

Pharmacy Chain 36.6

2008 – PROFITABLE GROWTH

JERE CALMES

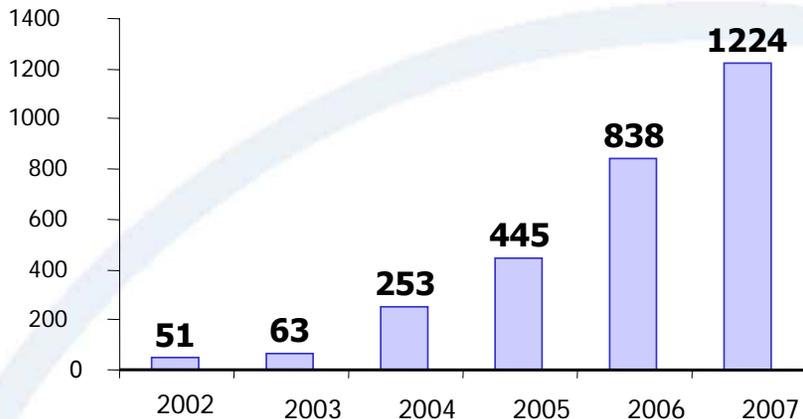
President

OJSC «Pharmacy Chain 36.6»

OJSC «Pharmacy Chain 36.6» today:

36.6

Number of stores



36.6 stores operate in 29 regions and over 90 towns of the Russian Federation



- ✓ Dominant player on the health and beauty retail market
- ✓ First retail health and beauty company to become public
- ✓ First company to offer open-format concept of health and beauty shopping
- ✓ Portfolio of attractive assets :
 - Group of Companies «European Medical Center»
 - OJSC «Veropharm»
 - LLC «Kub-Market» (Early Learning Center)
 - Closed-end property mutual fund

10 years of success and leadership

36.6

1998-2001

1998 - 36,6 founded

1998 – strategy creation together with McKinsey & Co.

1998 – first branded store opened in Moscow

2001-2004

2003 - IPO 36,6

2003 – RAPC founded

2004 – regional expansion start

2004 – first branded store opened outside of Moscow

2004 - 36.6 is the first Russian company to become member of the US National Retail Federation

2004 - 2008

2006 – placement of RUR 3 bln bond issue

2006 - IPO Veropharm

2006 – exclusive franchise with Boots

2006 – launch of the private label line

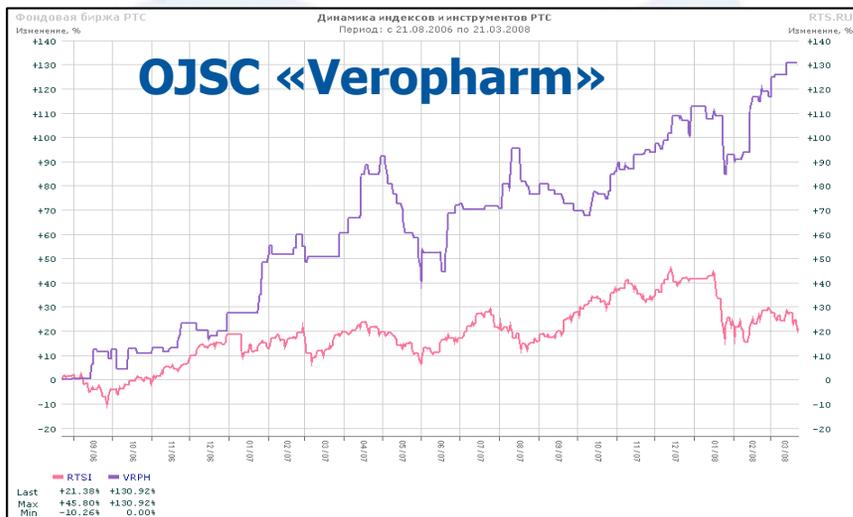
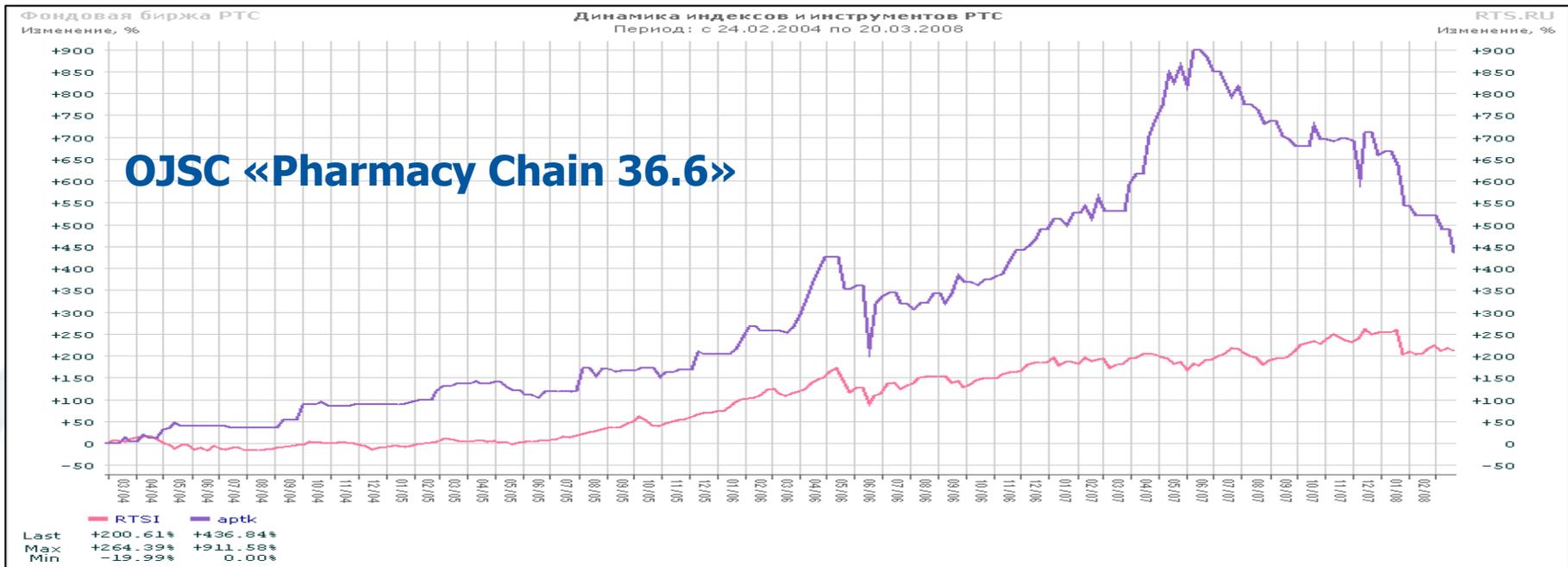
2006 – introduction of the new ERP system

2007 - SPO 36,6

2007 – 1000 stores opened

Share price performance

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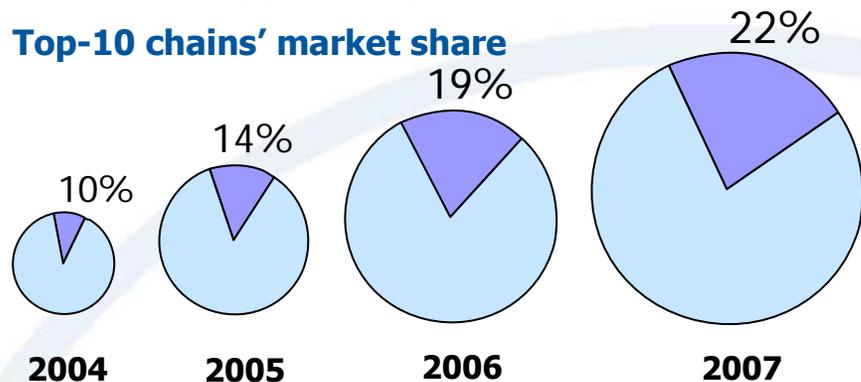
- ✓ **Market cap** (as of 25.03.2008, RTS):
 - **APTK \$ 484,5 mln**
 - **VRPH \$ 570 mln**
- ✓ **Strong historical out performance of the RTS index**

36.6 and key market trends

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✓ Consolidation

Top-10 chains' market share



Source: DSM Group, company's estimates

36.6 market share



Source: CMR «Pharmexpert», company's estimates

✓ Sales growth

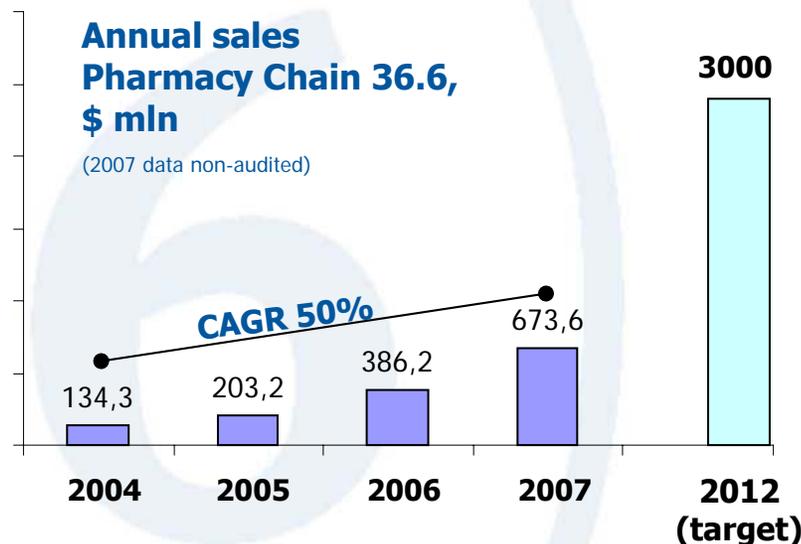
Market size estimates 2003-2012, \$ mln

Source: CMR «Pharmexpert»



Annual sales Pharmacy Chain 36.6, \$ mln

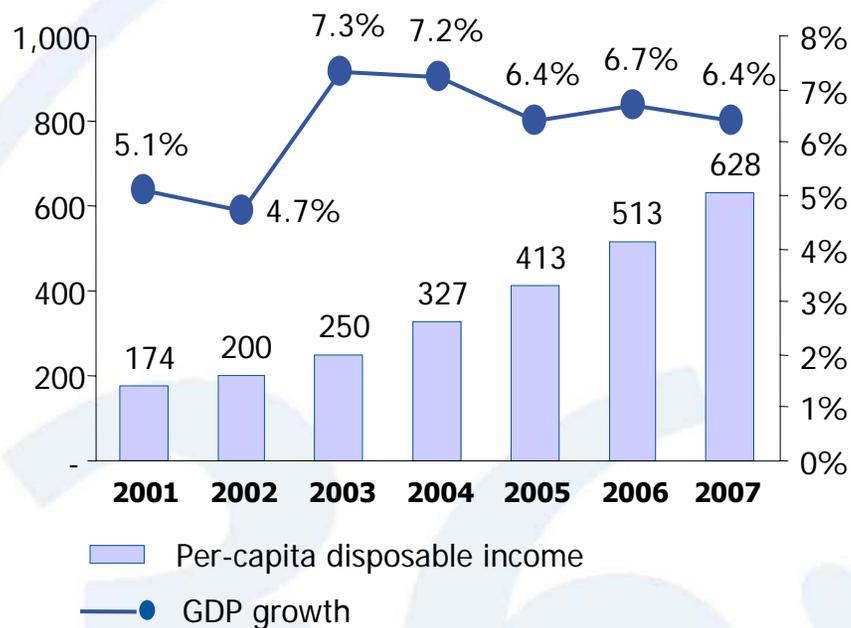
(2007 data non-audited)



Growth of disposable income leads to increase in consumer demand, including demand for pharmaceutical products

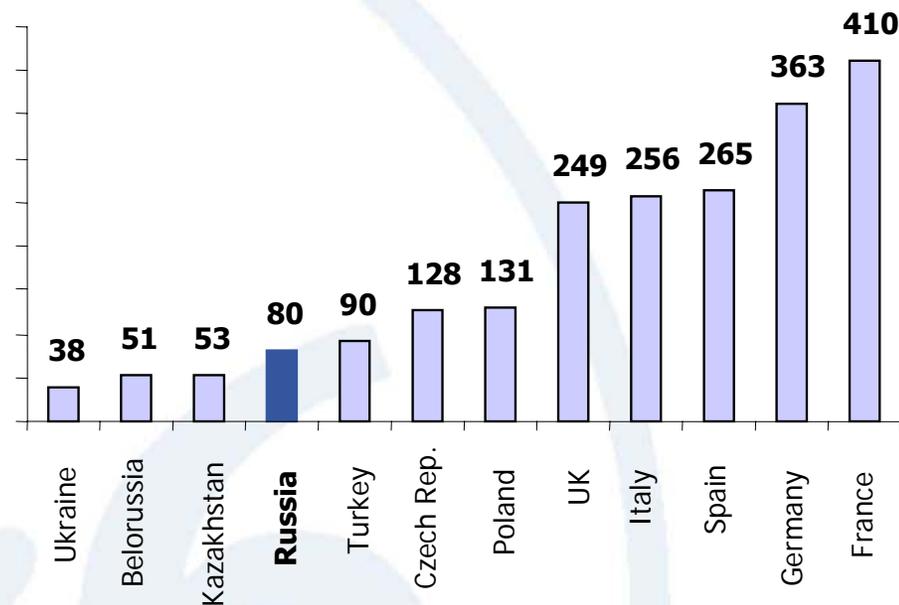


Growth of disposable income and GDP (\$ bln)



Source: Euromonitor

Per-capita expenditure on pharmaceuticals (2007, \$ retail prices)

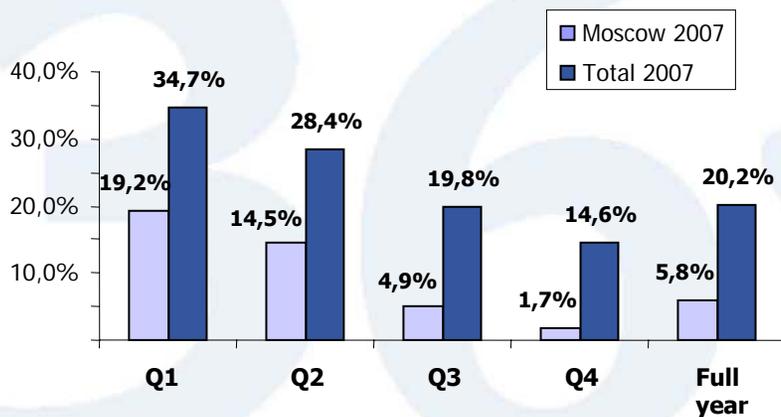


Source: CMR «Pharmexpert»

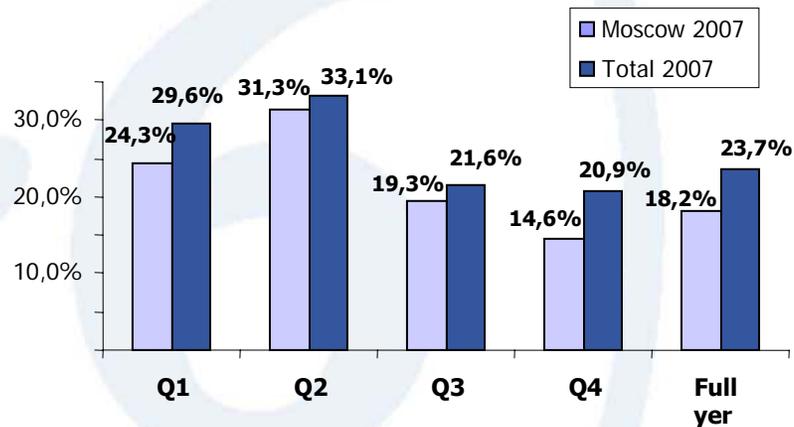
What happened in 2007?

- ✓ **Retail sales decreased as a result of problems in implementation of the ERP system in the Moscow Business Unit, which is the key driver for sales growth and cash flows of the company**
- ✓ **Increased competition**
- ✓ **This resulted in:**
 - **Decrease in L-F-L sales on a consolidated basis**
 - **Decrease in average check growth in Moscow**
 - **Partial loss of traffic in Moscow**

L-F-L sales (USD)



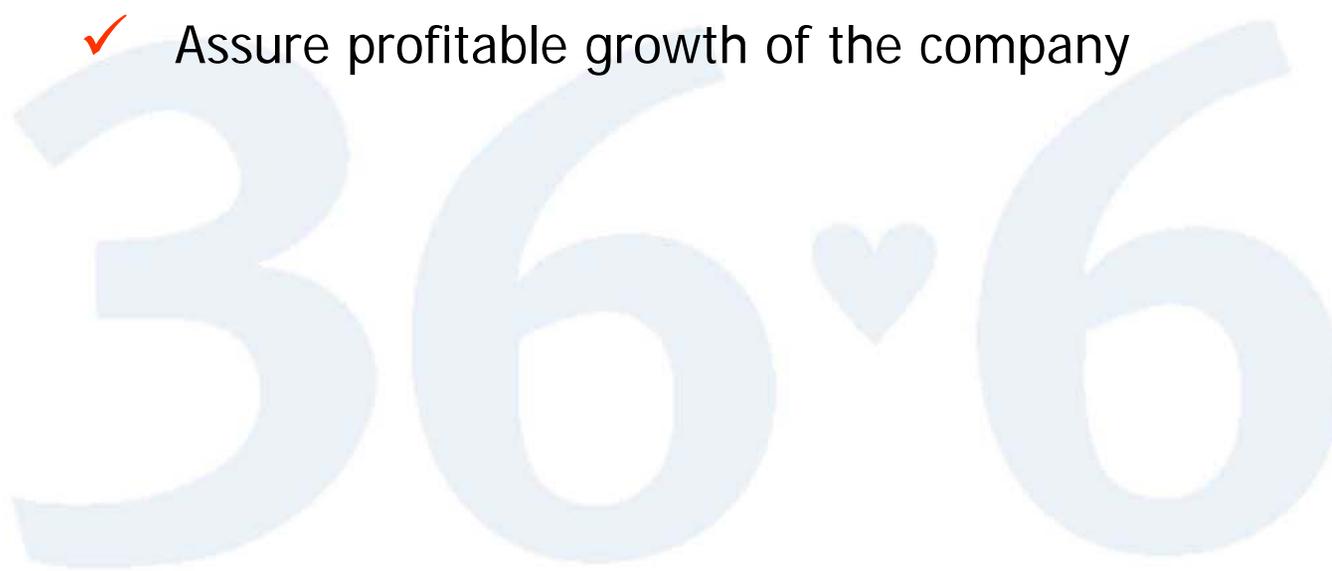
Average check growth (USD,%)



Strategic targets remain unchanged with a new focus on profitable growth

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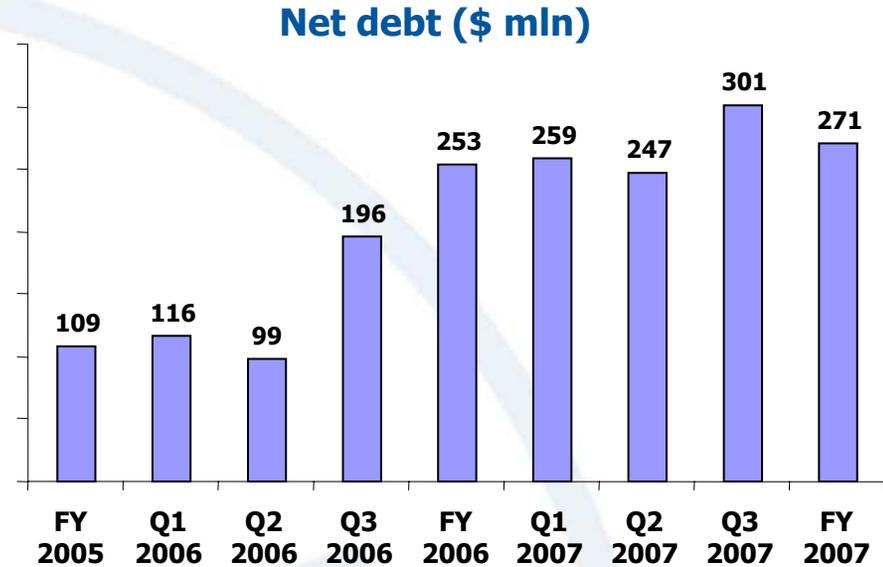
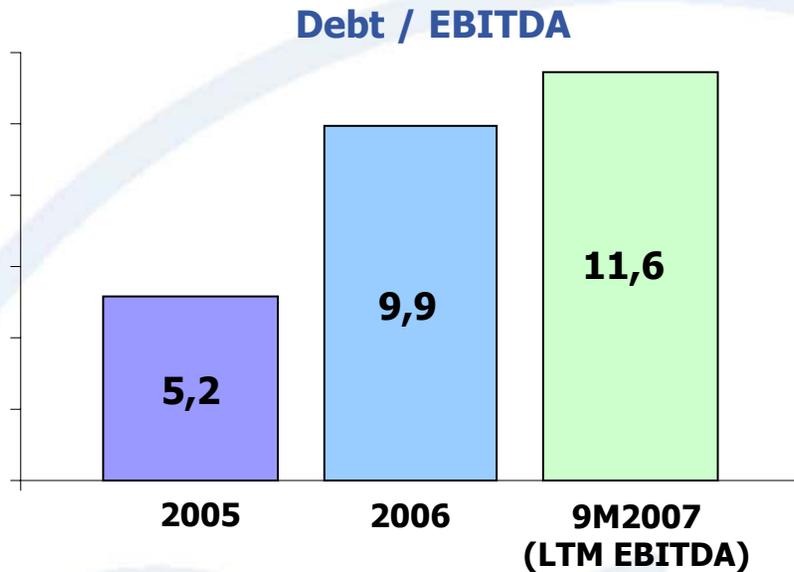
- ✓ Maintain and strengthen leading position on the Russian health and beauty market
- ✓ Achieve 10-15% market share within 3-5 years
- ✓ Assure profitable growth of the company



<h2>Regional expansion and consolidation of the market</h2>	<h2>Improve the operational efficiency</h2>	<h2>Expand our services and capabilities</h2>
<ul style="list-style-type: none"> • Strengthen our position in existing markets • Increase market share thru: <ul style="list-style-type: none"> ○ 2008 predominantly organic growth ○ 2009-2010 aggressive investment utilizing M&A for new regions and organic growth in the regions of strong presence • Selective, financially driven approach to new locations for organic openings and target acquisitions 	<ul style="list-style-type: none"> • Cut in G&A costs • Leverage the “economies of scale” and focus on centralized procurement • Optimize operational platform: <ul style="list-style-type: none"> ○ Implementation of modern IT solutions ○ Active integration and rebranding of existing stores ○ Optimization of the assortment plan ○ Better manage out-of-stock situations ○ Effective use of pricing strategies 	<ul style="list-style-type: none"> • Offer unique customer proposition: <ul style="list-style-type: none"> ○ Grow the private label line ○ CRM programs («Malina») ○ Launch of new exclusive brands and products ○ Beauty laboratories ○ «Aromatherapies» centers • Improvement of the customer service and qualification of the personnel • Leverage our strong brand to attract new customers and build brand loyalty

PROFITABLE GROWTH !

✓ Current situation



✓ Sources of financing

- Sale of non-core businesses
- Sale-lease-back of the properties
- Capital markets transactions

Priorities for the next 6 months

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- ✓ Refinance the debt
- ✓ «Turn Around» in Moscow
- ✓ Decrease in G&A expenses and maintain discipline with regard to cost optimization
- ✓ Normalize situation in poor performing regions
- ✓ Ensure progress in central procurement process and logistics' implementation