

**PHARMACY CHAIN**



**HEALTHY, FIT & STRONG**

JULY 2007

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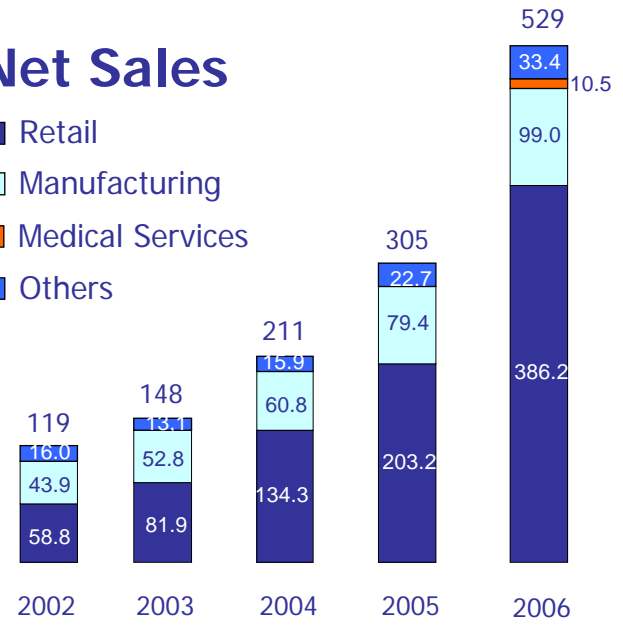
# 36.6 AT GLANCE

*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*

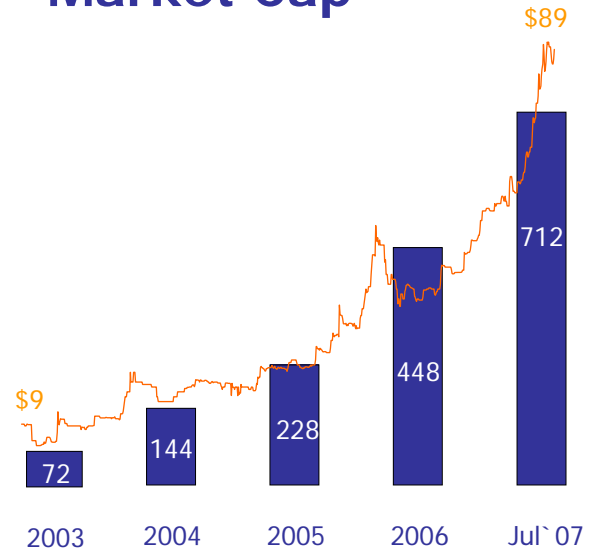
USD millions

## Net Sales

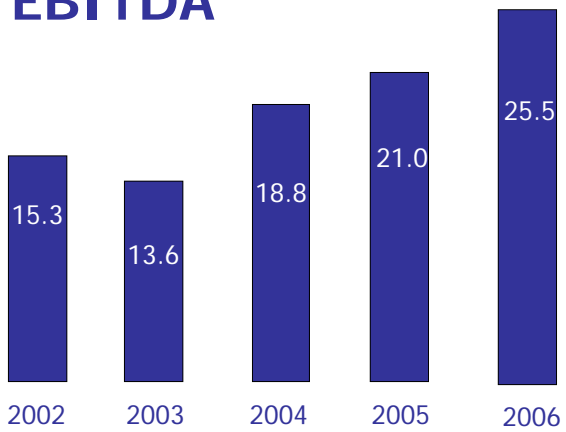
- Retail
- Manufacturing
- Medical Services
- Others



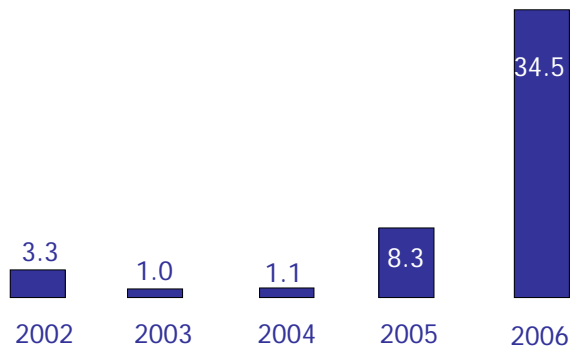
## Market Cap



## EBITDA



## Net Profit



# GROWTH DRIVERS

*GDP per Capita*  
2006E      \$6,800

*Disposable Income*  
CAGR      14-16%

*Pharma market*  
2007E      \$14.0bln

*Pharma market*  
CAGR      12-15%

- ❑ 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

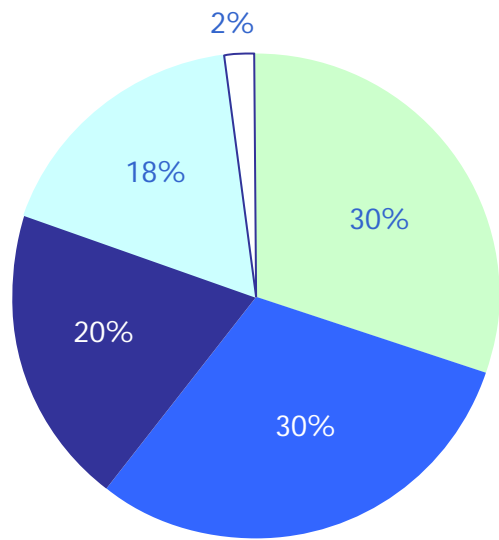
Source:  
Investment banks researches,  
Pharmexpert, DSM

CAGR for '07-'12

# STORES GROWTH

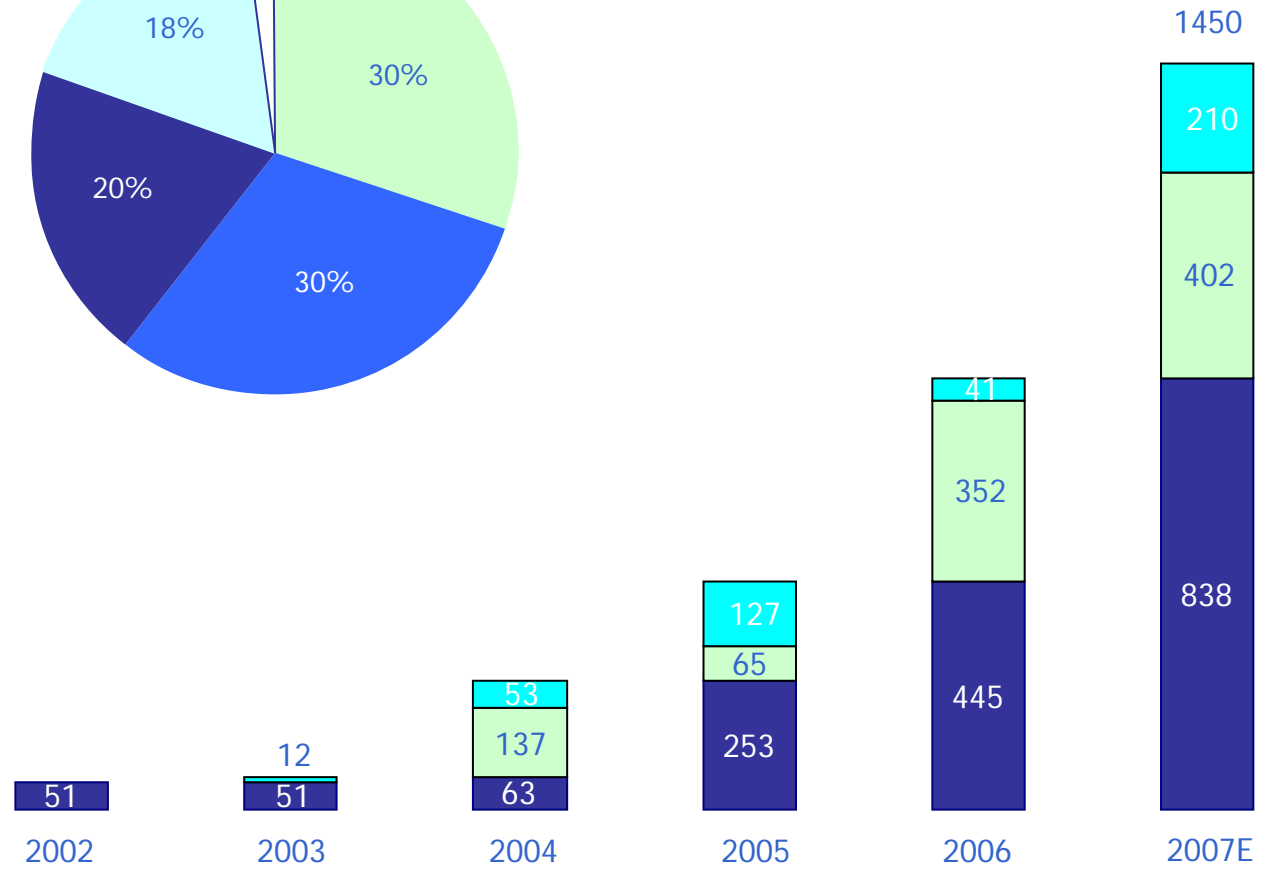
### FY06 Sales breakdown

- RX ■
- OTC ■
- H&B ■
- Parapharma ■
- Optics ■



### STORECOUNT

- Organic growth, net
- Acquisitions
- b-o-p



# REGIONAL EXPANSION

## Business-Units

MOSCOW	275
URALS	229
POVOLJIE	164
SOUTH	115
WEST. SIBERIA	37
NORTH-WEST	34

*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*

<b>N. Novgorod</b> 30% local Market share
<b>Moscow</b> 15% local Market share
<b>Perm</b> 40% local Market share
<b>Ufa</b> 30% local Market share
<b>Rostov-on-Don</b> 30% local Market share
<b>Orenburg</b> 25% local Market share

*currently operating 854 pharmacies in 26 regions*



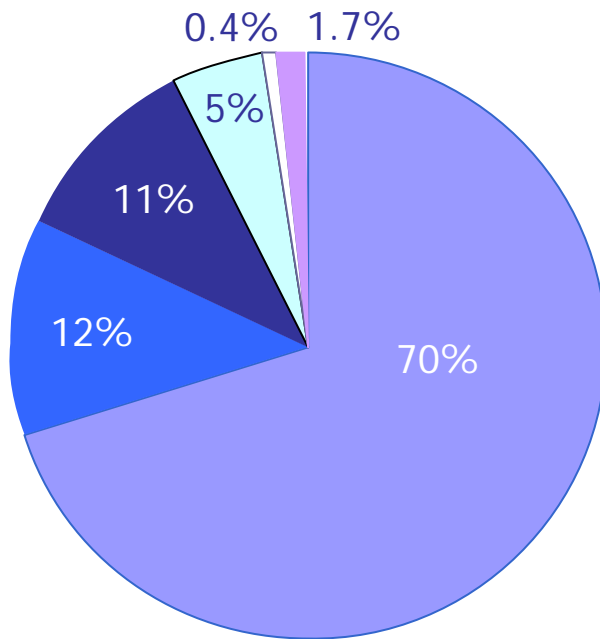
*As percentage of sales of commercial chains*

*As of April 1, 2007*

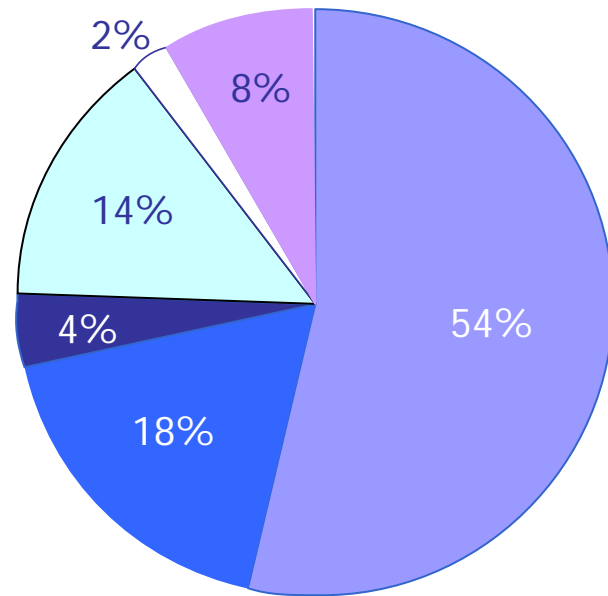
# SALES BREAK-DOWN

## RETAIL

- MOSCOW
- URALS
- NORTH-WEST
- VOLGA
- W. SIBERIA
- SOUTH



**2005**  
\$203.2 mln

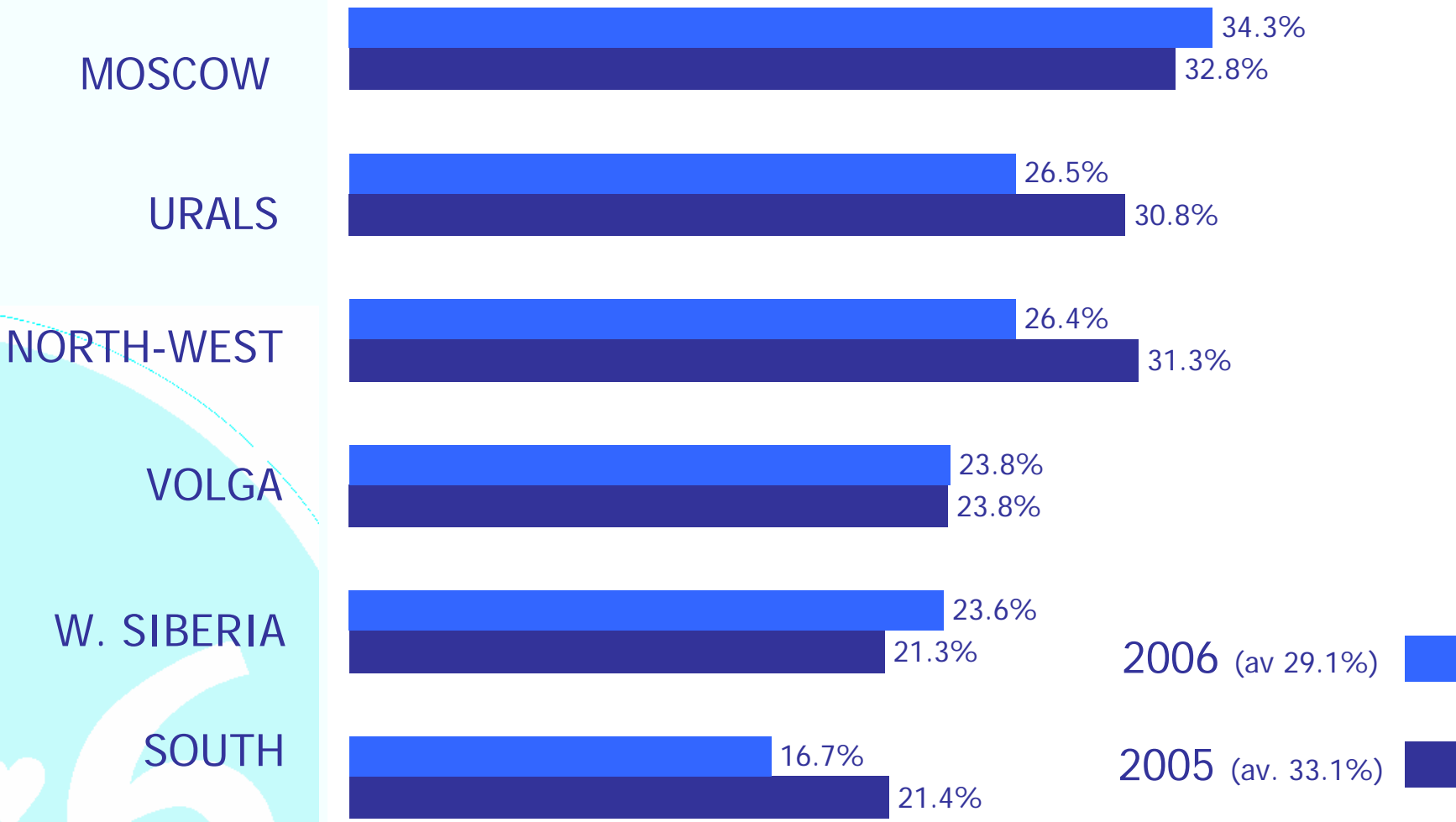


**2006**  
\$386.2 mln

\* According to management accounts

# GROSS MARGIN

## RETAIL



\* According to management accounts

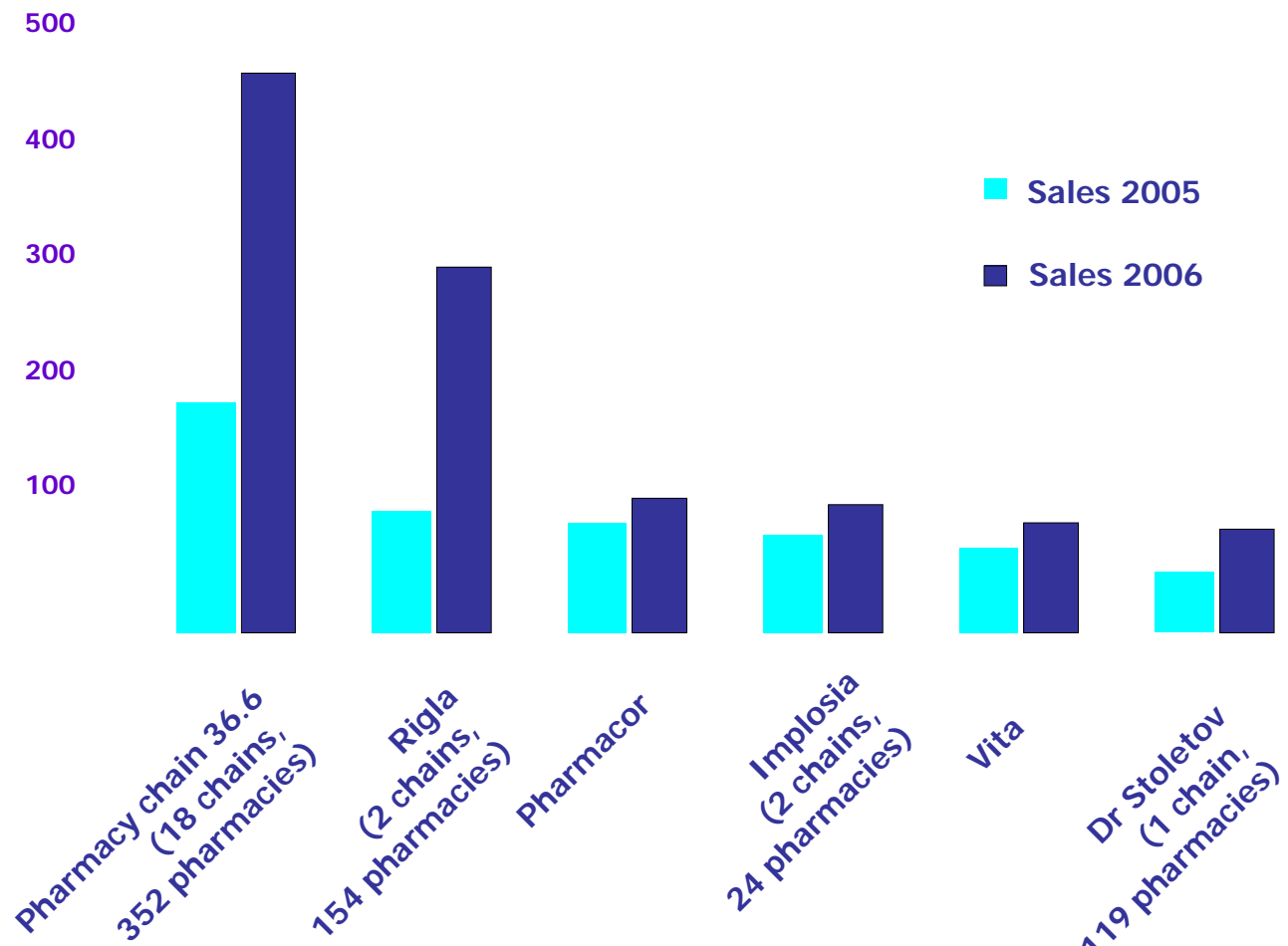


# COMPETITION

*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*

Sales PRO-FORMA  
USD mln

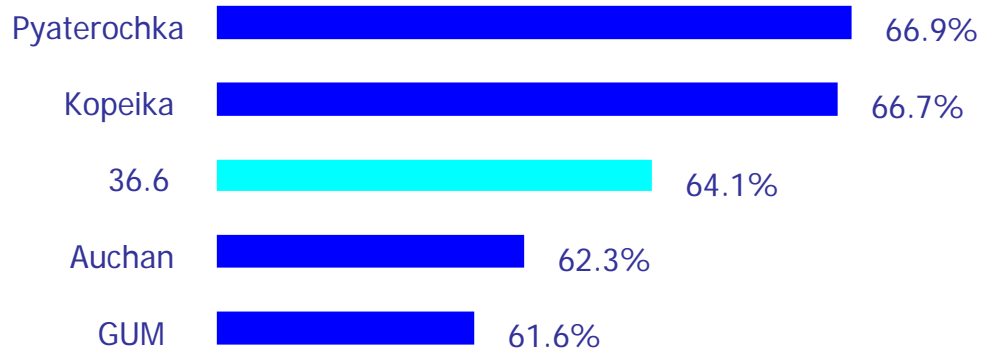




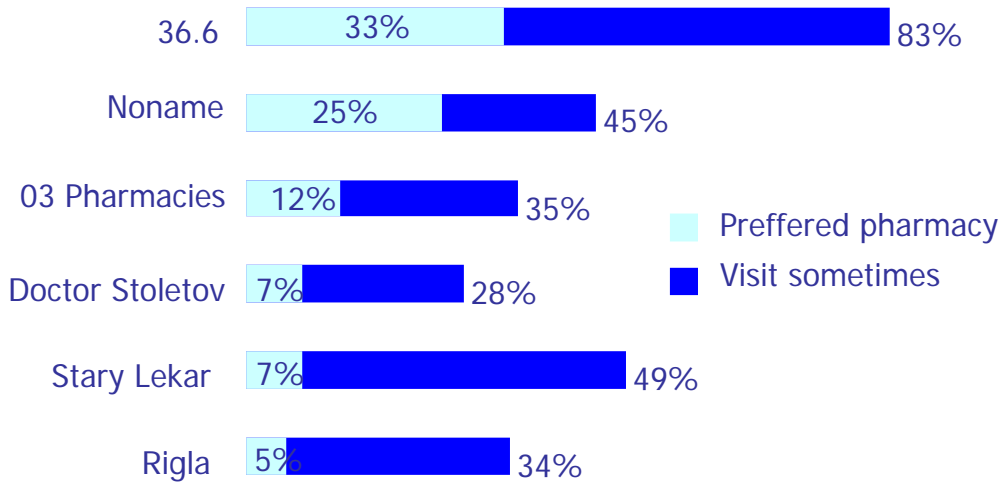
*36.6 membered MALINA - new loyalty program to gather leading companies of the Russian consumer sector*

Source: Gallup Media Survey'06  
A/R/M/I-Marketing data, June, 2006

## Brand awareness



## Shopping experience



*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, Accesorize implants etc



## Boots brands

600 SKU's of Boots products are sold countrywide



## Optics

7 stores and 22 opticians departments



# DIFFERENTIATION

## PRIVATE LABEL

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

### Basic H&B



### Parapharma & OTC



### Natura & MedResponse



### Convenience goods



- 209 SKU`s available
- 2.5mln – sales volume in 2006
- 67% - average gross margin
- over 150 products in pipeline
- 10% - share in retail sales by 2008



*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 \$21mln  
 EBITDA 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

- 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



- franchise experience
- adjacent to pharmacy retail market segment
- exclusive child's play assortment for pharmacies
- own logistics and import operations

### ELC Stores

4 stores in Moscow



*In 2006 we started  
own supply chain  
system development*

- 20mln investments in 3 years
- higher margins secured
- exclusive assortment deliveries
- payback in 3 years





# 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  
1st Deputy MD

**ALEXANDRA KOZHAEVA**  
Commercial director

**SBORETS YULIA**  
CFO

**OLGA ALTUNINA**  
Human Resources

**BORIS RYABOV**  
Business Technology  
Development

**KIRILL LEVASHOV**  
Medical director

**VICTOR VASILIEV**  
Legal Council

**OLEG ANIKIN**  
Strategy

**ANDREY SLIVCHENKO**  
Corporate Finance  
& Investor Relations

**DARYA KAPLUNOVA**  
Marketing

CATEGORY DIRECTORS

REGIONAL BUSINESS UNITS

# APPENDIX

## FINANCIALS & ANALYSIS

Please note:  
reporting under IFRS since 2002  
auditor Deloitte

data by segments requires certain adjustments

# INCOME STATEMENT

CONSOLIDATED

	2006	2005	06/05	2004	2003	2002
REVENUE	528.9	305.2	73%	211.0	147.8	118.7
GROSS PROFIT	183.4	117.8	56%	80.2	59.8	46.0
EBITDA	25.5	23.3	9%	18.5	13.6	15.1
OPERATING INCOME	4.8%	7.6%		8.8%	9.2%	12.7%
SALE OF INV.	12.5	13.8	-9%	11.5	8.4	10.4
NET INCOME	53.0	15.8				
	34.5	8.3	316%	0.7	1.0	3.3
	6.5%	2.7%		0.3%	0.7%	2.8%

# INCOME STATEMENT

CONSOLIDATED & SEGMENTED

	2006	Retail	VERO	EMC	N-Core	Corp
REVENUE	528.9	386.2	100.5	10.6	33.1	
GROSS PROFIT	183.4	112.2	60.1	5.7	5.5	
	34.7%	29.1%	38.6%	54.0%	16.5%	
EBITDA	25.5	-1.2	29.2	2.7	-0.6	-4.6
	4.8%	-0.3%	29.1%	25.8%	-1.9%	n/a
OPERATING INCOME	12.5	-10.2	25.7	2.5	-0.7	-4.8
NET INCOME	34.5	-26.9	18.8	2.0	-1.3	42.0
	6.5%	-7.0%	18.7%	19.0%	-4.0%	n/a

# BALANCE SHEET

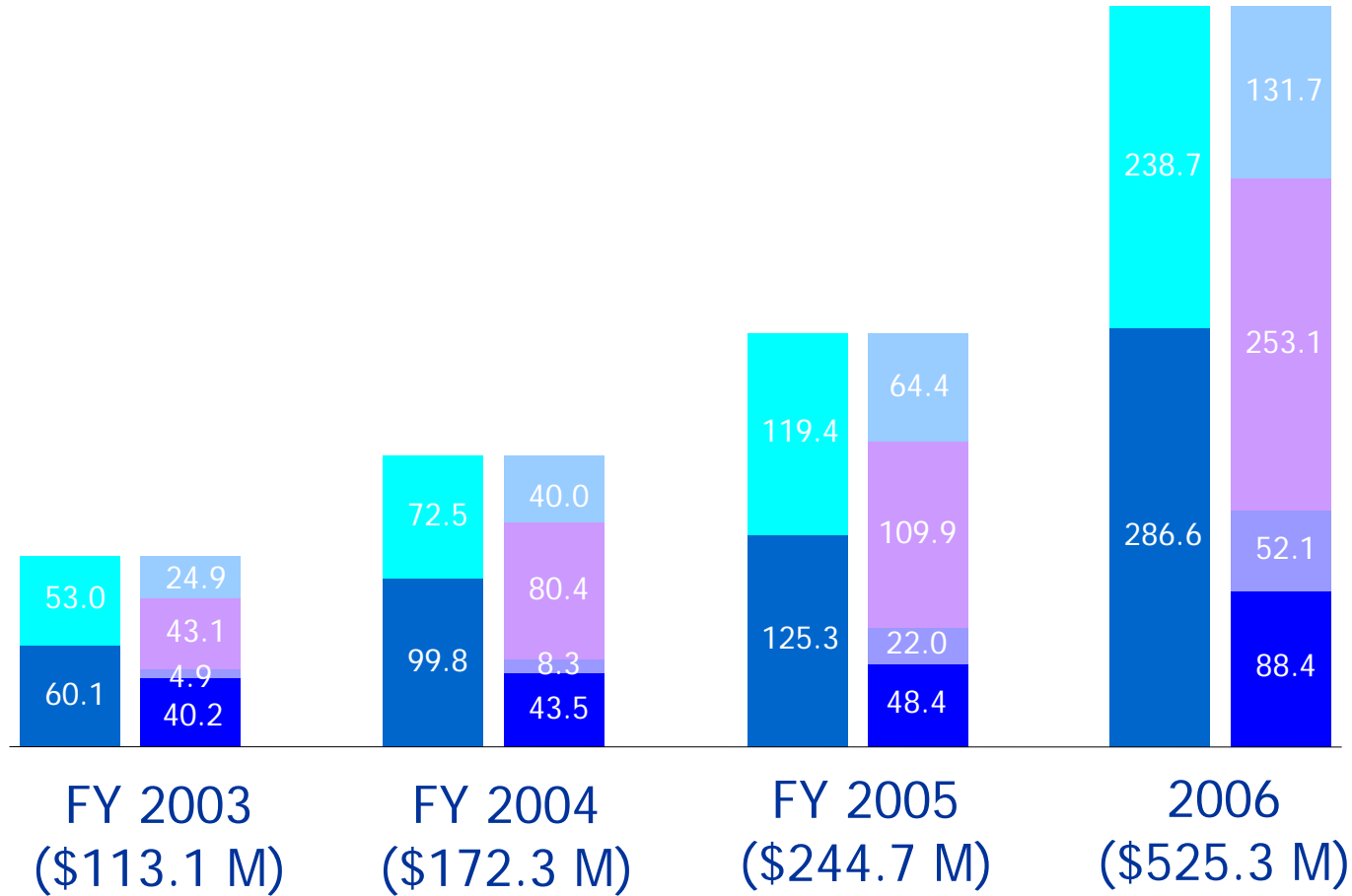
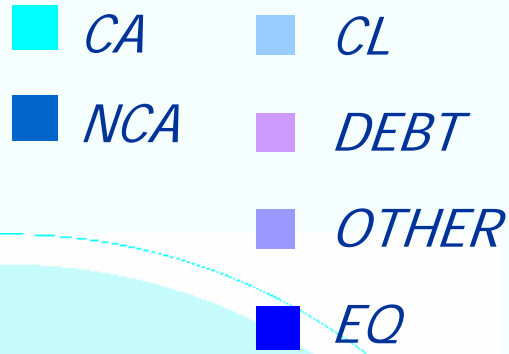
CONSOLIDATED

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

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

# BALANCE SHEET

CONSOLIDATED



# 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



# INCOME STATEMENT

## RETAIL

	2006	2005	06/05	2004	2003	2002
REVENUE	386.2	203.2	90%	134.3	81.9	58.8
GROSS PROFIT	112.2	67.2	67%	45.4	26.3	19.2
	29.1%	33.1%		33.8%	32.1%	33%
EBITDA	-1.2	2.9	n/a	6.4	1.8	2.6
	-0.3%	1.4%		4.8%	2.2%	4.4%
OPERATING INCOME	-10.2	-2.5	n/a	2.6	-0.2	0.9

# INCOME STATEMENT

## RETAIL

2002      2003      2004      2005      2006      2006  
pro-forma

### REVENUE

58.8

81.9

134.3

203.2

386.2

489.8

### GROSS PROFIT margins

19.2

26.3

45.4

67.2

112.2

133.4

32.7%

32.1%

33.8%

33.1%

29.1%

27.2%

### EBITDA margins

2.6

1.8

6.4

2.9

-1.2

3.7

4.4%

2.2%

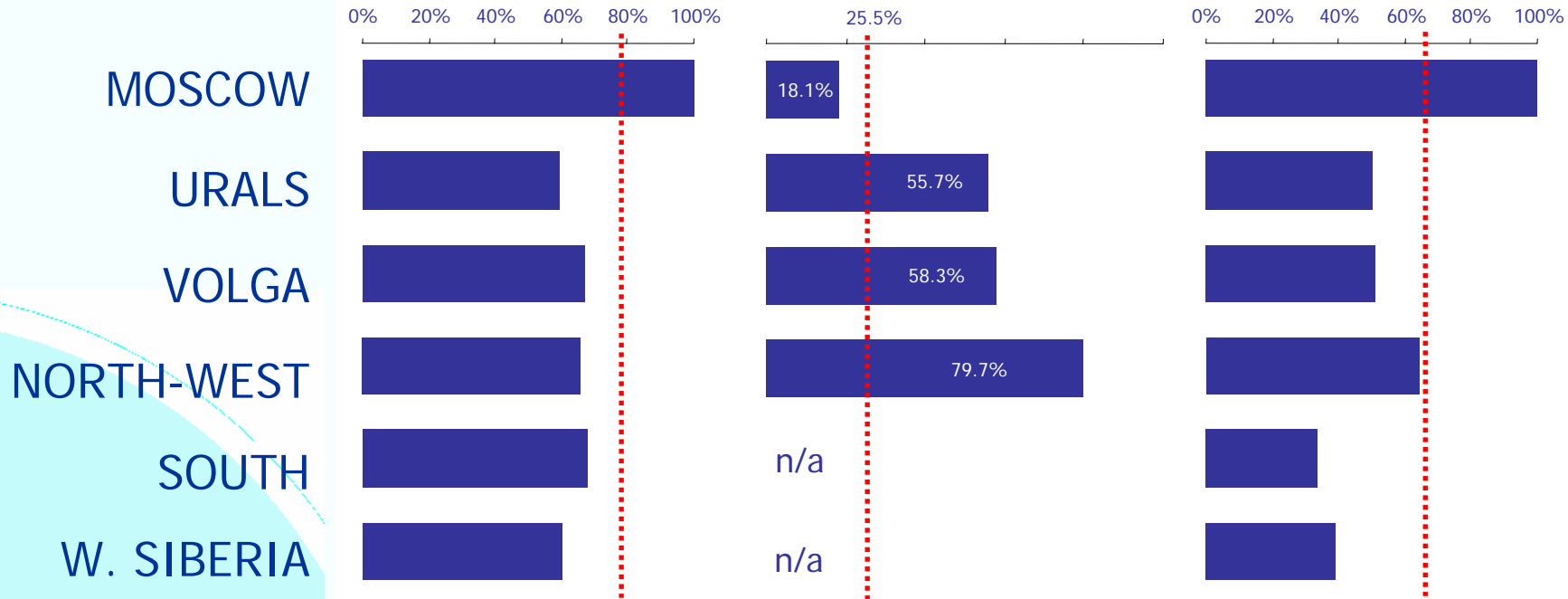
4.8%

1.4%

-0.3%

0.8%

# KEY PERFORMANCE INDICATORS



**Sales per sq. meter Index**  
Moscow=100

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

**Average ticket Index**  
Moscow=100

\* According to management accounts, FY2006

## BALANCE SHEET

RETAIL

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

# INCOME STATEMENT

VEROPHARM

	2006	2005	06/05	2004	2003	2002
REVENUE	100.5	79.4	27%	59.9	52.8	43.9
GROSS PROFIT	60.1	47.0	28%	32.7	31.3	23.4
	59.8%	59.2%		54.5%	59.2%	53.3%
EBITDA	29.2	25.1	17%	17.8	15.7	13.5
	29.1%	31.6%		29.7%	29.7%	30.9%
OPERATING INCOME	25.7	21.3	21%	14.8	12.7	10.5

## BALANCE SHEET

VEROPHARM

	2006	2005	2004	2003	2002
NON-CURRENT ASSETS	40.3	35.6	35.9	34.4	31.2
CURRENT ASSETS	82.2	54.6	38.7	32.4	23.4
<b>TOTAL ASSETS</b>	<b>122.5</b>	<b>90.2</b>	<b>74.6</b>	<b>66.8</b>	<b>54.5</b>
CURRENT LIABILITIES	22.0	16.3	20.4	20.1	6.5

# INCOME STATEMENT

## NON-CORE & MEDICAL SERVICES

	2006	2005	06/05	EMC 2006
REVENUE	33.1	24.2	37%	10.6
GROSS PROFIT	5.5	3.7	49%	5.7
	16.5%	15.1%		54.0%
EBITDA	-0.6	-0.1	17%	2.7
	-1.9%	-0.5%		25.8%
OPERATING INCOME	-0.7	-0.2	n/a	2.5

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