

**PHARMACY CHAIN**



# **CORPORATE PROFILE**

**HEALTHY, FIT & STRONG**

**SEPTEMBER 2007**

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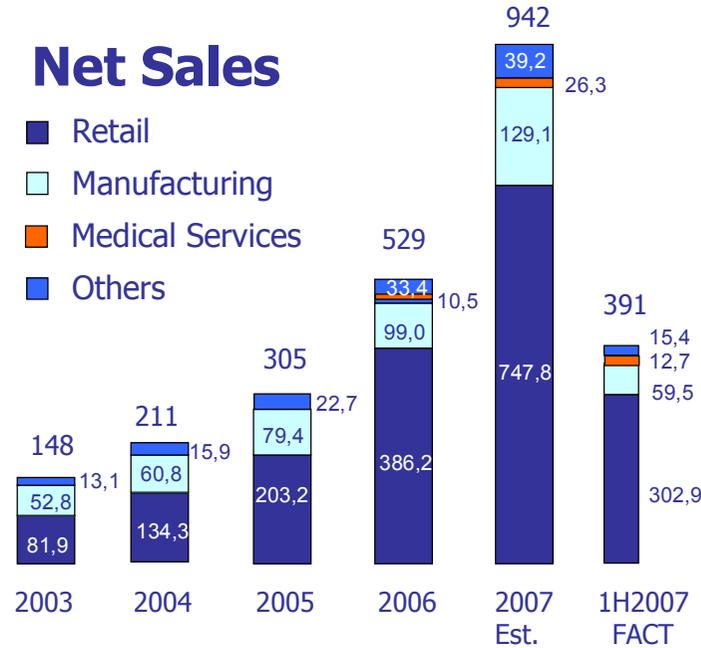
# 3

# 36.6 AT A GLANCE

*We strive to be Russia's leading health & beauty retailer and to become the preferred source of medicines and health & beauty products for Russian consumers*

## Net Sales

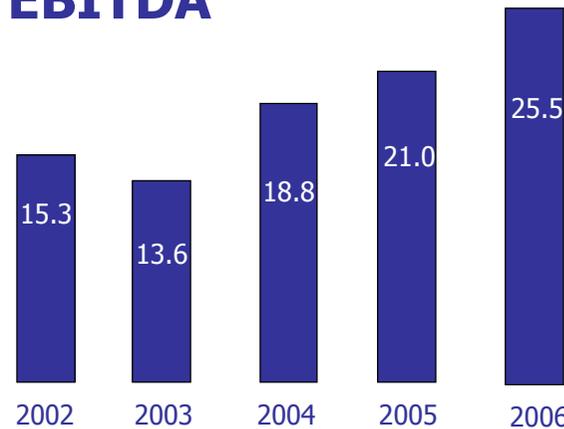
- Retail
- Manufacturing
- Medical Services
- Others



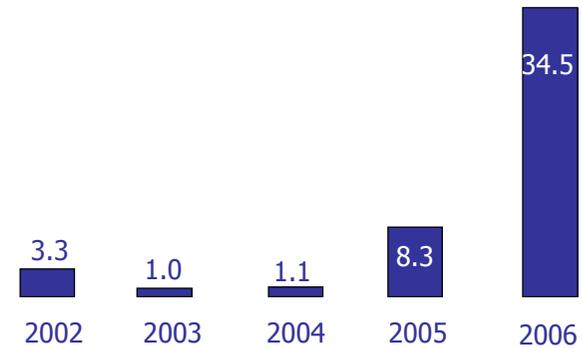
## Market Cap



## EBITDA



## Net Profit



USD millions

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## GROWTH DRIVERS

*GDP per Capita*  
2006      \$7,200

*Disposable Income*  
CAGR      14-16%

*Pharma market*  
2007E      \$14.0bln

*Pharma market*  
CAGR      12-15%

Source:  
Investment banks researches,  
Pharmexpert, DSM

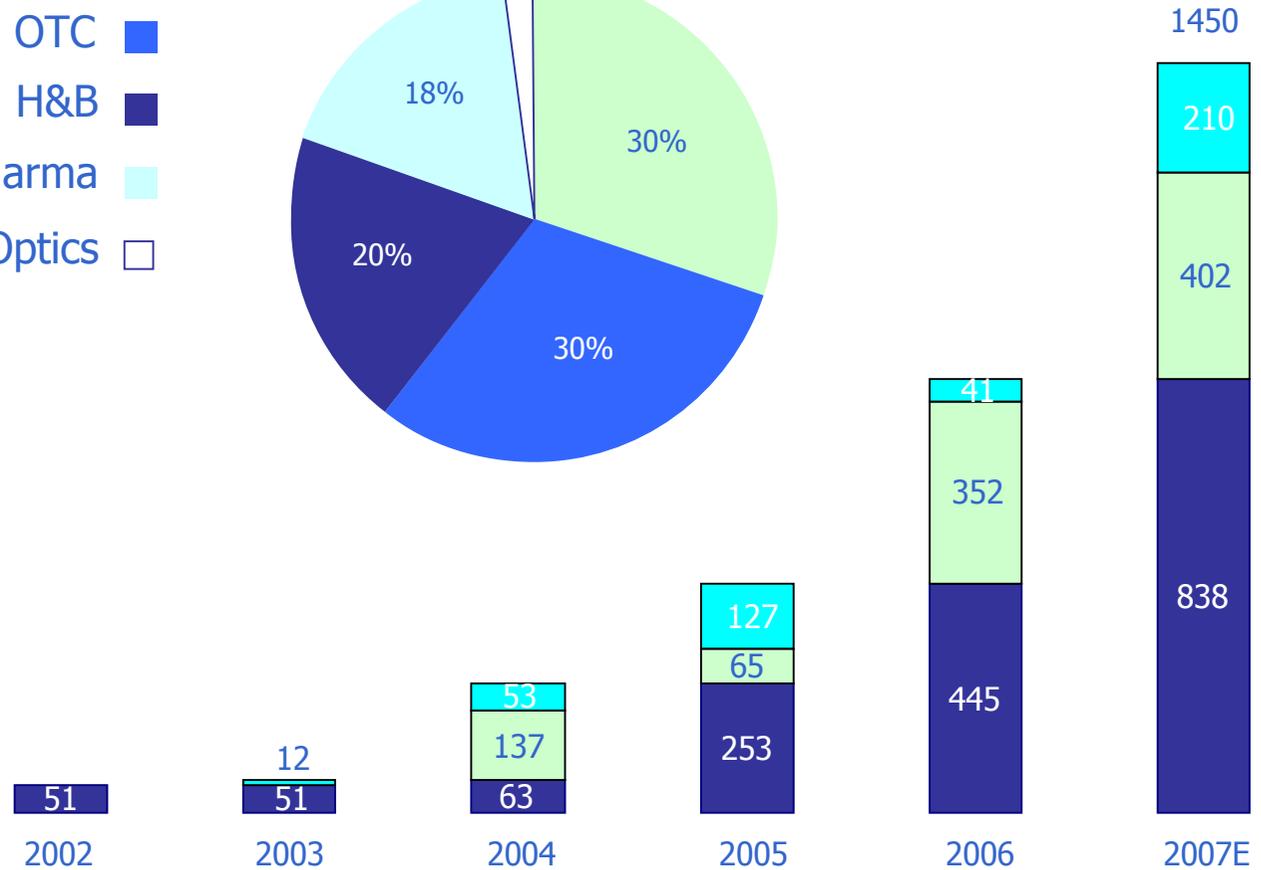
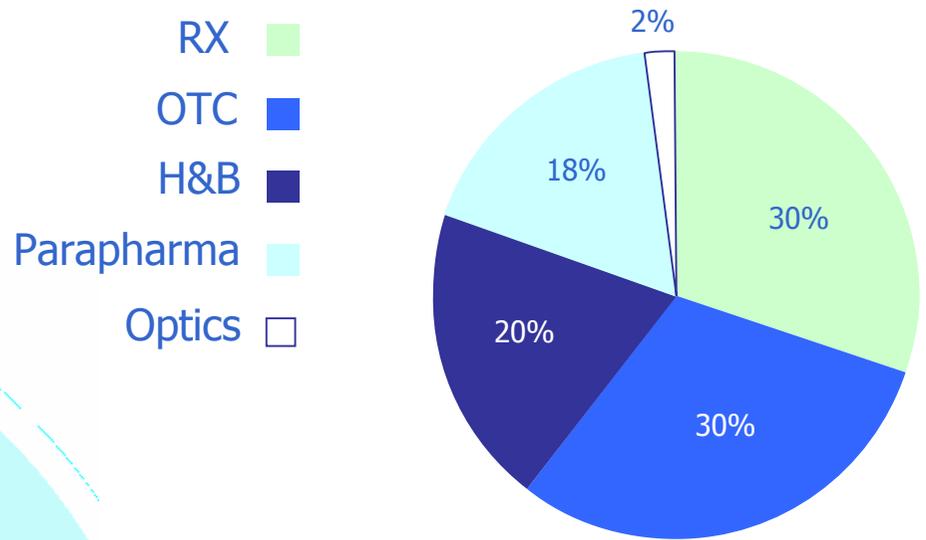
CAGR for '07-'11

- ❑ Growing disposable income pushes consumption up
- ❑ Booming H&B and Pharma industry followed by changes in consumer's behaviour
- ❑ Improving economy in the regions provide for better opportunities of consolidation
- ❑ Scale effect together with internal improvements in operations management ensure higher future profitability

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# STORES GROWTH

FY06 Sales breakdown



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# REGIONAL EXPANSION

## Business-Units

|               |     |
|---------------|-----|
| MOSCOW        | 374 |
| URALS         | 336 |
| VOLGA         | 131 |
| SOUTH         | 132 |
| WEST. SIBERIA | 42  |
| NORTH-WEST    | 32  |

*the Company reaches out to every Russian city with a population of over 500K people to enjoy 10-20% of the region's pharmacy retail market*

*currently operating **1052** pharmacies in 28 regions*

**N. Novgorod**  
30%  
local Market share

**Moscow**  
15%  
local Market share

**Perm**  
40%  
local Market share

**Ufa**  
30%  
local Market share

**Rostov-on-Don**  
30%  
local Market share

**Orenburg**  
25%  
local Market share



**Ekaterinburg**  
40%  
local Market share

*As percentage of sales of commercial chains*

*As of September 1, 2007*

# SALES BREAK-DOWN

## RETAIL

**2005**  
\$203.2 mln.

**2006**  
\$386.2 mln.

MOSCOW

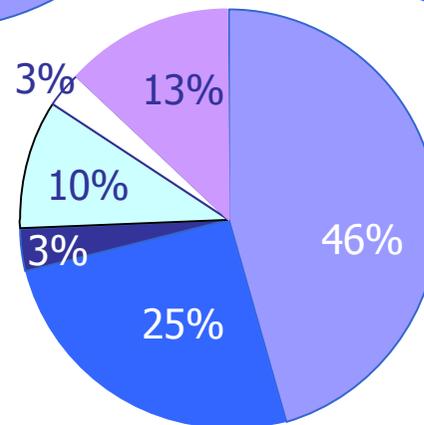
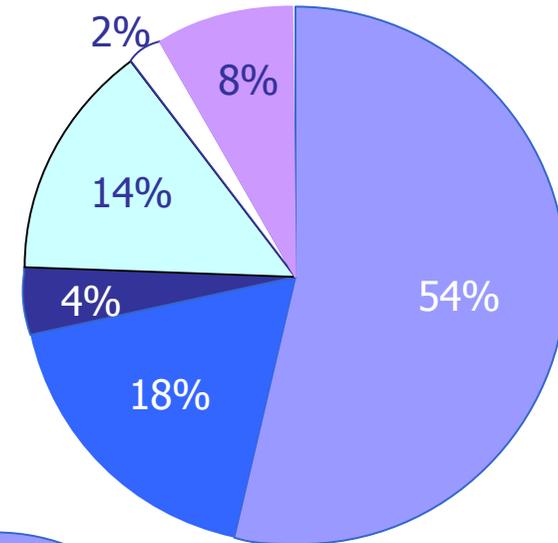
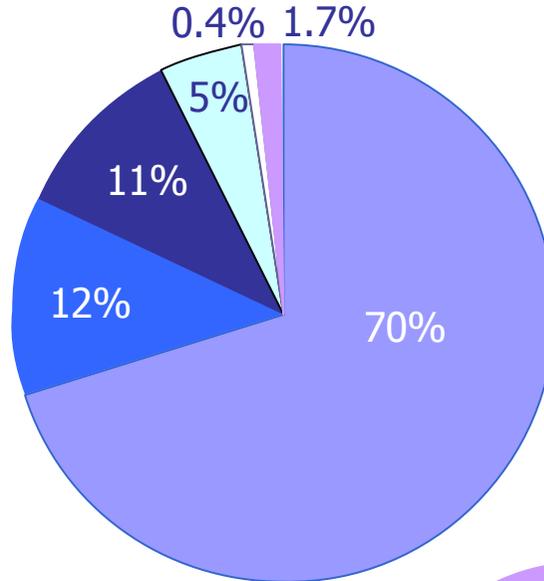
URALS

NORTH-WEST

VOLGA

W. SIBERIA

SOUTH



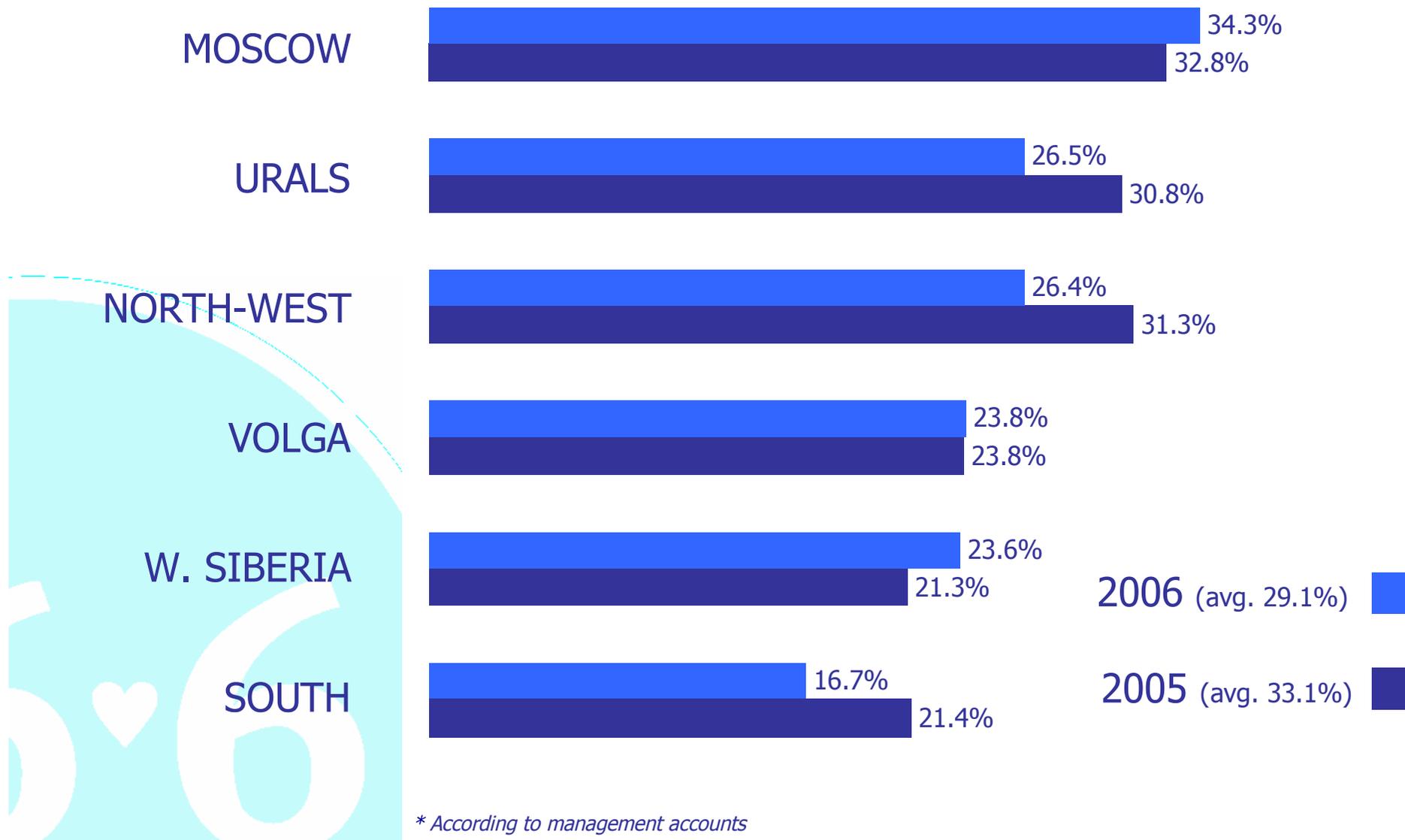
**1h2007**  
\$302.9 mln.

in USD mln.

\* According to management accounts

# GROSS MARGIN

## RETAIL



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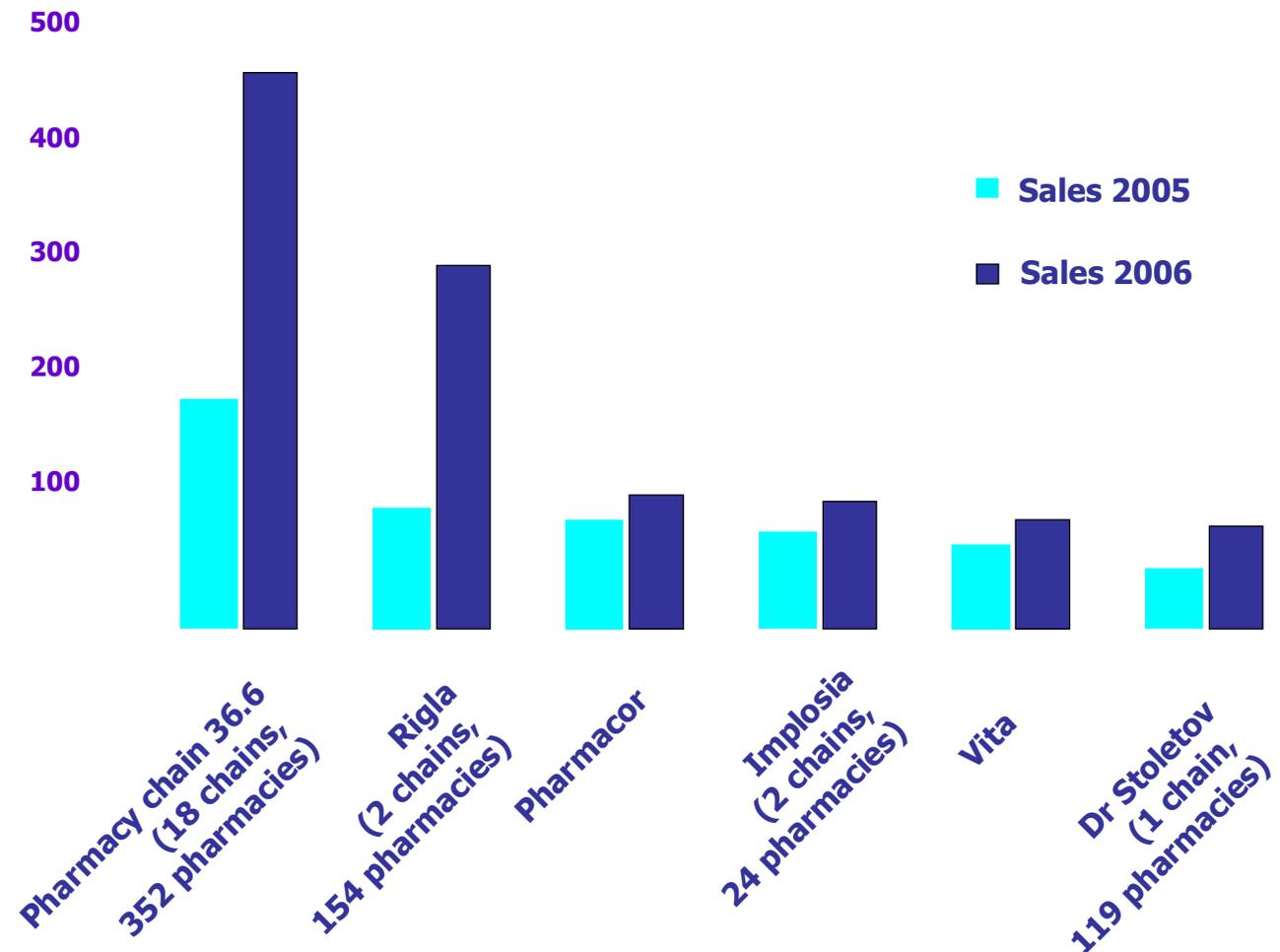
# COMPETITION

*Regional penetration will be achieved both through organic openings and acquisitions of the regional chains*

*This is subject to successful competition with a few other chains developing nationwide*

Pharmexpert, Company estimations

Sales PRO-FORMA  
USD mln



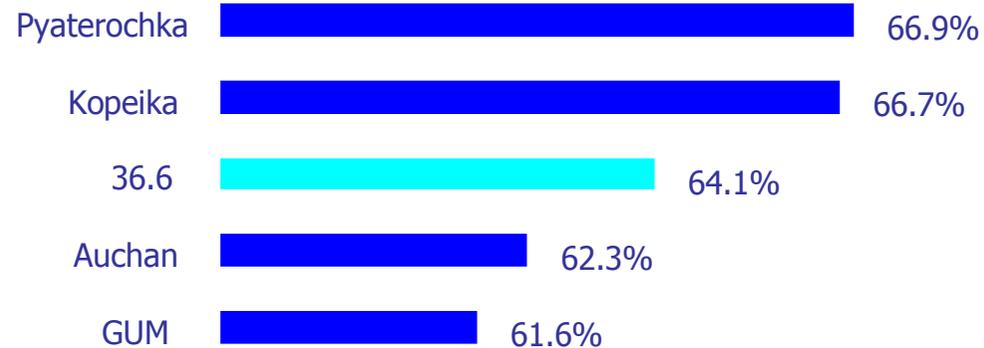


**36.6** membered  
 MALINA - new  
 loyalty program to  
 gather leading  
 companies of the  
 Russian consumer  
 sector

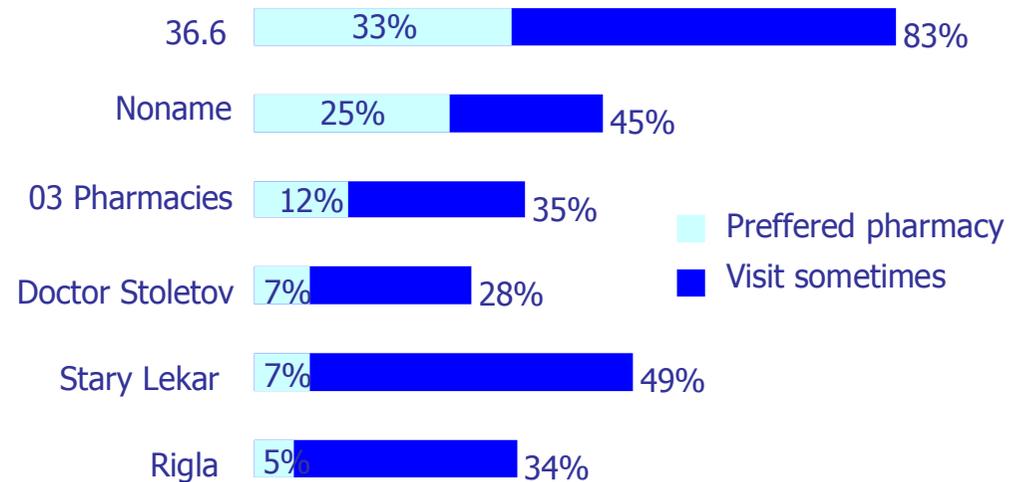
Source: Gallup Media Survey'06

A/R/M/I-Marketing data,  
 June, 2006

## Brand awareness



## Shopping experience



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# DIFFERENTIATION

*New projects  
launched by*

***36.6** aimed to  
differentiate our  
product assortment  
and to obtain higher  
gross margins*

## Cosmetics centers

located in over 50 major pharmacies



## Exclusive offerings

Eclipse, Monteil, Champneys implants etc



CHAMPNEYS  
— COLLECTION —

## Boots brands

600 SKU's of Boots products  
are sold countrywide



## Optics

7 stores and  
22 opticians  
departments



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# DIFFERENTIATION

## PRIVATE LABEL

*We target the most successful product categories to launch private label products*

- 210 SKU`s available
- 2.5mln – sales volume in 2006
- 67% - average gross margin
- over 150 products in pipeline
- 10% - share in retail sales by 2011

### Basic H&B



### Parapharma & OTC



### Natura & MedResponse



### Convenience goods



# DIVERSIFICATION

## MEDICAL SERVICES



*In July 2006 we acquired one of the best Moscow private clinics providing medical, surgical and dental services through EMC & EDC as well as full-scale laboratory*

FY`06

SALES

EBITDA

\$21mln

22%

### Market

- fragmented with no potential core for consolidation
- non-satiated rapidly growing demand
- disturbed national healthcare system

### Rationale/Strategy

- realize synergies between retail and medical services businesses by launching a chained operator in "masstige" market segment

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# DIVERSIFICATION

## NEW PROJECTS

- franchise experience

- adjacent to pharmacy retail market segment

- exclusive child's play assortment for pharmacies

- own logistics and import operations

### ELC Stores

6 stores in Moscow

– Number of stores to be opened

- 01.01.06 3
- 01.07.07 6
- 01.01.08 (plan) 8
- 01.01.09 (plan) 20



**2007 plan**

in USD mln.

**NET SALES 11.7**

**GROSS MARGIN 53 %**

**PROFIT 12 %**

- Investments in 1 store **\$160 K**

- Return of investments **3-4 years**

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# DIVERSIFICATION

## NEW PROJECTS

- new format: discounter pharmacy and wide range of FMCG

- low level of opening expenses

- efficient operations in the larger stores in the regions

- 54% - sales increase y-o-y

- 17% - gross margin

## MILA Stores

3 stores in Povoljje



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# LOGISTICS

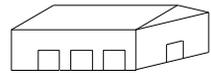
*In 2006 we started own supply chain system development*

- invested \$10mln; additional \$10mln will be invested in 1-1,5 years
- higher margins secured
- exclusive assortment deliveries
- payback in 3 years



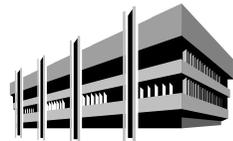
# DISTRIBUTION SYSTEM

## TURNOVER ARRANGEMENT

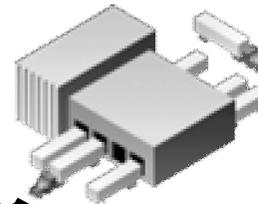


**Supplier**

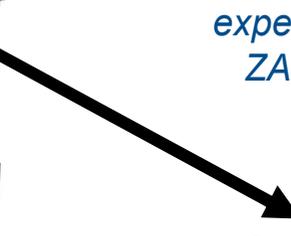
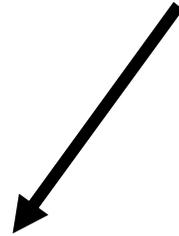
*Purchase agreement with  
ZAO «Apteki»36,6»*



**National DC**



*RC «Shenker» the transport  
expedition contract with  
ZAO «Apteki»36,6»*



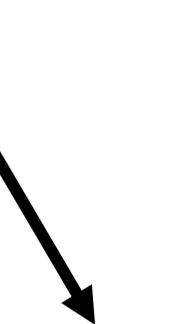
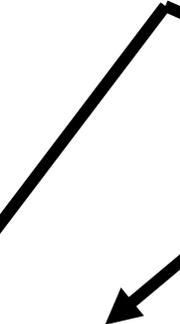
**RDC**



**RDC**



**RDC**



**Drugstore**



**Drugstore**



**Drugstore**



**Drugstore**



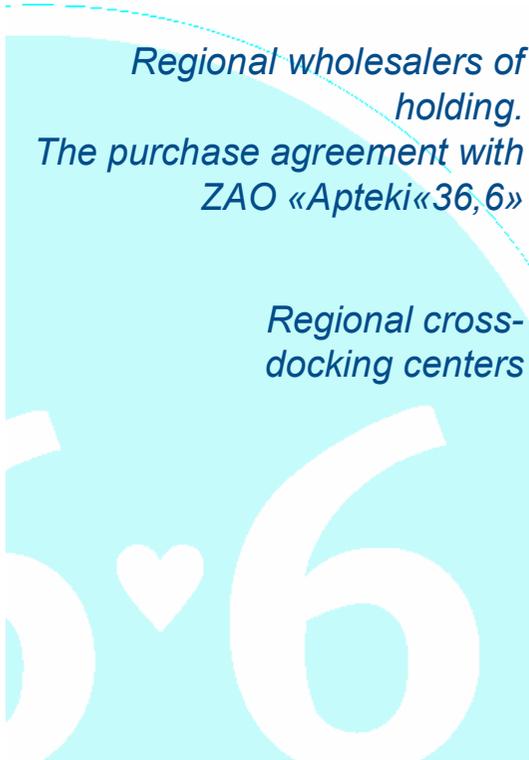
**Drugstore**

*Regional wholesalers of  
holding.*

*The purchase agreement with  
ZAO «Apteki»36,6»*

*Regional cross-  
docking centers*

*The purchase  
agreement between  
the wholesaler and  
pharmacy chain in  
region*



# BOARD OF DIRECTORS

*Decision making is ensured by the balanced opinion of both shareholders and that of independent directors*

Sergey KRIVOSHEEV  
Chairman, Co-founder

Artem BEKTEMIROV  
CEO, Co-founder

Vassily RUDOMINO,  
Independent director,  
Partner in ALRUD law firm

Michael OBERMAYER  
Independent director,  
Director Emeritus of  
McKinsey & Company

Vladimir STOLIN,  
Independent director,  
Chairman in ECOPSY  
consulting firm

# MANAGEMENT STRUCTURE

*Planning and operational controls are performed across the regional business units and product categories*

*Brand integrity and management as well as strategic business development and expansion are corporate major priorities*

**ARTEM BEKTEMIROV**  
CEO

**ANTON PARKANSKY**  
Managing director

**DMITRY GODUNOV**  
Operations

**ALEXANDRA KOZHAEVA**  
Commercial director

CATEGORY DIRECTORS

**SBORETS YULIA**  
CFO

**NATALIA MAKAROVA**  
Human Resources

**BORIS RYABOV**  
Business Technology Development

**KIRILL LEVASHOV**  
Medical director

REGIONAL BUSINESS UNITS

**VICTOR VASILIEV**  
Legal Council

**OLEG ANIKIN**  
Strategy

**MAXIM ARKHIPOV**  
Corporate Finance & Investor Relations

**ELENA KUKOL**  
Marketing



# FINANCIALS & ANALYSIS

Please note:  
reporting under IFRS since 2002  
auditor Deloitte

1H2007 financials are non-audited

data by segments requires certain adjustments



# INCOME STATEMENT

CONSOLIDATED

|                  | 1H07  | 1H06  | 07/06 | 2006  | 2005  | 2004  | 2003  | 2002  |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| REVENUE          | 390.5 | 218.6 | 79%   | 528.9 | 305.2 | 211.0 | 147.8 | 118.7 |
| GROSS PROFIT     | 130.9 | 78.8  | 66%   | 183.4 | 117.8 | 80.2  | 59.8  | 46.0  |
| EBITDA           | 15.0  | 9.2   | 64%   | 25.5  | 23.3  | 18.5  | 13.6  | 15.1  |
| OPERATING INCOME | 3.8%  | 4.2%  |       | 4.8%  | 7.6%  | 8.8%  | 9.2%  | 12.7% |
| SALE OF INV.     | 6.5   | 4.2   | 56%   | 12.5  | 13.8  | 11.5  | 8.4   | 10.4  |
| NET INCOME       | -     | 53.1  |       | 53.1  | 15.8  | -     | -     | -     |
|                  | -16.9 | 49.5  | n/a   | 34.5  | 8.3   | 0.7   | 1.0   | 3.3   |
|                  | -4.3% | 22.6% |       | 6.5%  | 2.7%  | 0.3%  | 0.7%  | 2.8%  |

in USD mln.

# INCOME STATEMENT

CONSOLIDATED & SEGMENTED

|                  | 1H07  | Retail | VERO  | EMC   | N-Core | Corp  |
|------------------|-------|--------|-------|-------|--------|-------|
| REVENUE          | 390.5 | 302.9  | 59.5  | 12.7  | 15.4   |       |
| GROSS PROFIT     | 130.9 | 83.4   | 36.6  | 6.9   | 4.0    |       |
|                  | 33.5% | 27.5%  | 61.5% | 54.7% | 26.0%  |       |
| EBITDA           | 15.0  | -3.0   | 17.0  | 3.5   | -0.4   | -2.1  |
|                  | 3.8%  | -1.0%  | 28.6% | 27.6% | -2.6%  | n/a   |
| OPERATING INCOME | 6.5   | -9.3   | 15.2  | 3.2   | -0.4   | -2.2  |
| NET INCOME       | -16.9 | -12.5  | 11.0  | 2.3   | -0.6   | -17.1 |
|                  | -4.3% | -4.1%  | 18.5% | 18.2% | -3.9%  | n/a   |

in USD mln.

# BALANCE SHEET

## CONSOLIDATED

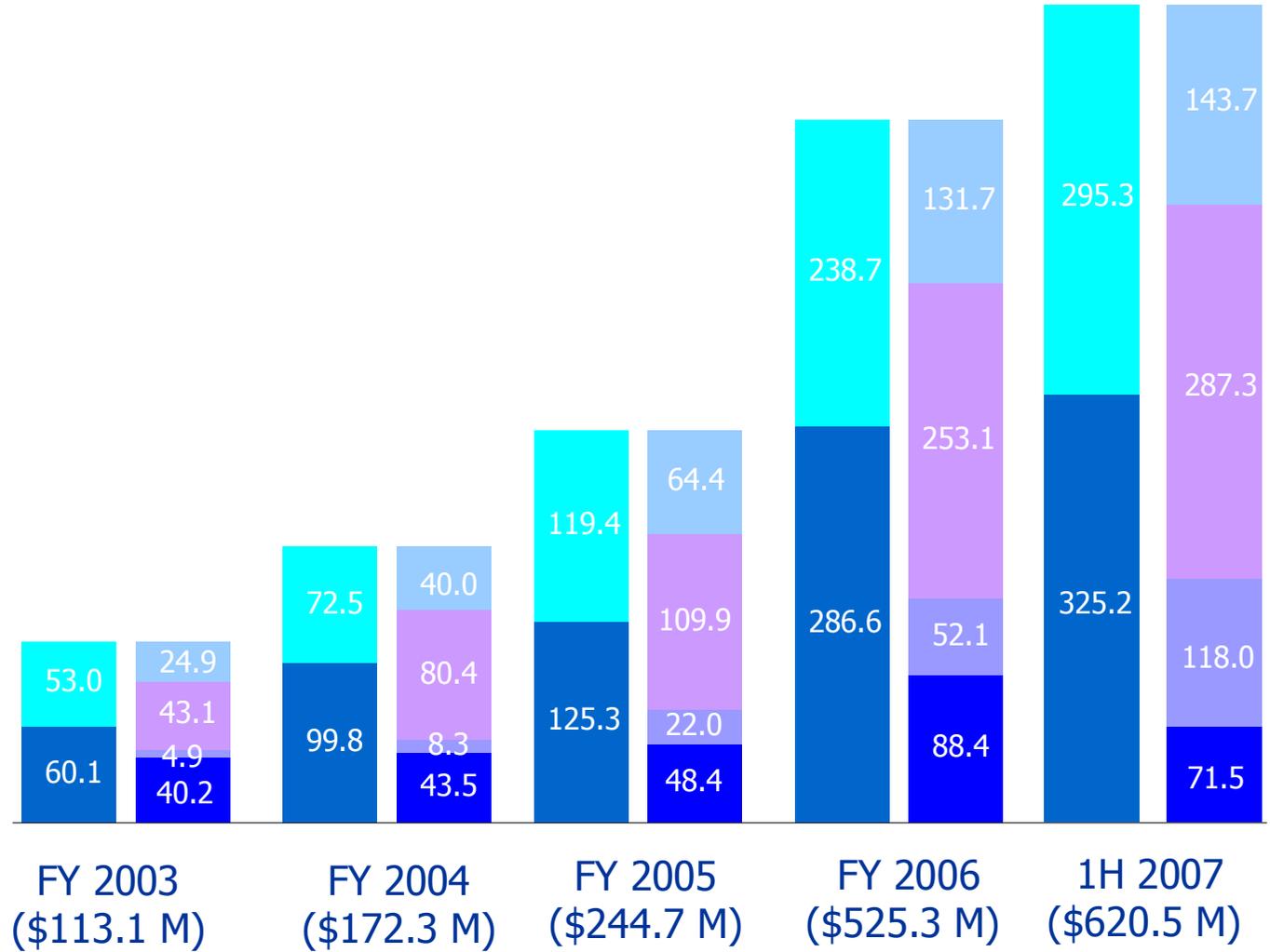
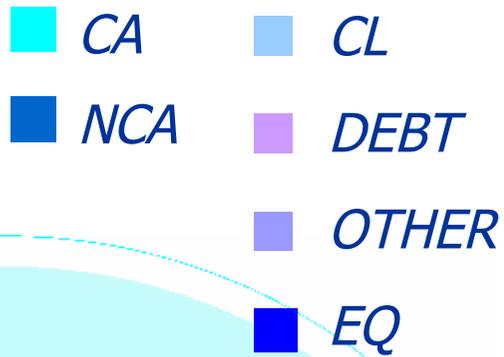
|                     | H107         | 2006         | 2005         | 2004         | 2003         | 2002        |
|---------------------|--------------|--------------|--------------|--------------|--------------|-------------|
| N-CURRENT ASSETS    | 325.2        | 286.6        | 125.3        | 99.8         | 60.1         | 45.9        |
| CURRENT ASSETS      | 295.3        | 238.7        | 119.4        | 72.5         | 53.0         | 38.8        |
| <b>TOTAL ASSETS</b> | <b>620.4</b> | <b>525.3</b> | <b>244.7</b> | <b>172.3</b> | <b>113.1</b> | <b>84.7</b> |
| EQUITY              | 71.5         | 88.4         | 48.4         | 43.5         | 40.2         | 24.7        |
| <b>TOTAL DEBT</b>   | <b>287.3</b> | <b>253.1</b> | <b>109.9</b> | <b>80.4</b>  | <b>43.1</b>  | <b>36.0</b> |
| C-NT LIABILITIES*   | 142.9        | 131.8        | 64.5         | 40.0         | 24.9         | 20.1        |

in USD mln.

\* *Current Liabilities are non-interest bearing liabilities*

# BALANCE SHEET

## CONSOLIDATED



in USD mln.

# CASH FLOW

CONSOLIDATED & SEGMENTED

|                   | 2006  | Retail | VERO | EMC  | N-Core | Corp  |
|-------------------|-------|--------|------|------|--------|-------|
| profit before tax | 51.6  | -21.5  | 23.3 | 2.4  | -1.3   | 48.7  |
| profit before wcc | 27.6  | -1.3   | 30.8 | 2.7  |        | -4.6  |
| NET CASH in OA    | -43.8 | -32.4  | -0.7 | 8.0  | -5.7   | -13.0 |
| NET CASH in IA    | -84.8 | -137.9 | -4.8 | -0.2 | -0.4   | 58.5  |
| NET CASH from FA  | 128.3 | 13.1   | 3.4  | -2.4 |        | 114.1 |
| net cash          | 5.1   | 7.4    | -0.1 | 0.5  | 0.8    | -3.4  |

in USD mln.

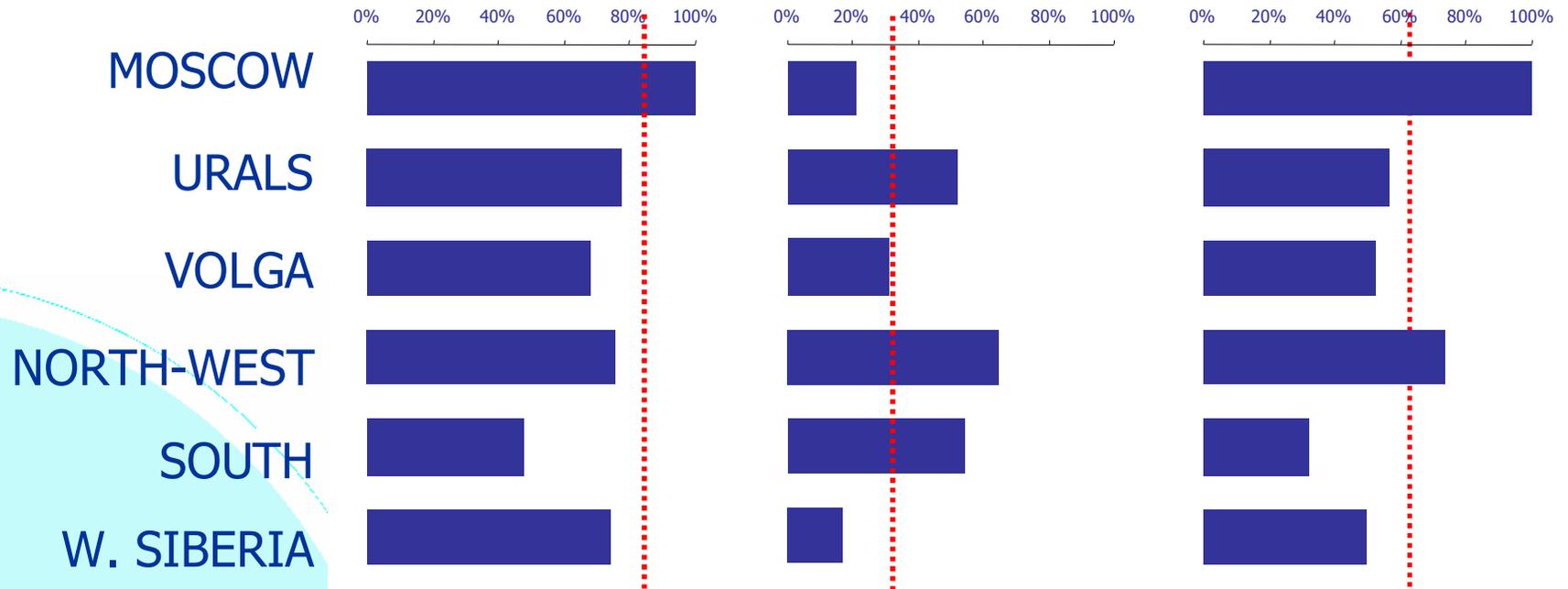
# INCOME STATEMENT

## RETAIL

|                  | 1H07  | 1H06  | 07/06      | 2006  | 2005  | 2004  | 2003  | 2002 |
|------------------|-------|-------|------------|-------|-------|-------|-------|------|
| REVENUE          | 302.9 | 157.8 | 92%        | 386.2 | 203.2 | 134.3 | 81.9  | 58.8 |
| GROSS PROFIT     | 83.4  | 48.4  | 72%        | 112.2 | 67.2  | 45.4  | 26.3  | 19.2 |
|                  | 27.5% | 30.7% |            | 29.1% | 33.1% | 33.8% | 32.1% | 33%  |
| EBITDA           | -3.0  | -0.1  | <i>n/a</i> | -1.2  | 2.9   | 6.4   | 1.8   | 2.6  |
|                  | -1.0% | -0.1% |            | -0.3% | 1.4%  | 4.8%  | 2.2%  | 4.4% |
| OPERATING INCOME | -9.3  | -4.6  | <i>n/a</i> | -10.2 | -2.5  | 2.6   | -0.2  | 0.9  |

in USD mln.

# KEY PERFORMANCE INDICATORS

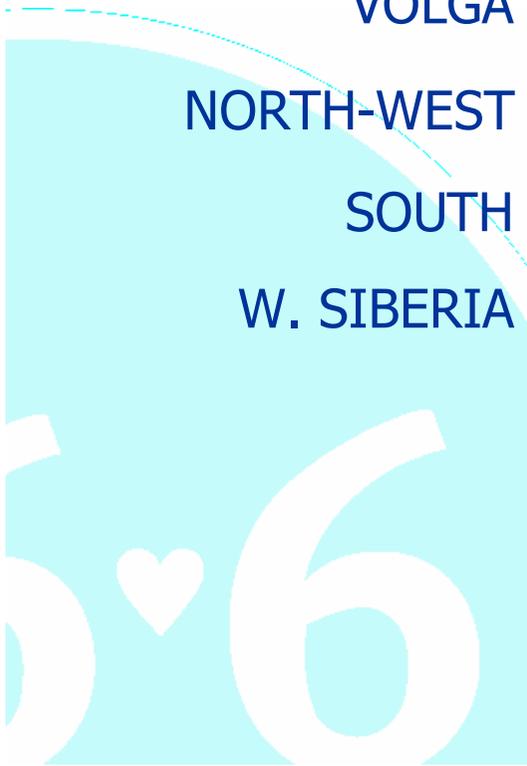


**Gross profit Index**  
Moscow=100

**Like-for-Like Sales**  
in USD

**Average ticket Index**  
Moscow=100

\* According to management accounts, 1H2007



## BALANCE SHEET

## RETAIL

|                  | 1H07  | 2006  | 2005  | 2004 | 2003 | 2002 |
|------------------|-------|-------|-------|------|------|------|
| N-CURRENT ASSETS | 258.3 | 226.3 | 85.4  | 59.5 | 21.9 | 15.7 |
| CURRENT ASSETS   | 175.9 | 136.0 | 52.4  | 29.1 | 15.6 | 13.1 |
| TOTAL ASSETS     | 434.2 | 362.3 | 137.8 | 88.6 | 37.4 | 28.8 |
| LONG-TERM LIAB.  | 5.2   | 4.8   | 4.6   | 4.7  | 1.9  | 11.1 |
| C-NT LIABILITIES | 166.5 | 136.1 | 58.2  | 27.3 | 35.3 | 15.2 |

in USD mln.

# INCOME STATEMENT

VEROPHARM

|                  | 1H07  | 1H06  | 07/06 | 2006  | 2005  | 2004  | 2003  | 2002  |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| REVENUE          | 59.5  | 45.2  | 32%   | 100.5 | 79.4  | 59.9  | 52.8  | 43.9  |
| GROSS PROFIT     | 36.6  | 27.8  | 32%   | 60.1  | 47.0  | 32.7  | 31.3  | 23.4  |
|                  | 61.5% | 61.4% |       | 59.8% | 59.2% | 54.5% | 59.2% | 53.3% |
| EBITDA           | 17.0  | 12.3  | 39%   | 29.2  | 25.1  | 17.8  | 15.7  | 13.5  |
|                  | 28.6% | 27.1% |       | 29.1% | 31.6% | 29.7% | 29.7% | 30.9% |
| OPERATING INCOME | 15.2  | 11.1  | 37%   | 25.7  | 21.3  | 14.8  | 12.7  | 10.5  |

in USD mln.

## BALANCE SHEET

VEROPHARM

|                     | 1H07         | 2006         | 2005        | 2004        | 2003        | 2002        |
|---------------------|--------------|--------------|-------------|-------------|-------------|-------------|
| N-CURRENT ASSETS    | 41.7         | 40.3         | 35.6        | 35.9        | 34.4        | 31.2        |
| CURRENT ASSETS      | 91.4         | 82.2         | 54.6        | 38.7        | 32.4        | 23.4        |
| <b>TOTAL ASSETS</b> | <b>133.1</b> | <b>122.5</b> | <b>90.2</b> | <b>74.6</b> | <b>66.8</b> | <b>54.5</b> |
| C-N-T LIABILITIES   | 22.5         | 22.0         | 16.3        | 20.4        | 20.1        | 6.5         |

in USD mln.

# INCOME STATEMENT

## NON-CORE & MEDICAL SERVICES

|                  | 1H07  | 1H06  | 07/06 | 2006  | 2005  | EMC 1H07 |
|------------------|-------|-------|-------|-------|-------|----------|
| REVENUE          | 15.4  | 15.6  | -1%   | 33.1  | 24.2  | 12.7     |
| GROSS PROFIT     | 4.0   | 2.6   | 54%   | 5.5   | 3.7   | 6.9      |
|                  | 26.0% | 16.8% |       | 16.5% | 15.1% | 54.7%    |
| EBITDA           | -0.4  | -0.2  | n/a   | -0.6  | -0.1  | 3.5      |
|                  | -2.6% | -1.2% |       | -1.9% | -0.5% | 27.6%    |
| OPERATING INCOME | -0.4  | -0.7  | n/a   | -0.7  | -0.2  | 3.2      |

in USD mln.

\* Non-core businesses include: medical wholesale, medical engineering and toys retail

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# HEALTHY, FIT & STRONG

Address: 119530, Moscow,  
Ochakovskoye shosse, 10-2-1

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