



Pharmacy Chain 36.6

COMPANY PROFILE

August 2008



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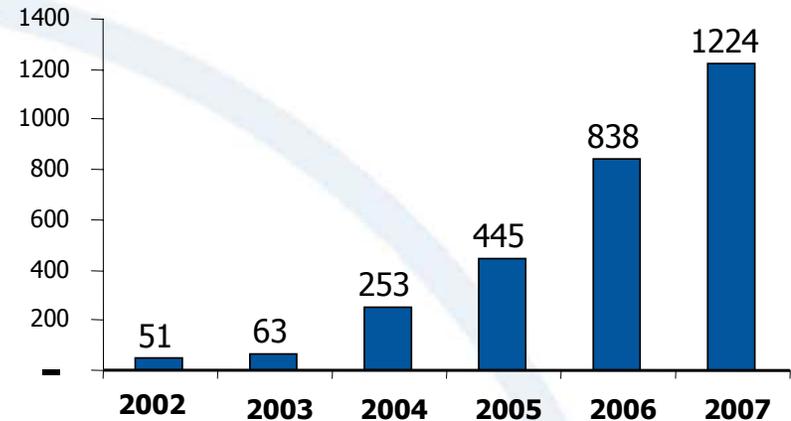
36.6 AT A GLANCE

36.6

Russia's largest pharmaceutical retailer, with a strong focus on regional growth

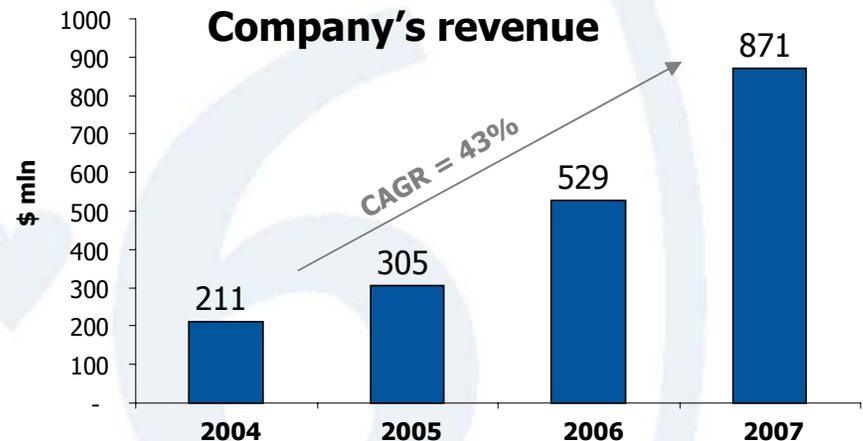
- ✓ #1 brand in the Russian health and beauty retail market
- ✓ National market share - 6.6%
- ✓ Moscow market share -10%
- ✓ First Russian pharmaceutical company to go public
 - ✓ Market capitalization as of August 1, 2008: \$304 mln
- ✓ Over 1,200 stores currently in operation
- ✓ Over 12,000 people employed
- ✓ Portfolio of **attractive assets**:
 - OJSC «Veropharm»
 - LLC «Kub-Market» (Early Learning Center)
 - Closed-end property mutual fund

Number of stores



Source: Company

Company's revenue



Source: 2004-2007 audited IFRS accounts

10 YEARS OF SUCCESS AND LEADERSHIP

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Leading Russian health & beauty and pharmaceutical retailer offering a variety of high-quality affordable goods

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

2007 - introduction of the new ERP system

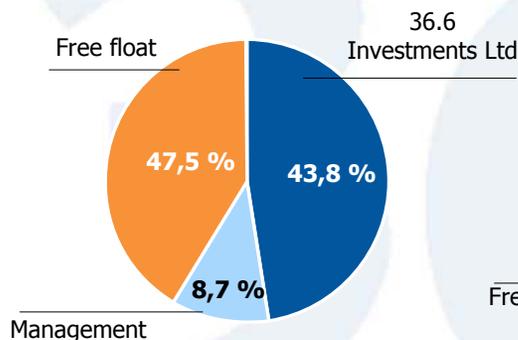
2007 - SPO 36.6

2007 - 1000th pharmacy opened

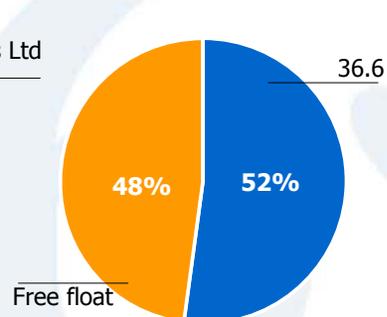
2008 - 36.6 voted the Best consumer sector company in Russia for the 3rd year

Shareholders structure

Pharmacy Chain 36.6



Veropharm



Source: Company



PHARMACY CHAIN 36.6
(Retail)

VEROPHARM
(Pharmaceuticals' production)

**EARLY LEARNING
CENTER**
(Children's goods)

Business units (6)



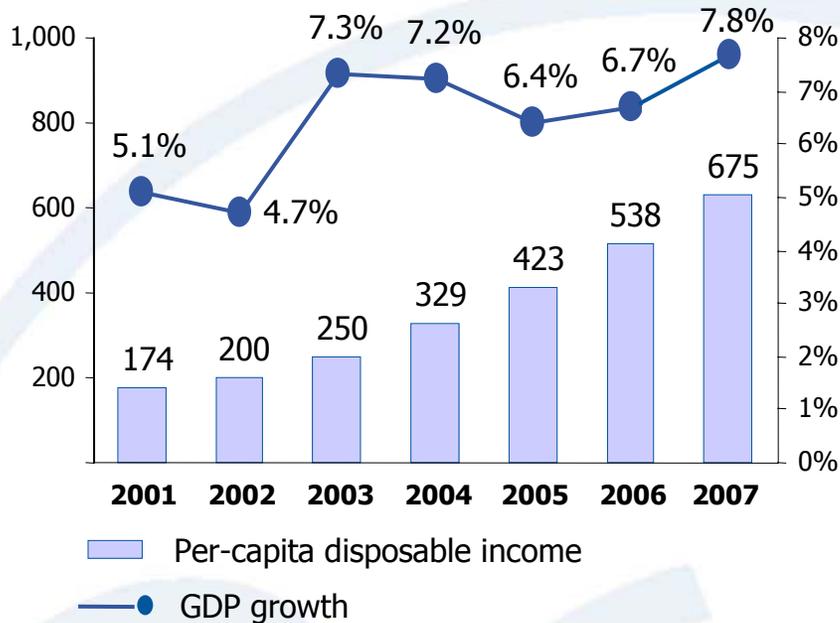
I. Market overview

MACROECONOMIC FUNDAMENTALS

Russian private sector economy is experiencing a robust growth fueled by the growth in real GDP and disposable income

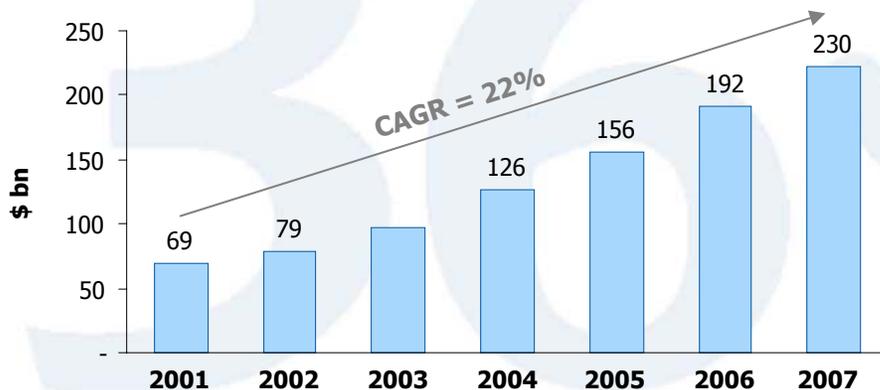
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Growth of annual household spending and real GDP (\$ bln)



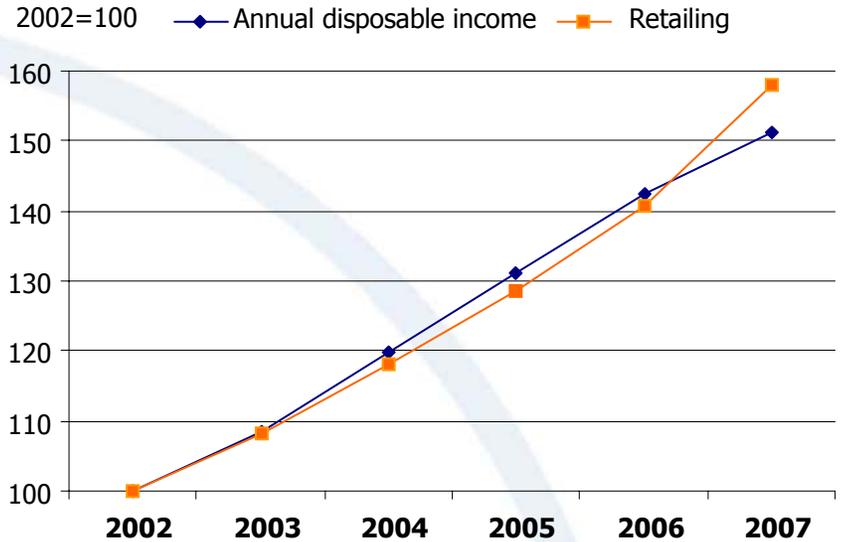
Source: Euromonitor

Retail market turnover



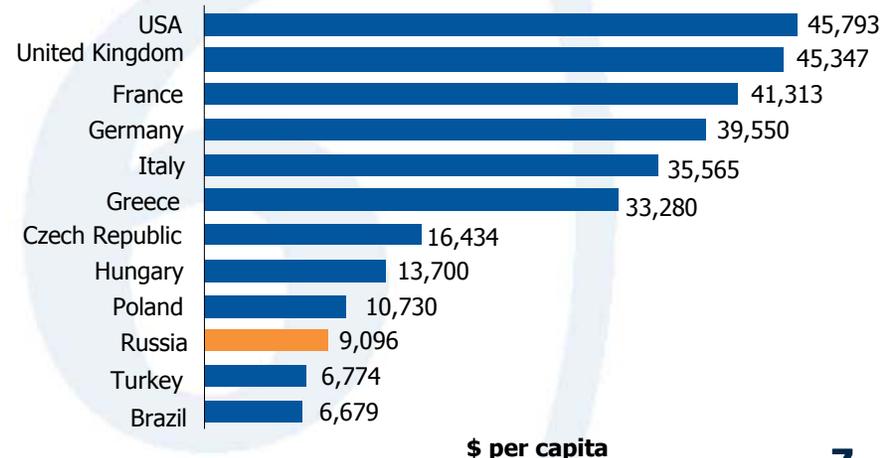
Source: Euromonitor

Retail sales and disposable income growth



Source: Euromonitor

GDP per capita in major countries



Source: Euromonitor

PHARMACEUTICAL RETAIL MARKET OVERVIEW

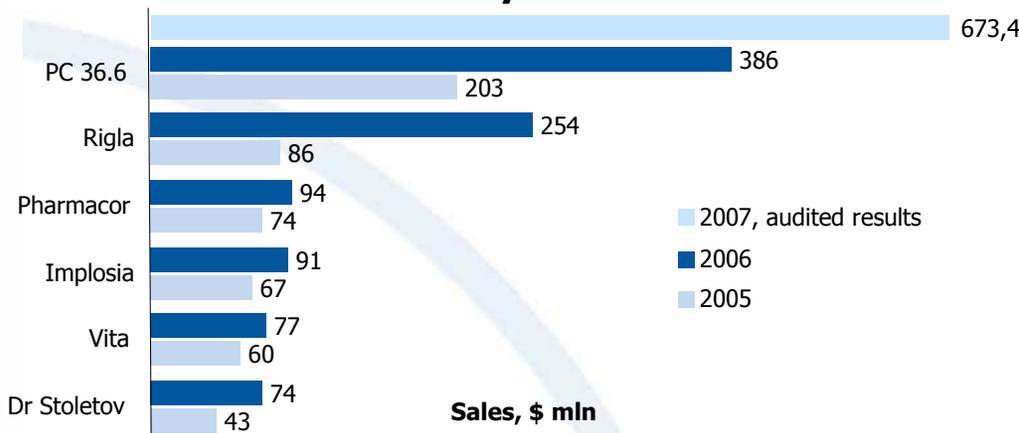


Market size estimates (2003-2012, \$ mln)



Source: CMR «Pharmexpert»

Leading Russian drugstore chains by turnover



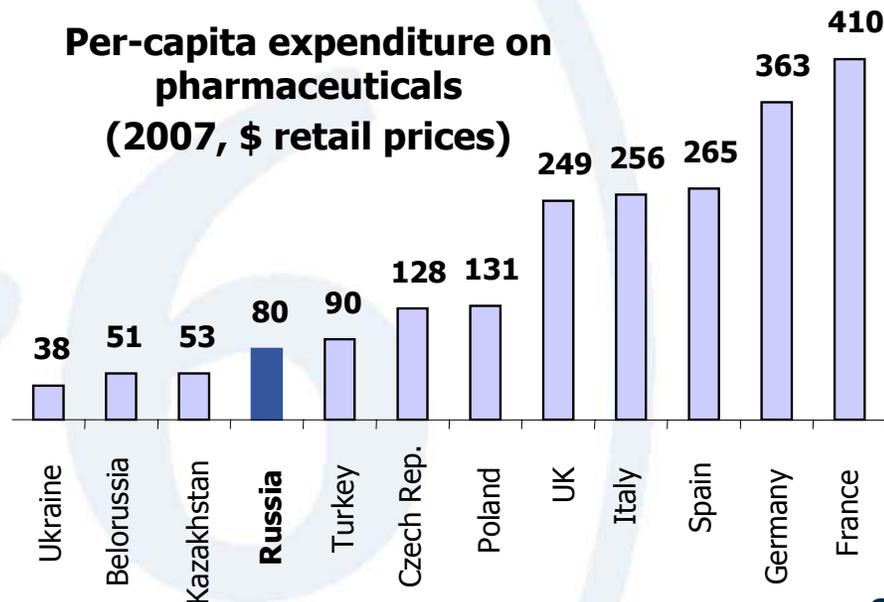
Source: CMR «Pharmexpert» and company estimates

Growth of per-capita expenditure on pharmaceuticals in Russia (\$ retail prices)



Source: CMR «Pharmexpert»

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



Source: CMR «Pharmexpert»



II. CORE BUSINESS - RETAIL

REGIONAL PRESENCE

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Company reaches out to most Russian cities with a population over 500K people

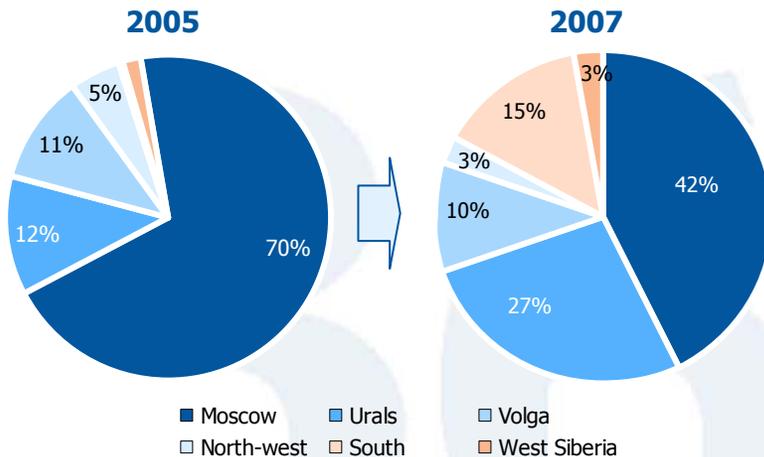
Number of stores (Q1 2008):

Moscow-Central	386
including Northwest	29
South Urals	280
South	204
Volga	133
North Urals	115
West-Siberia	68

✓ 36.6 Pharmacy chain 36.6 is among top 5 chains by store count at 22 Russia regions



Sales breakdown*



(* based on management accounts
Source: Company

Source: *Pharmatsevtichesky Vestnik*, #39 from Dec 4'07

NUMBER ONE BRAND RECOGNITION NATIONWIDE



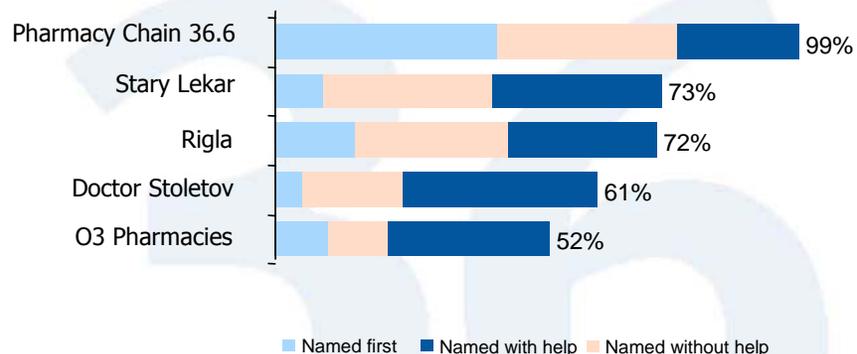
- ✓ Pharmacy Chain 36.6 has established one of the most successful and well recognized brands in the industry
- ✓ Company is ranked first in purchases (30.5%) among Russian retailers, signaling its nationwide recognition and consumer loyalty*

Consumer purchases



Source: TNS, 10 000 respondents

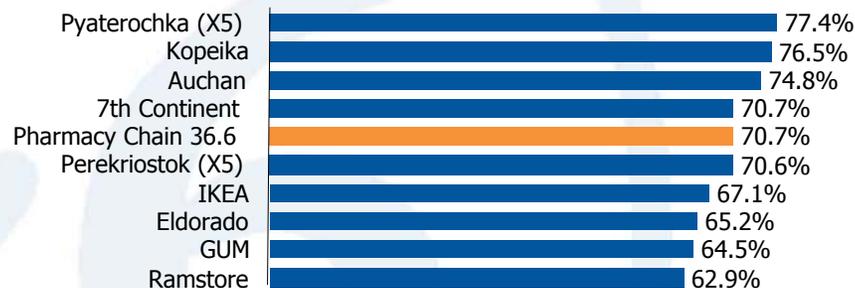
Brand awareness in comparison with industry peers



Source: A/R/M/I-Marketing data, Nov 2007, 517 respondents

* - according to TNS

Brand awareness in comparison with other retailers



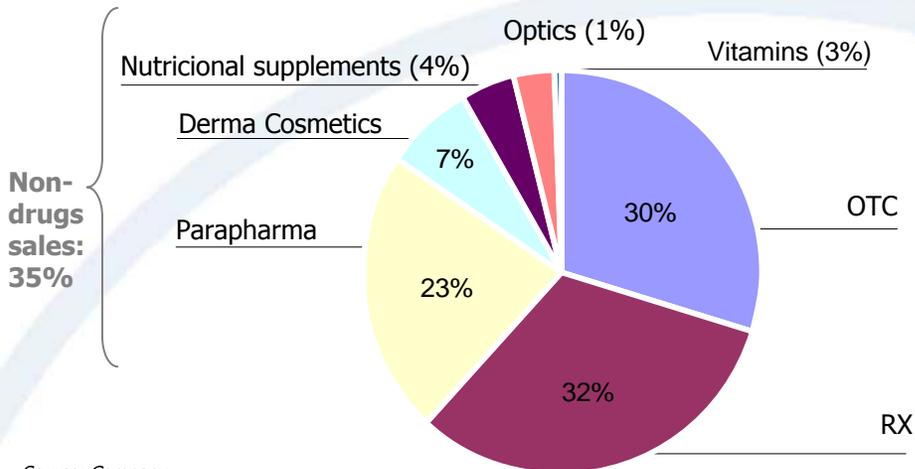
Source: TNS, 10 000 respondents

PRODUCT DIFFERENTIATION

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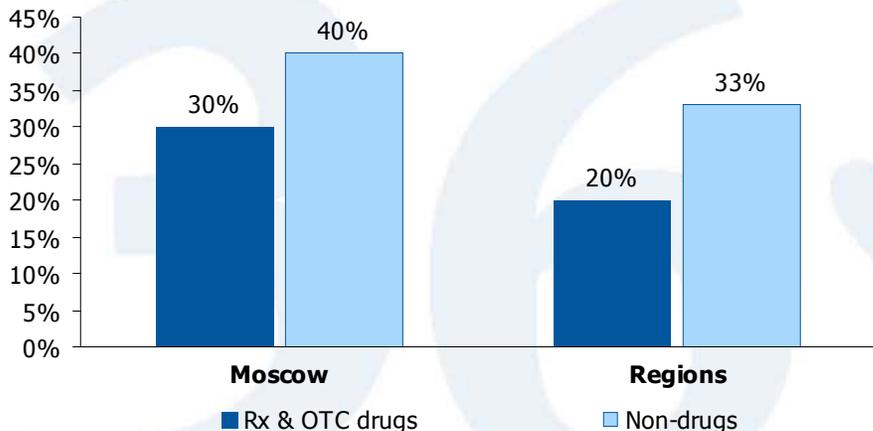
36.6 has launched new projects aimed to differentiate its product mix and obtain higher margins

Sales breakdown, 2007



Source: Company

Product gross margins



Source: Company

Cosmetics centers

located in over 55 major pharmacies



Exclusive offerings

Eclipse, Monteil, Champneys implants etc



CHAMPNEYS
— COLLECTION —

Boots brands

600 SKU's of Boots products are sold countrywide



Optics

14 stores and 22 opticians departments

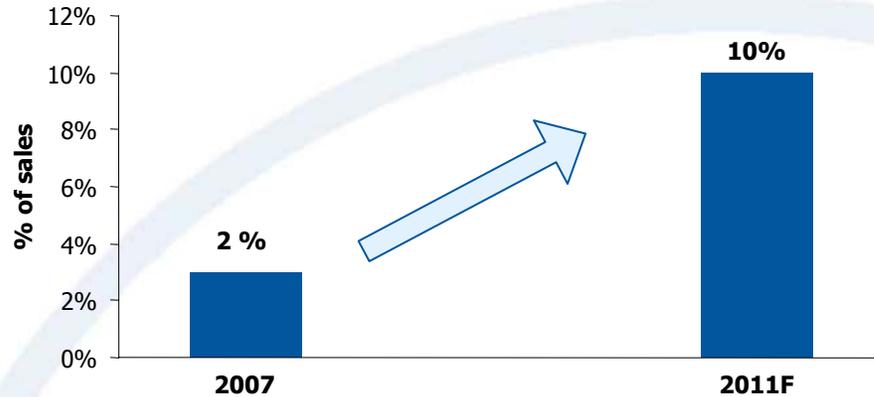


- ✓ Malina program in Moscow
 - **30%** of 36.6 sales in Moscow are made with MALINA card
 - Average transaction with MALINA card is **2 times higher** than a usual average check
 - **600 000** households which equals **43% of MALINA database** are 36.6 clients (**№1** among MALINA members)
 - **1 038 000 000** points issued at 36.6 pharmacies since program launch



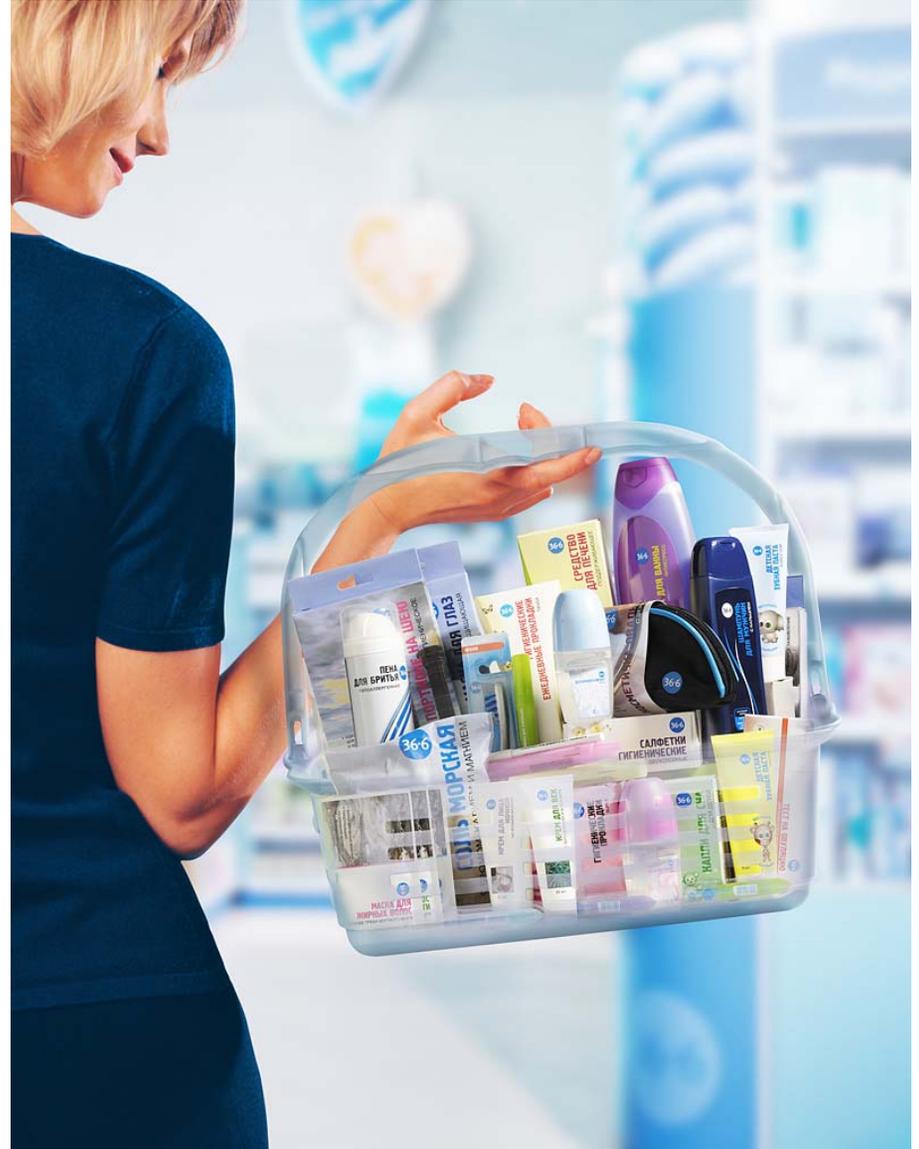
- ✓ Loyalty cards in the regions
- ✓ Special discounts for pensioners

Targeted level of private label sales



Source: Company

- ✓ Over 500 SKUs
- ✓ 83 manufacturers in 15 countries
- ✓ \$ 13.7 mln sales volume in 2007
- ✓ > 60% average gross margin
- ✓ Natura 36,6 and MED response 36,6 sales represent 7% of all cosmetics sales at 36.6, and occupy the 2nd place after Vichy, Russia's absolute leader in cosmetics sales



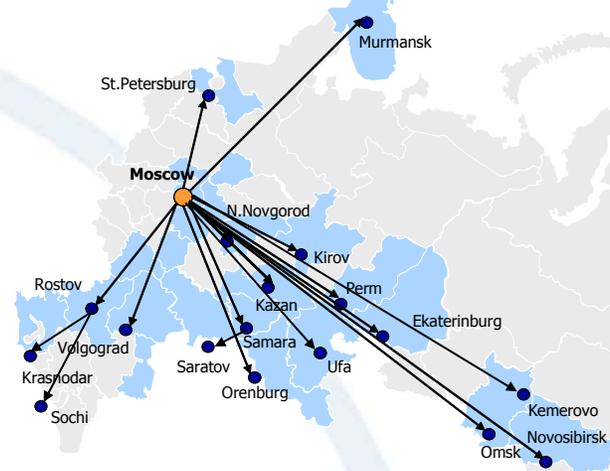
SUPPLY CHAIN OPTIMIZATION

Supply chain optimization and centralized purchasing brought by the new distribution system will significantly increase the Company's profitability

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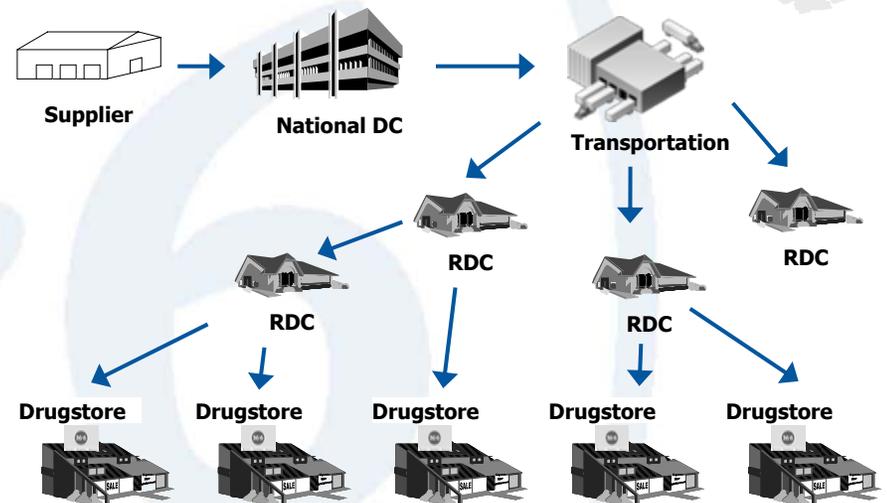
- ✓ Launched in 2006 and expected to become fully operational by end of 2008
- ✓ Focus on centralized purchasing
- ✓ Aimed to reduce logistics costs and improve gross margins
- ✓ Will allow 36.6 to:
 - improve contractual terms with suppliers
 - achieve higher margins in the regions
 - ensure better private label penetration
- ✓ EBITDA margin effect - 1.3-1.4% per year during 2008-2011

Distribution network coverage



Source: Company

Logistics system implementation



Source: Company

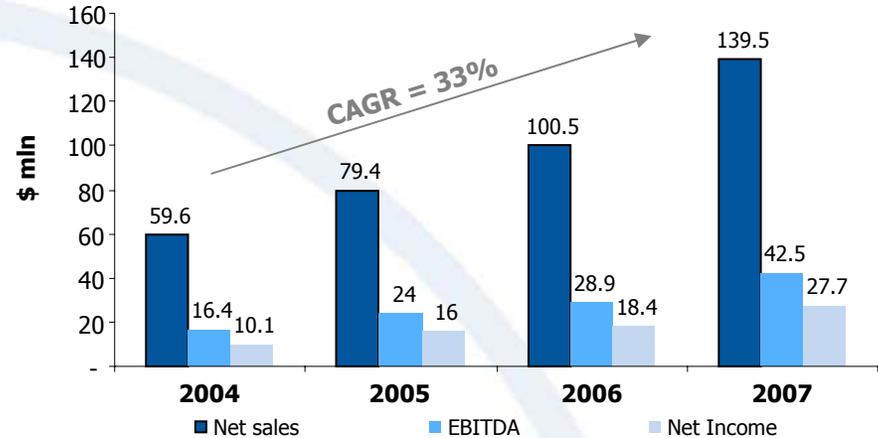


III. Non-core businesses

The 4th largest Russian producer of pharmaceutical products with 7.1% market share in 2007¹

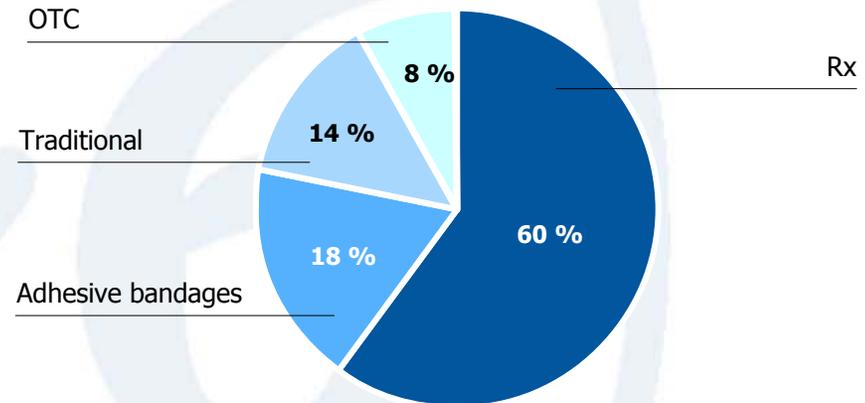
- ✓ Company operates 3 production facilities in Russia:
 - Belgorod (GMP line built in Dec. '01)
 - Voronezh (#1 in Russia and Ukraine in adhesive bandages)
 - Pokrov (#1 in oncology products with 18.9% market share among Russian producers)
- ✓ In April 2006, Company publicly offered 49% of its shares with a listing on RTS
 - Market cap has grown 78%, from \$280 mln to \$500 mln as of August 1, 2008
- ✓ Product portfolio of over 400 drugs (Rx, OTC, traditional, adhesives)
- ✓ Pipeline of 71 Rx and 1 OTC, including 12 drugs to be launched in 2008
- ✓ Over 3,200 employees
- ✓ Annual capacity of:
 - 53 mln packs of tablets/capsules
 - 46 mln packs of ampoules
 - 291 mln packs of bandages
 - 19 mln packs of vials

Financial highlights



Source: 2004-2006 audited IFRS accounts, 2007 unaudited IFRS accounts

Sales breakdown, 2007

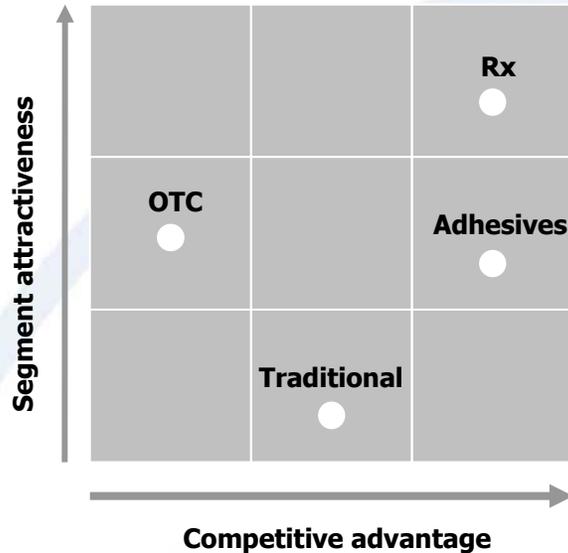


Source: Company

(1) according to CMR "Pharmexpert"

PRODUCT SEGMENTS

Veropharm has a wide portfolio of generic drugs, most of which are positioned in high-growth, high-margin pharmaceutical groups



Prescription products

- Wide portfolio of generics
- Target professionals and opinion makers
- Actively promoted
- Sales through hospital, pharmacy and reimbursement channels

OTC products

- All products are individually branded
- Actively promoted
- Sales through pharmacy channel

Traditional products

- Old generics, many declining
- Wide range of products
- No investment in promotion
- Sales through hospital, pharmacy and reimbursement channels

Adhesive bandages

- Full product line
- Both branded and unbranded products
- Actively promoted
- Sales primarily through pharmacy channel

Business Unit	Product groups
Hospital sales	Rx
Pharmacy sales	Rx and OTC
Traditional products	Traditional products
Adhesive bandages	Adhesive bandages

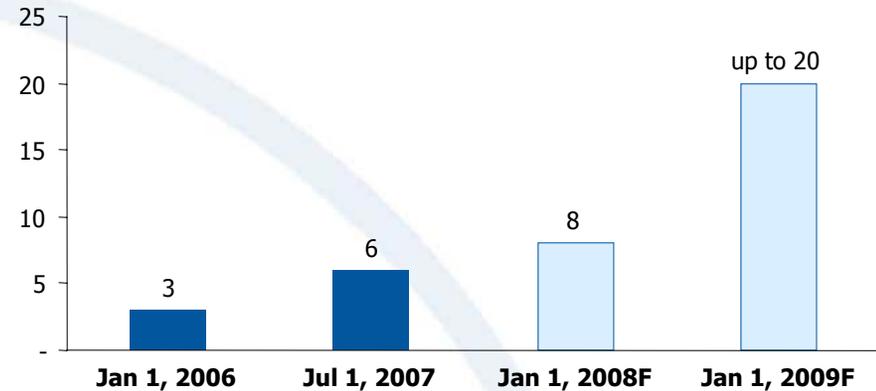
EARLY LEARNING CENTER (ELC)

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Chain of children toy shops, franchised from UK retailer

- ✓ ELC, based in UK, is one of the largest children toy retailers in Europe
- ✓ 10 stores are currently operating in Moscow and Zelenograd; planned to increase up to 20 by 2009
- ✓ Adjacent to pharmacy retail market segment
- ✓ Exclusive child's play assortment for pharmacies
- ✓ Own logistics and import operations

Planned openings of ELC stores



Source: Company





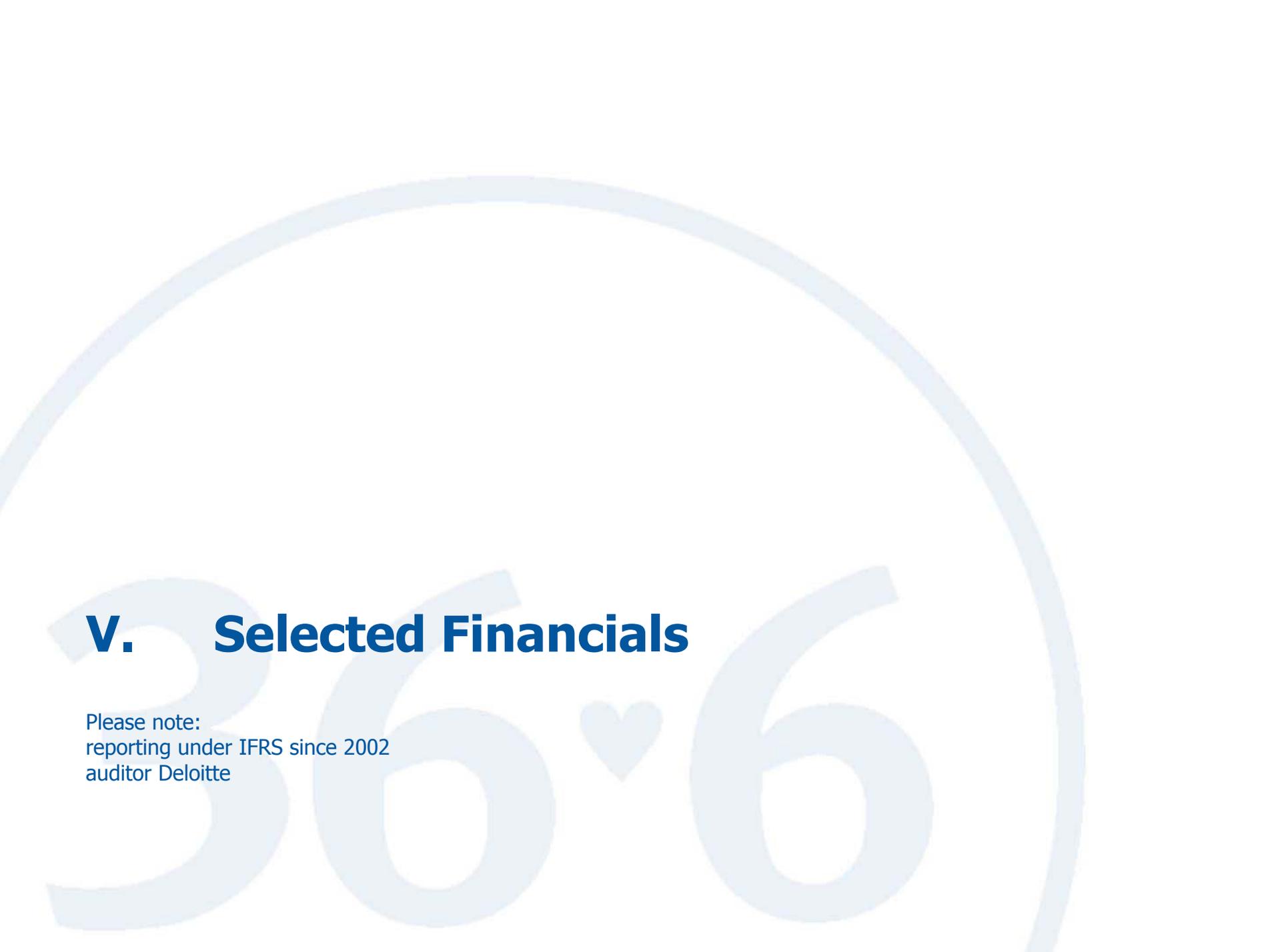
IV. Strategy

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- ✓ Focus on retail, use non-core businesses as a funding source
- ✓ Maintain and strengthen leading position on the Russian health and beauty market
- ✓ Achieve >15% market share within 5 years
- ✓ Assure profitable growth of the company



<h2>Improve the operational efficiency</h2>	<h2>Expand our services and capabilities</h2>	<h2>Regional expansion and consolidation of the market</h2>
<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 ✓ Break-even retail EBITDA in 2008 	<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 	<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



V. Selected Financials

Please note:
reporting under IFRS since 2002
auditor Deloitte

INCOME STATEMENT CONSOLIDATED

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	2007	07/06	2006	2005	2004	2003	2002
REVENUE	871.1	65 %	528.9	305.2	211.0	147.8	118.7
GROSS PROFIT	277.5	51 %	183.4	117.8	80.2	59.8	46.0
EBITDA	-7.0	<i>n/a</i>	25.5	23.3	18.5	13.6	15.1
	-0.8%		4.8%	7.6%	8.8%	9.2%	12.7%
OPERATING INCOME	-29.1	<i>n/a</i>	12.5	13.8	11.5	8.4	10.4
SALE OF INVESTMENTS	-		53.1	15.8	-	-	-
NET INCOME	-99.4	<i>n/a</i>	34.5	8.3	0.7	1.0	3.3
	-11.4%		6.5%	2.7%	0.3%	0.7%	2.8%

in USD mln.

INCOME STATEMENT CONSOLIDATED & SEGMENTED

36·6

	2007	Retail	VERO	EMC	Non-core	Corp
REVENUE	871.1	673.4	139.5	25.9	32.3	
GROSS PROFIT	277.5	171.0	86.7	12.7	7.1	
	31.9%	25.4%	62.2%	49.0%	22%	
EBITDA	-7.0	-48.3	42.5	5.8	-0.4	-6.7
	-0.8%	-7.2%	30.5%	22.5%	-1.0%	n/a
OPERATING INCOME	-29.1	-64.4	39.0	3.7	-0.6	-6.8
NET INCOME	-99.4	-71.5	27.7	2.7	0.9	-57.5
	-11.4%	-10.6%	19.9%	10.4%	2.27%	n/a

BALANCE SHEET CONSOLIDATED

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	2007	2006	2005	2004	2003	2002
NON CURRENT ASSETS	448.6	286.6	125.3	99.8	60.1	45.9
CURRENT ASSETS	383.7	238.7	119.4	72.5	53.0	38.8
TOTAL ASSETS	832.3	525.3	244.7	172.3	113.1	84.7
EQUITY	98.7	88.4	48.4	43.5	40.2	24.7
TOTAL DEBT	292.0	253.1	109.9	80.4	43.1	36.0
CURRENT LIABILITIES*	280.0	131.8	64.5	40.0	24.9	20.1
OTHERS	161.6	52.0	21.9	8.4	4.9	3.9
TOTAL LIABILITIES	832.3	525.3	244.7	172.3	113.1	84.7

* Current Liabilities are non-interest bearing liabilities

CASH FLOW CONSOLIDATED

36·6

	2007	2006	2005
PROFIT BEFORE TAX	-74.0	51.6	13.6
PROFIT BEFORE WORKING CAPITAL CHANGES	3.7	28.1	22.2
NET CASH IN OPERATING ACTIVITIES	-33.0	-43.8	-13.6
NET CASH IN INVESTMENT ACTIVITIES	-126.6	-84.8	-7.5
NET CASH FROM FINANCIAL ACTIVITIES	178.1	128.3	28.4
NET CASH	19.9	5.1	6.2

INCOME STATEMENT RETAIL

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	2007	07/06	2006	2005	2004	2003	2002
REVENUE	673.4	74%	386.2	203.2	134.3	81.9	58.8
GROSS PROFIT	171.0	90%	112.2	67.2	45.4	26.3	19.2
	25.4%		29.1%	33.1%	33.8%	32.1%	33%
EBITDA	-48.3	n/a	-1.2	2.9	6.4	1.8	2.6
	-7.2%		-0.3%	1.4%	4.8%	2.2%	4.4%
OPERATING INCOME	-64.4	n/a	-10.2	-2.5	2.6	-0.2	0.9

BALANCE SHEET

RETAIL

36•6

	2007	2006	2005	2004	2003	2002
NON CURRENT ASSETS	340.8	226.3	85.4	59.5	21.9	15.7
CURRENT ASSETS	245.0	136.0	52.4	29.1	15.6	13.1
TOTAL ASSETS	585.8	362.3	137.8	88.6	37.4	28.8
LONG-TERM LIABILITIES	2.3	4.8	4.6	4.7	1.9	11.1
CURRENT LIABILITIES	276.0	136.1	58.2	27.3	35.3	15.2

INCOME STATEMENT VEROPHARM

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	2007	07/06	2006	2005	2004	2003	2002
REVENUE	139.5	39%	100.5	79.4	59.9	52.8	43.9
GROSS PROFIT	86.7	44%	60.1	47.0	32.7	31.3	23.4
	62%		59.8%	59.2%	54.5%	59.2%	53.3%
EBITDA	42.5	45%	29.2	25.1	17.8	15.7	13.5
	31%		29.1%	31.6%	29.7%	29.7%	30.9%
OPERATING INCOME	39.0	25.9%	25.7	21.3	14.8	12.7	10.5

BALANCE SHEET VEROPHARM

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	2007	2006	2005	2004	2003	2002
NON CURRENT ASSETS	45.7	40.3	35.6	35.9	34.4	31.2
CURRENT ASSETS	115.8	82.2	54.6	38.7	32.4	23.4
TOTAL ASSETS	161.5	122.5	90.2	74.6	66.8	54.5
CURRENT LIABILITIES	30.2	22.0	16.3	20.4	20.1	6.5