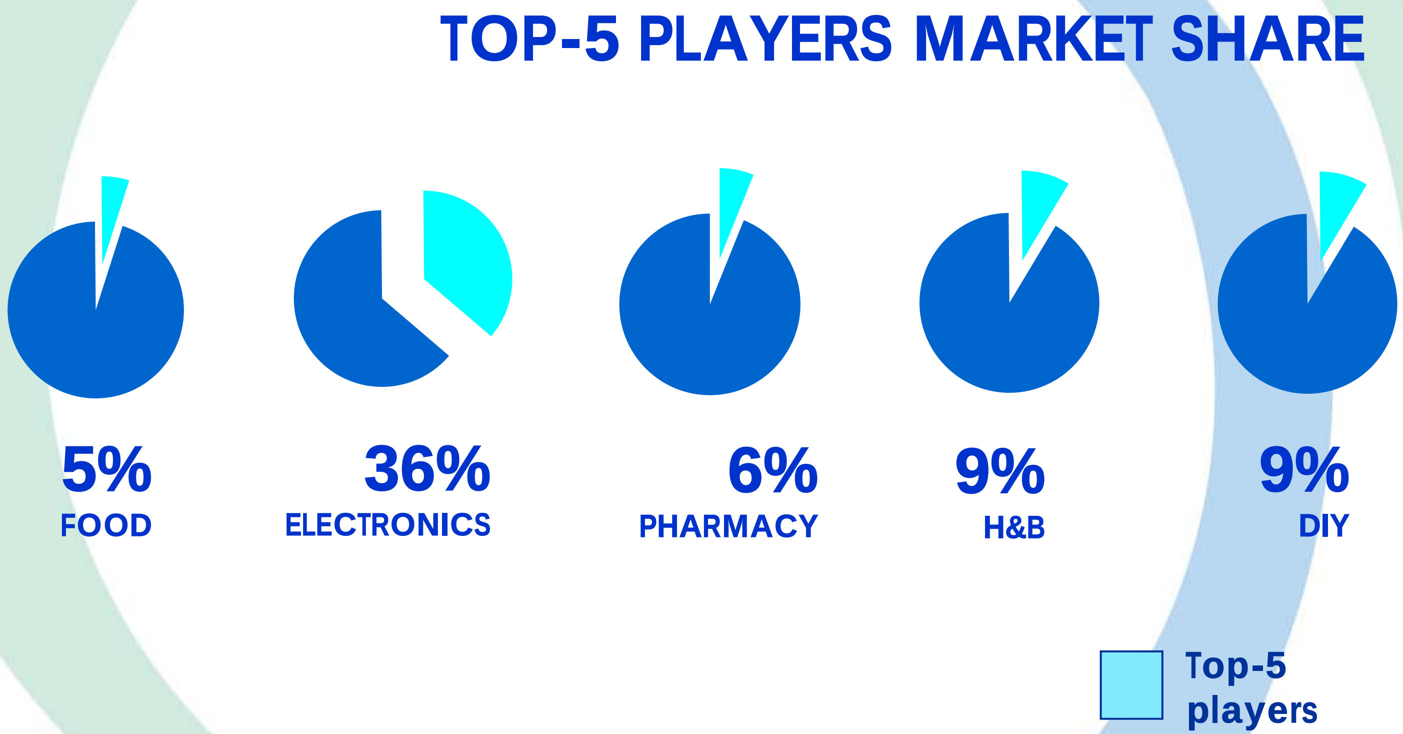
Key Trends In Pharmaceutical Retailing

Anton Parkansky
Managing Director
Pharmacy Chain 36.6

36·6
PHARMACY CHAIN

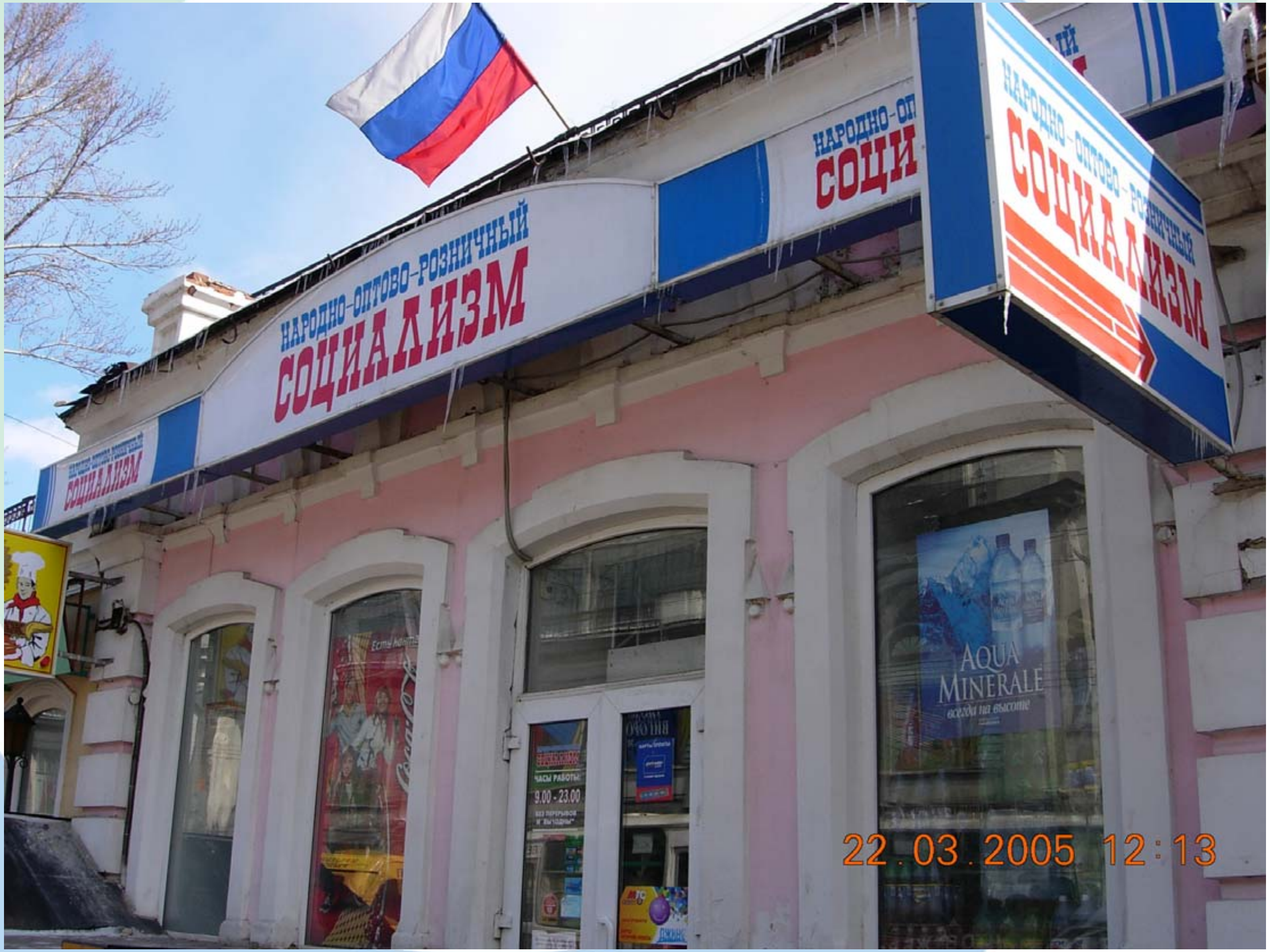
Pharmaceutical Retailing Is Very Fragmented



Source: UFG Research

But Consolidation Is Imminent

Consolidator	Target	
Pharmacy Chain 36.6	NAD, Nizhny Novgorod	Jun'04
Natur Produkt	Madlena, Omsk	May'04
ICN-Chudo-Doktor	25 outlets, Orenburg region	May'04
Pharmacy Chain 36.6	LEKO, Bashkortostan	Feb'04
L'Etoile	ICN-Chudo doctor	Spring'04
ICN-Chudo-Doktor	ICN merges with Chudo Doktor	Dec'03
Rigla	Bud Zdorov, Rostov	Sep'03
Millhouse Capital/ Profit House	Russian assets of ICN Pharmaceuticals	2H'03

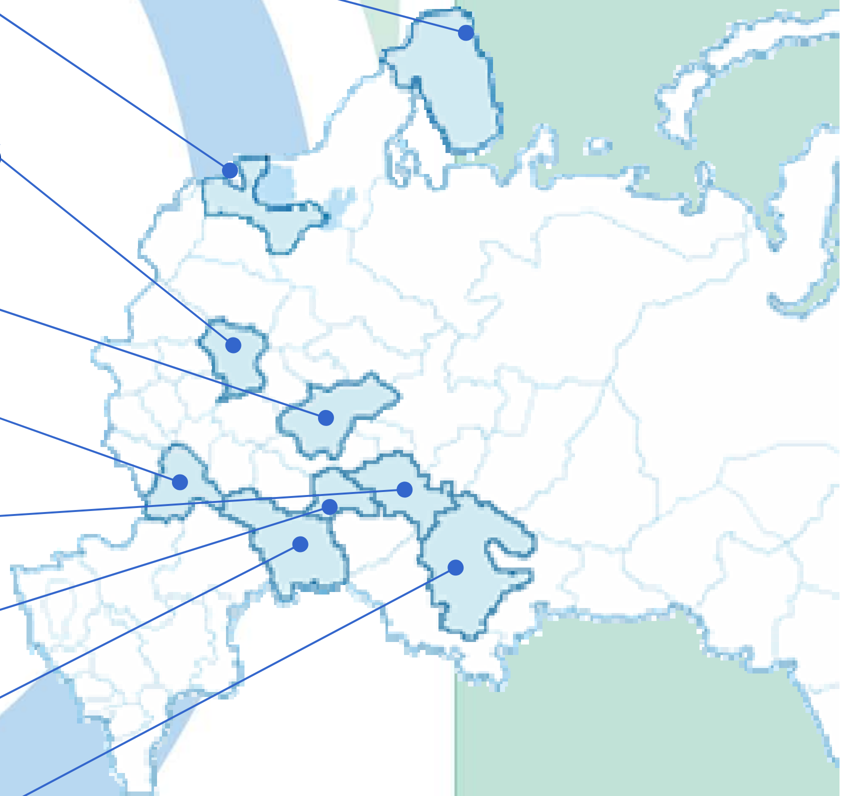

НАРОДНО-ОПТОВО-РОЗНИЧНЫЙ
СОЦИАЛИЗМ
ЧАСЫ РАБОТЫ
9.00 - 23.00
AQUA
MINERALE
всегда на высоте
22.03.2005 12:13


СТОМАТОЛОГИЧЕСКАЯ ПОЛИКЛИНИКА
ВОСКРЕСЕНЬЕ СКИДКА 5% + ДИСКОНТ

Fast Expansion Through M&A And Organic Growth

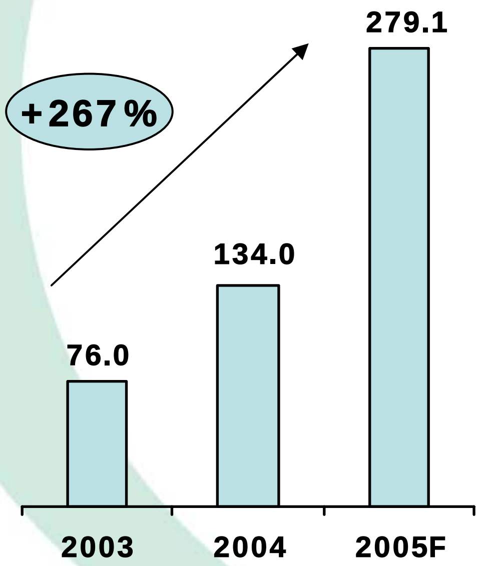
270 pharmacies in 8 regions the Company reaches out to 30 million consumers, and will strive to deliver its value proposition to 60 million consumers by 2008

MURMANSK	**32**
ST.PETERSBURG	**4**
MOSCOW& MLR	**106**
NIZHNY NOVGOROD	**40**
VORONEZH	**4**
KAZAN	**3**
ULYANOVSK	**9**
SARATOV	**3**
BASHKIRIA	**69**

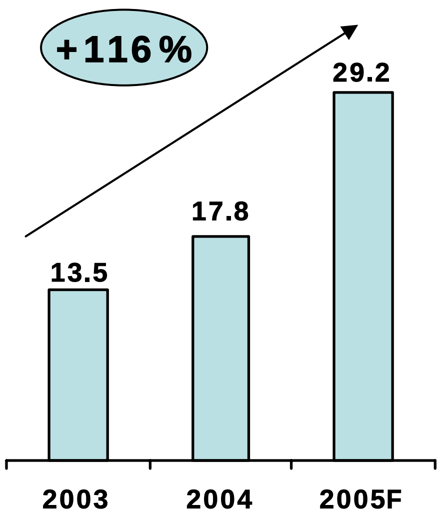


Fast Growth Helps Grow Sales Quickly

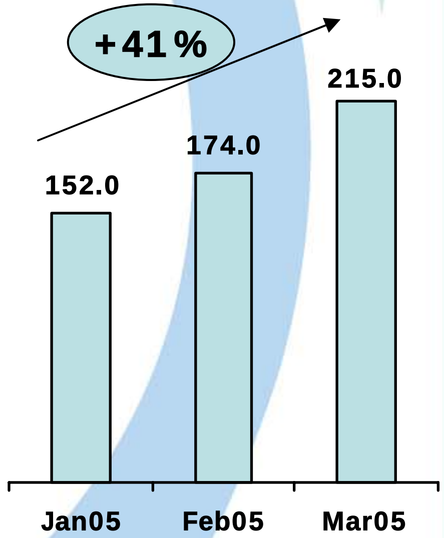
Total sales
USD mln



Sales of Urals Business Unit
USD mln



Sales in St. Petersburg
USD thousand, same stores

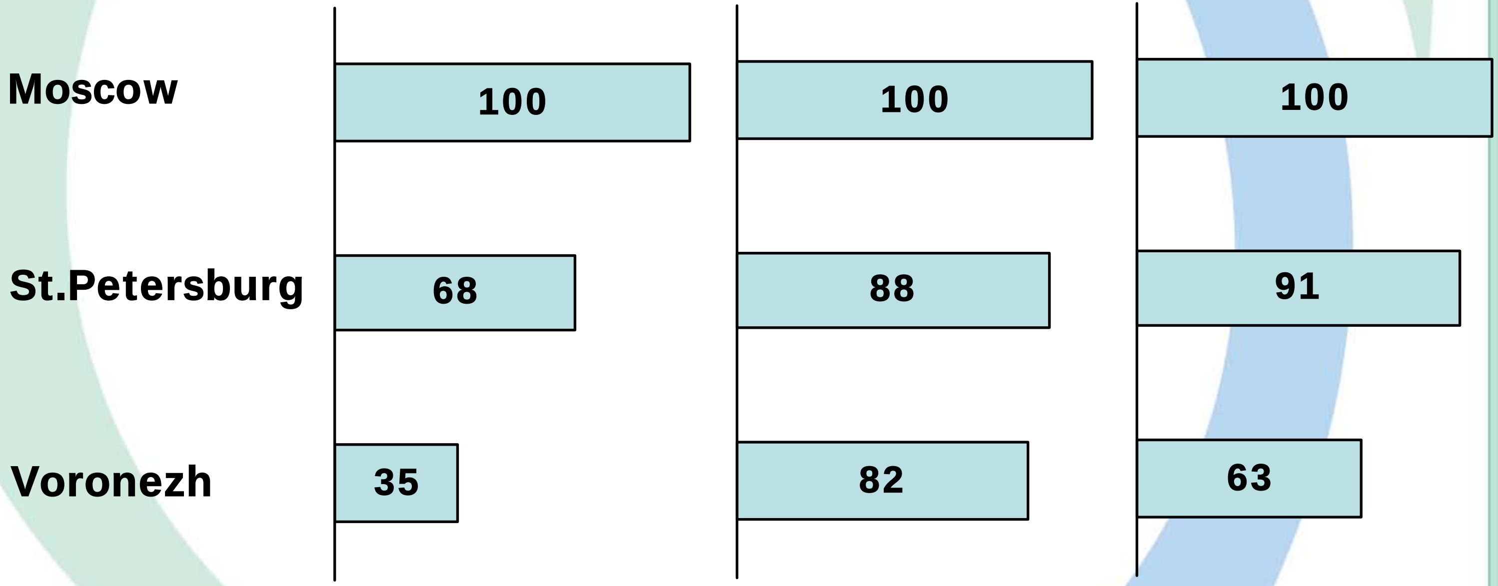


However, Sales ≠ Profits

Average sales per square meter*
Index, Moscow=100

Gross margin
Index, Moscow=100

Average rent*
Index, Moscow=100



* Comparable locations

Addressing Profitability Pressures

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- Pressure on distributors to improve purchasing terms from increasingly important national chains
- Replacement of weaker manufacturer brands by private labels and controlled retailer brands
- Better space utilization through format adaptation
- Creation of unique assortment through exclusive deals and one-off purchasing that becomes possible with increased size of the business
- Creating strong national retail brands

Improving Purchasing Terms Has A Big Potential

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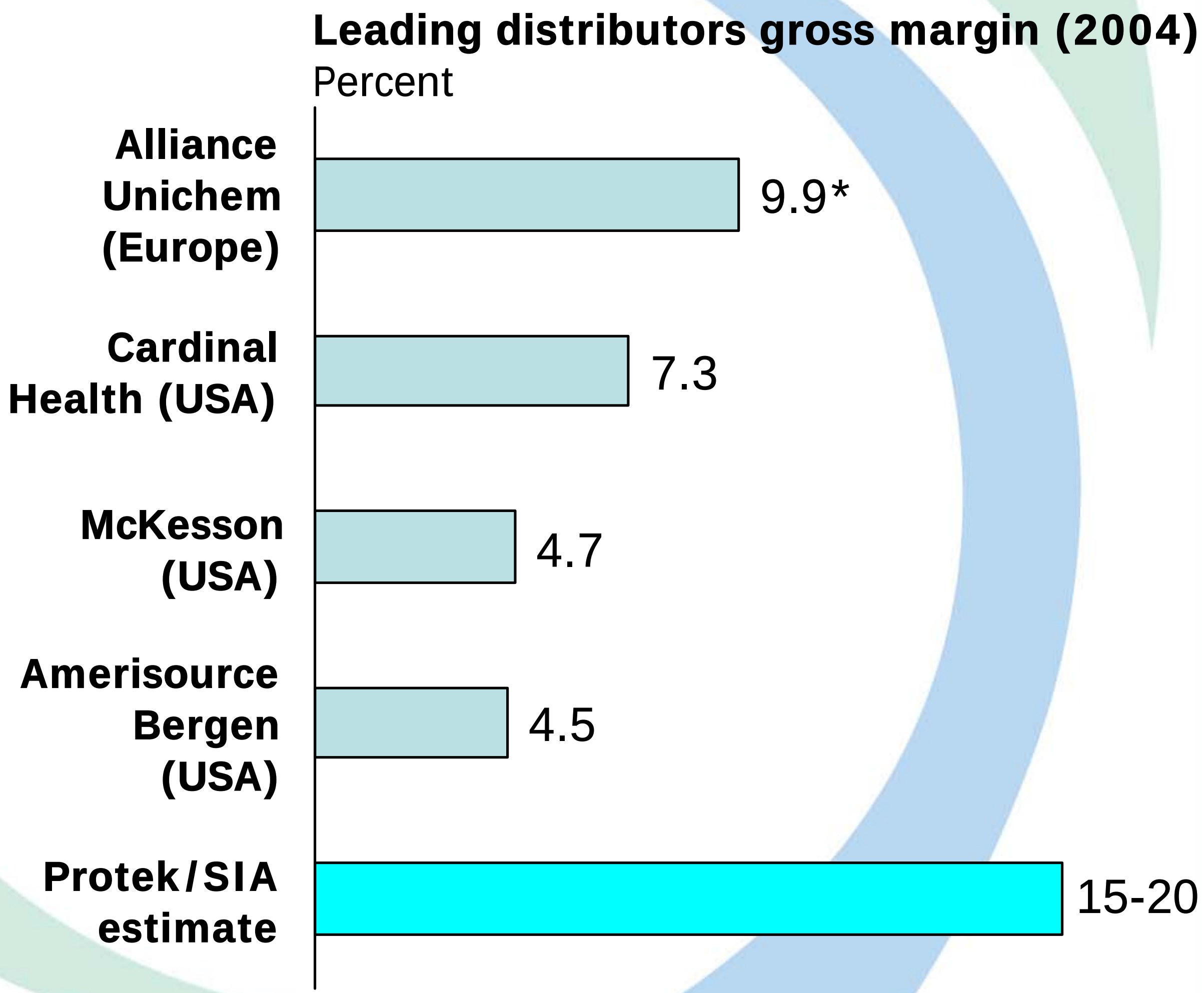
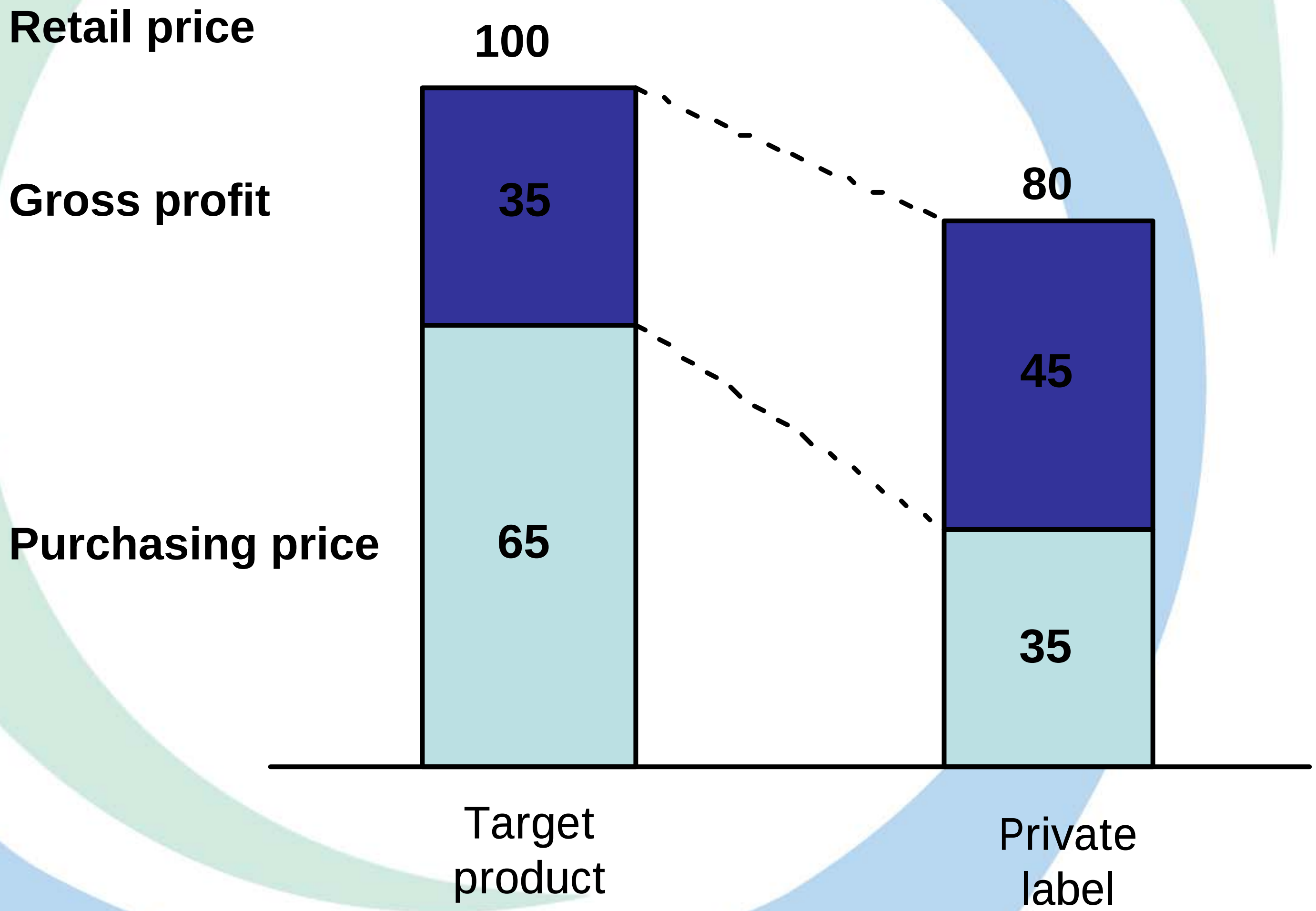


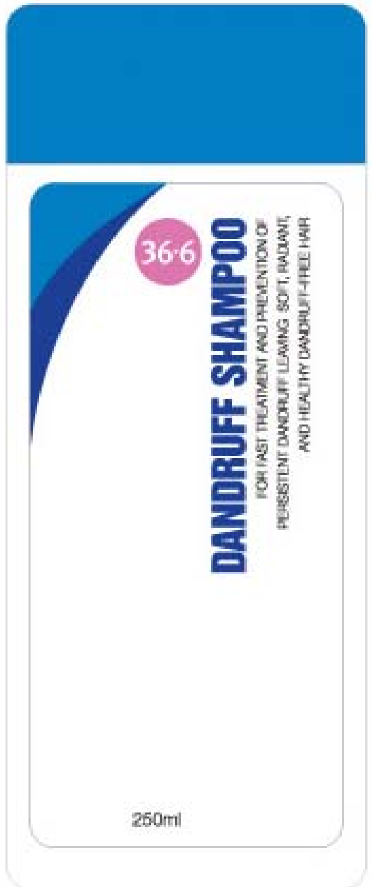
** Includes retail activity, which has a higher gross margin*

Source: Annual reports; Veropharm; Distributor price lists

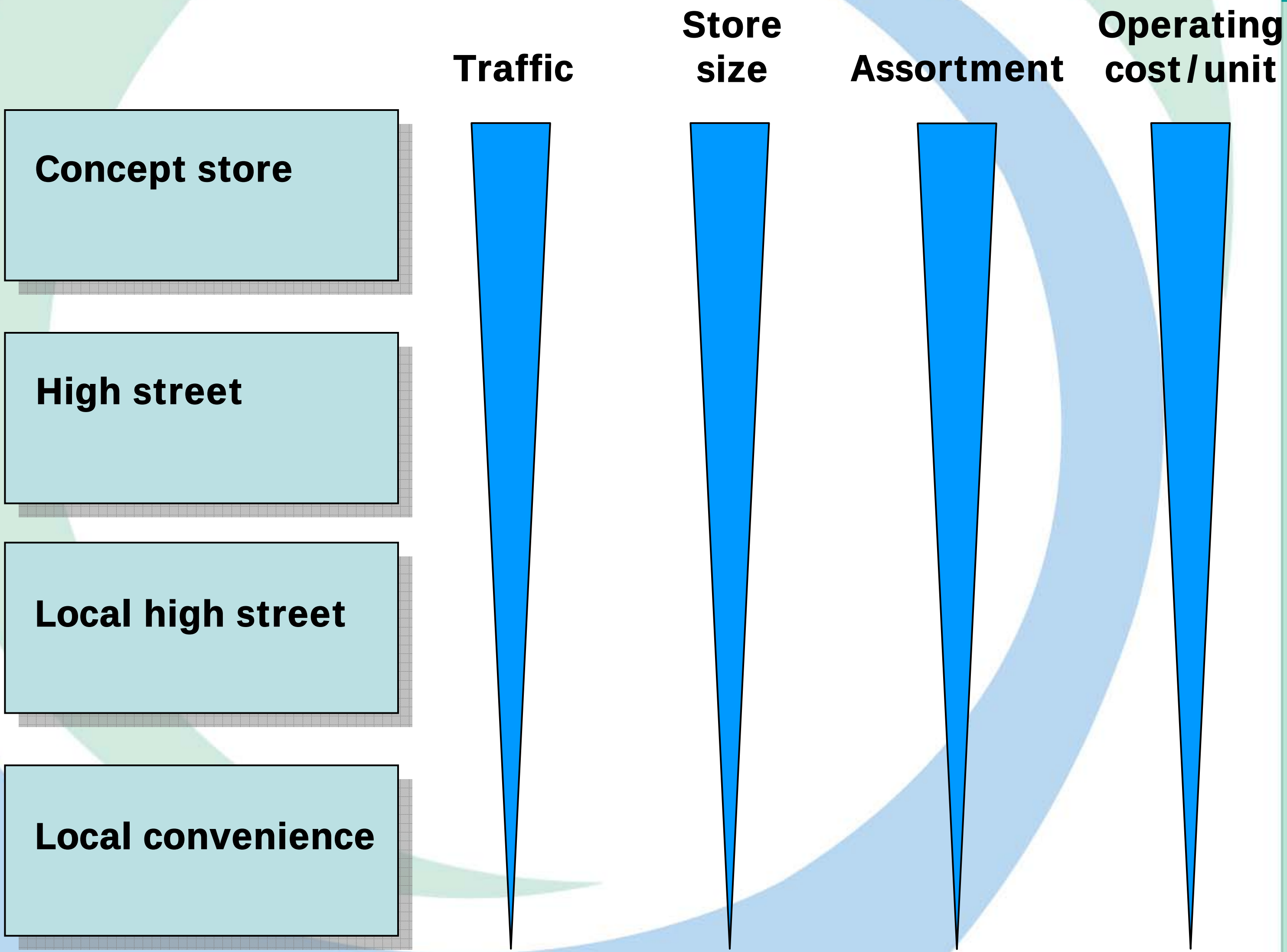
Private Label: Customer Pays Less, While Retailer Earns More



Private Label



Format Management



Unique Assortment - Specialty Products

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Objective: Differentiate from the competition in assortment to avoid direct price competition

HIGHER GROSS MARGIN

One-off Deals May Be Extremely Attractive Both For Retail And The Customer

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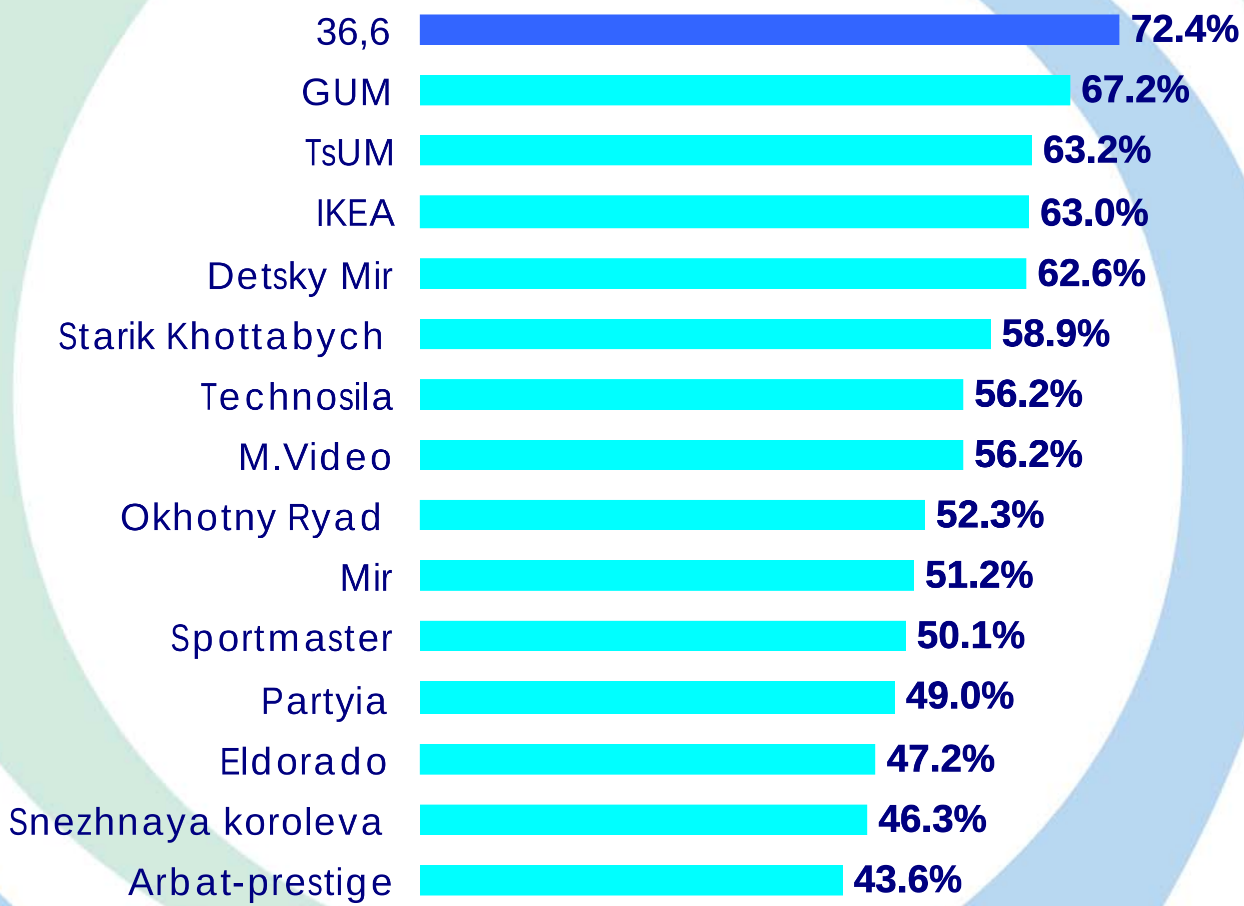
Strong Brand

ED

Highest Brand Awareness Among Retail Chains



Source: Gallup Media Survey

GALLUP MEDIA BRAND AWARENESS SURVEY

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