	18.1	19.5
Inventories	10.3	10.1	7.9	9.3	8.3	8.4	9.2	7.2
Other current assets	1.1	2.1	2.3	2.5	2.9	3.7	3.6	15.2
<b>Fixed Assets</b>	<b>35.7</b>	<b>35.8</b>	<b>36.7</b>	<b>37.7</b>	<b>37.4</b>	<b>37.4</b>	<b>38.3</b>	<b>38.6</b>
PP&E, net	17.1	17.2	17.8	18.3	18.8	18.6	19.4	19.3
Other Fixed Assets	18.6	18.6	18.9	19.5	18.6	18.8	19.0	19.2
<b>Total Assets</b>	<b>58.8</b>	<b>58.7</b>	<b>59.1</b>	<b>64.6</b>	<b>63.6</b>	<b>65.2</b>	<b>69.3</b>	<b>80.5</b>
<b>Shareholders' Equity</b>	<b>28.6</b>	<b>28.7</b>	<b>29.2</b>	<b>29.9</b>	<b>30.7</b>	<b>31.2</b>	<b>33.1</b>	<b>34.9</b>
Share Capital	5.8	5.8	5.8	6.0	6.0	6.0	6.0	6.0
Reserves and Other	0.8	0.8	0.8	1.0	1.0	1.0	1.0	1.2
Retained Earnings	21.9	22.0	22.5	23.0	23.8	24.3	26.2	27.7
<b>Current Liabilities</b>	<b>17.6</b>	<b>12.2</b>	<b>13.0</b>	<b>13.4</b>	<b>11.7</b>	<b>12.7</b>	<b>15.9</b>	<b>26.2</b>
ST Interest Bearing Debt	9.2	5.4	7.0	4.2	3.2	3.3	5.6	5.8
Trade Payables	4.2	4.3	4.0	6.6	6.0	6.5	7.9	5.0
Accrued Wages	0.2	0.2	0.2	0.1	0.3	0.2	0.2	0.1
Accrued Taxes	0.3	0.2	0.2	0.1	0.3	0.2	0.4	0.4
Other Current Liabilities	3.8	2.1	1.6	2.3	1.9	2.5	1.8	14.9
<b>LT Liabilities</b>	<b>12.6</b>	<b>17.8</b>	<b>16.9</b>	<b>21.4</b>	<b>21.3</b>	<b>21.3</b>	<b>20.3</b>	<b>19.4</b>
LT Interest Bearing Debt	7.0	12.2	11.3	15.7	15.7	15.6	14.1	13.6
Other LT	5.6	5.6	5.6	5.7	5.6	5.7	6.2	5.8
<b>Total Liabilities &amp; Equity</b>	<b>58.8</b>	<b>58.7</b>	<b>59.1</b>	<b>64.6</b>	<b>63.6</b>	<b>65.2</b>	<b>69.3</b>	<b>80.5</b>

\* Prepared under local accounting standards

Source: Company data, Concorde Capital estimates

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