

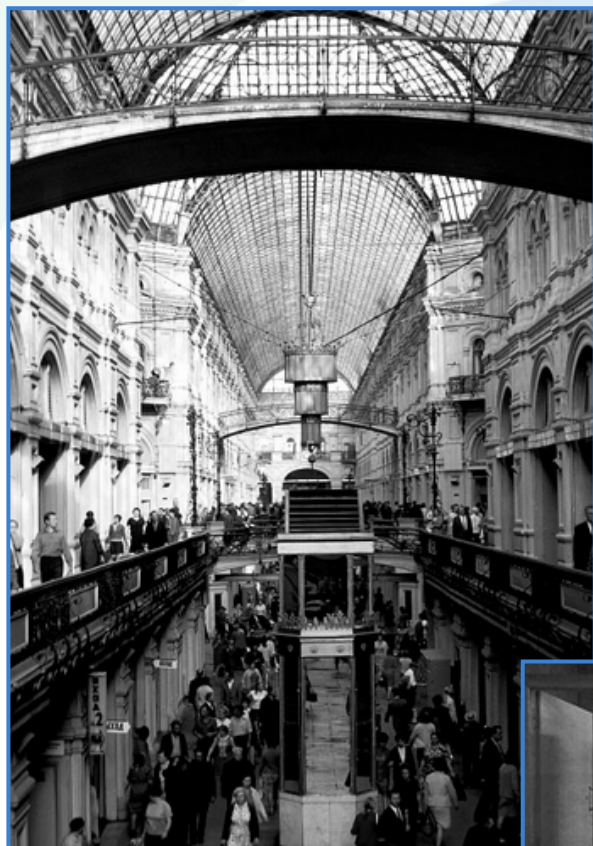


State of Global Retailing



A Closer Look at Russia

**Artem Bektemirov, CEO
Pharmacy Chain 36.6
NRF Annual Meeting
16 January 2005**



Soviet-Style Retailing



Retailing Today



Shopping at Apteka 36.6





RUSSIA: #1 EMERGING RETAIL GROWTH MARKET

A.T. Kearney's 2004 Global Retail Development Index

Ranking	Country	Country Risk	Market Attractiveness	Market Saturation	Time Pressure	Score
1	Russia	56	56	77	100	100
2	India	62	34	92	72	88
3	China	71	42	62	90	86

WHY RUSSIA IS #1 RETAIL GROWTH MARKET



- 1 Market Growth: 10% annual growth in the next 5 years. Already one of the 10 largest retail markets in the world.
- 2 Strong Economy: Driven by strong trade balance, growth in productivity and investment, and fiscal responsibility.
- 3 Market Opportunities: With rising incomes, consumers seek greater quality and choice offered by modern formats.
- 4 Government Support: Relatively liberal policies in consumer economy balance traditional hurdles.
- 5 Strong Local Players Emerging: Russia retailers now emerging with operating efficiencies comparable to international benchmarks.



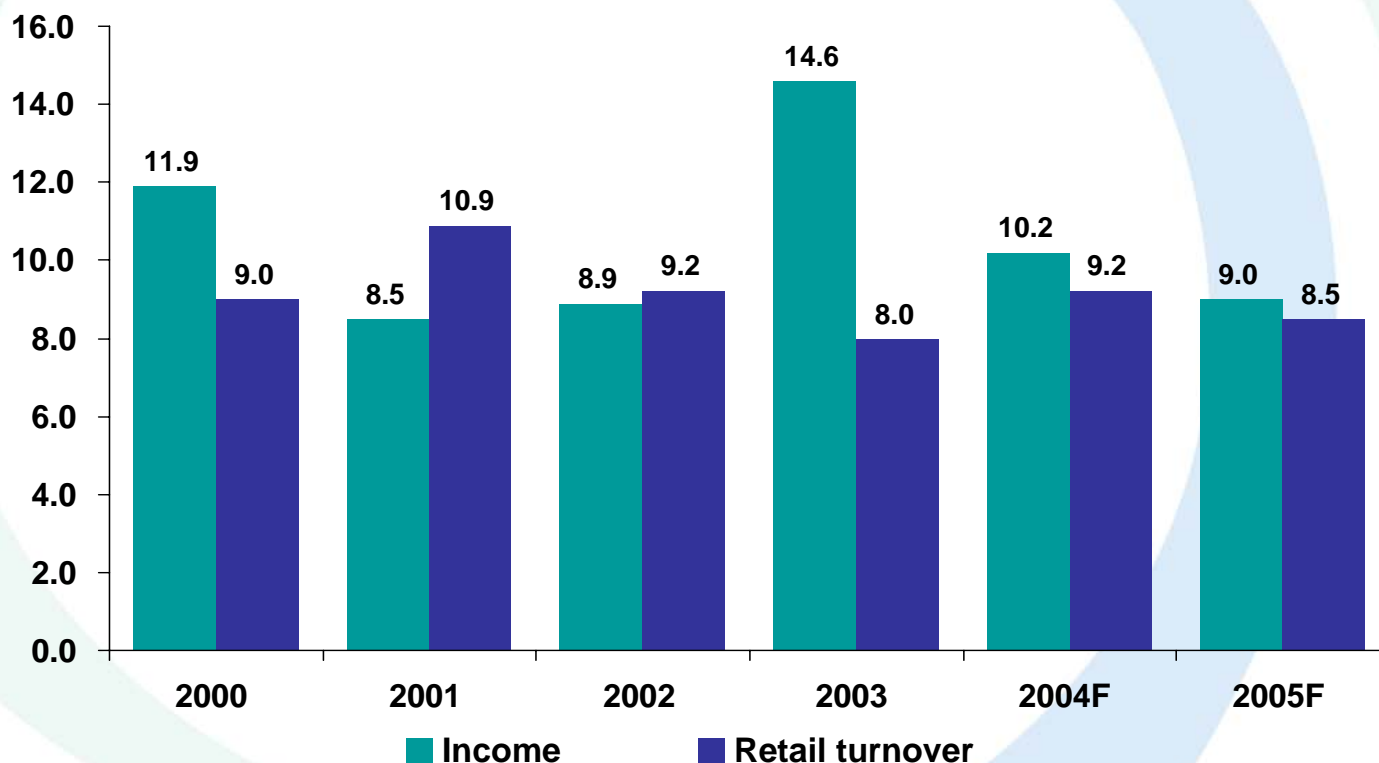
RUSSIA'S TWO ECONOMIES

	Consumer-Based	Resource-Based
% of GDP	50%	25%
Growth Rate (2002-04)	15-20%	10-15%
Gov't Influence	Limited	Significant
Privatization	Entrepreneurial start ups after 1990s	Privatized State Resources in 1990s
Political Risks	Adequate	Very High
Company Size	SMEs and MMEs	Domestic Blue Chips
Concentration	Varies by Sector	High
Investment	Under-invested	Highly-invested



RUSSIA'S RETAIL MARKET: \$170 BILLION AND GROWING

Real growth of consumer income and retail turnover % y-o-y



Source: State statistic committee, IRG estimations

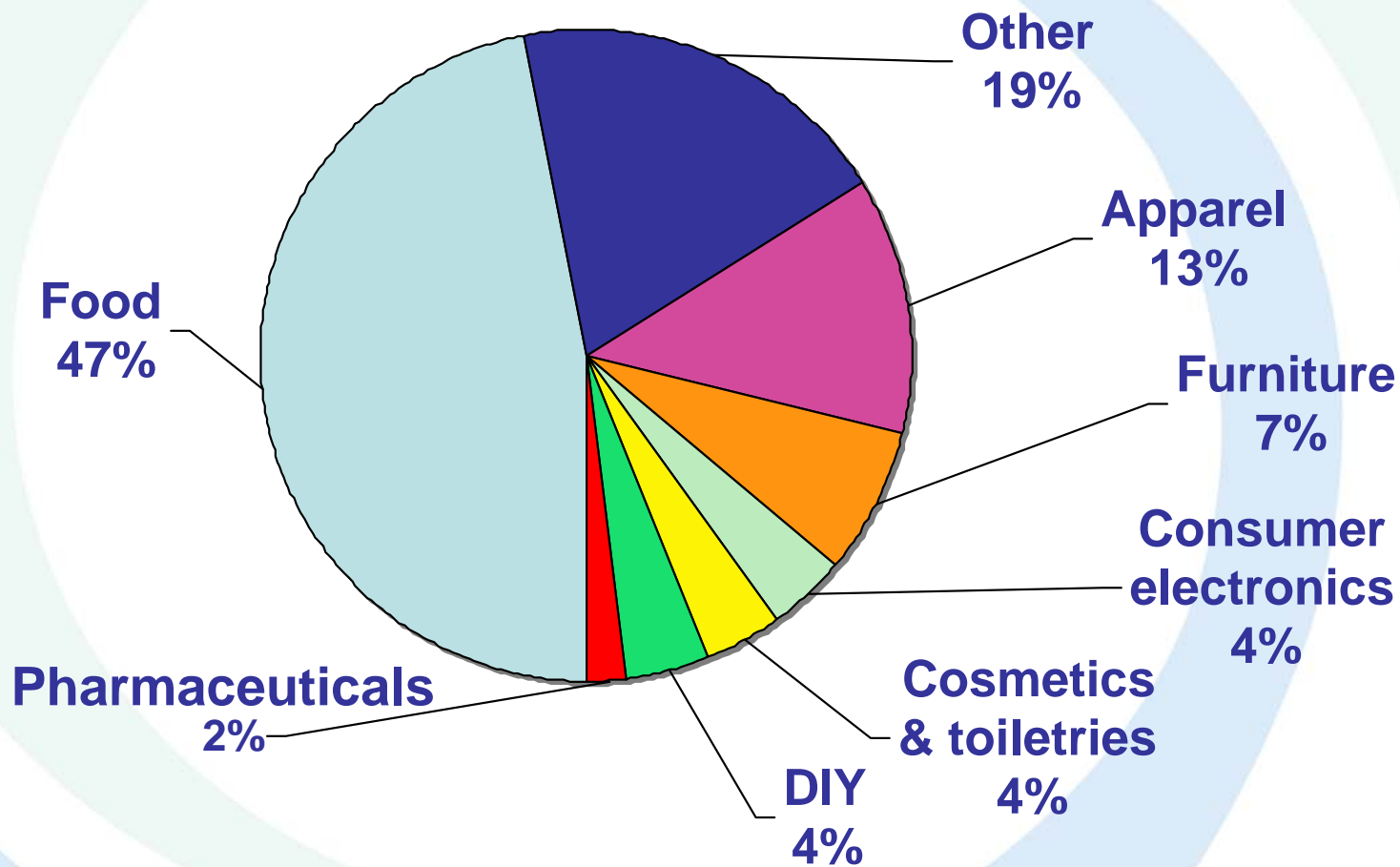
6-Year Annual
Average:

Retail:
9.1%

Income:
10.3%



RETAIL MARKET SEGMENTS



Annual
Forecast Growth
2004-2010*

Electronics **15%**

DIY **14%**

Food **12%**

Cosmetics **11%**

Pharmaceuticals **9%**

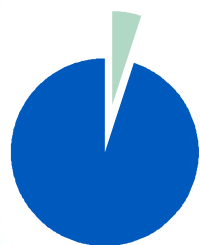
**nominal USD, CAGR*

Source: GKS, UFG, Euromonitor



RUSSIAN RETAIL MARKET REMAINS FRAGMENTED

■ Top-5 Players' Marketshare



5%
Food



36%
Electronics



6%
Pharmaceuticals



9%
DIY

**Top Russian
Retailers**

Food:

Metro

Electronics:

Eldorado

Pharmaceuticals:

36.6

DIY:

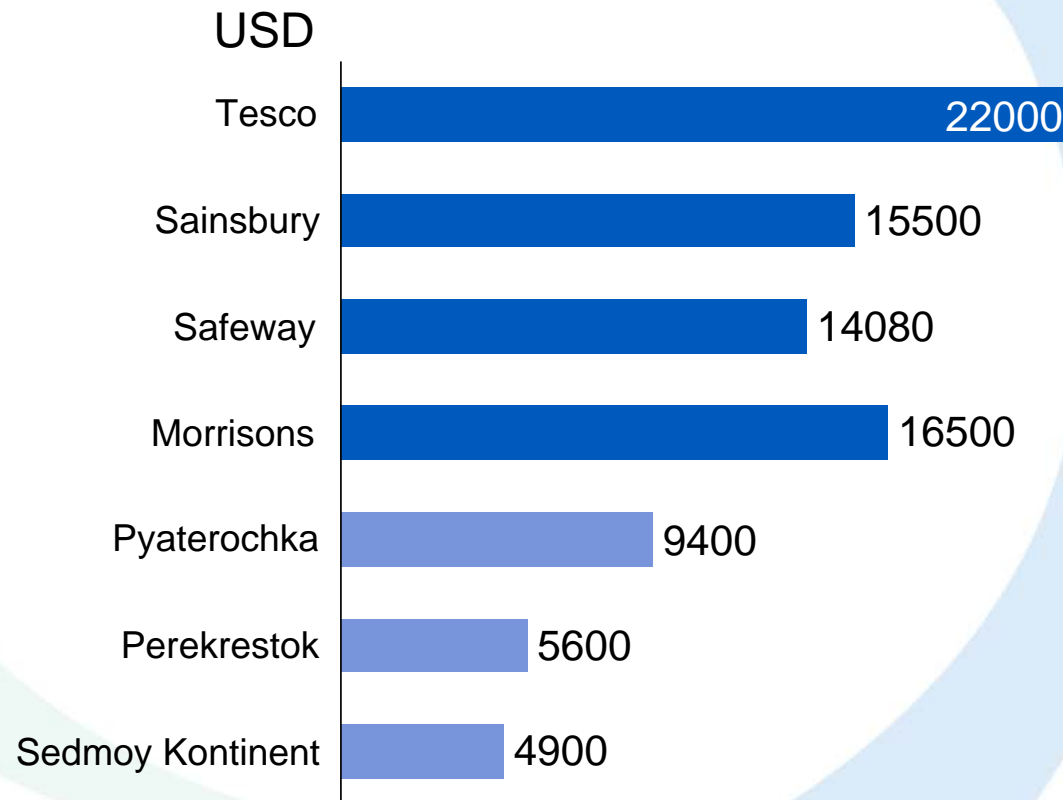
**Starik
Hottabych**

Source: UFG Research

FOOD RETAIL: RUSSIA vs. INTERNATIONAL



Sales per Square Meter (2002)



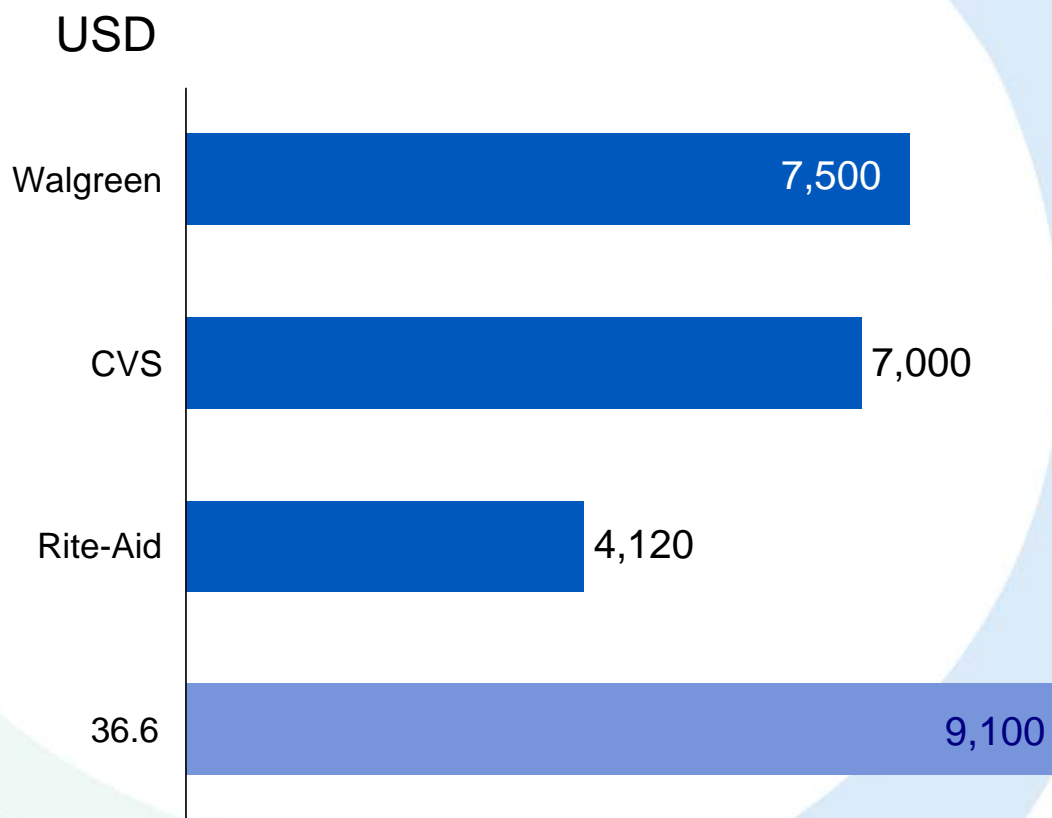
Здоровый
образ жизни





PHARMACY RETAIL CHAINS: RUSSIA vs. INTERNATIONAL

Sales per Square Meter (2003)



RUSSIAN RETAIL: FUTURE TRENDS

- 1 New Formats: New and different formats (DIY, convenience stores).
- 2 Consolidation: Small chains bought by larger retailers.
- 3 Regional Expansion: Cities with population +1 million.
- 4 Foreign Retailers: Continued expansion over next 2 - 3 years.
- 5 Large Format Retail: Trade centers and hypermarkets.



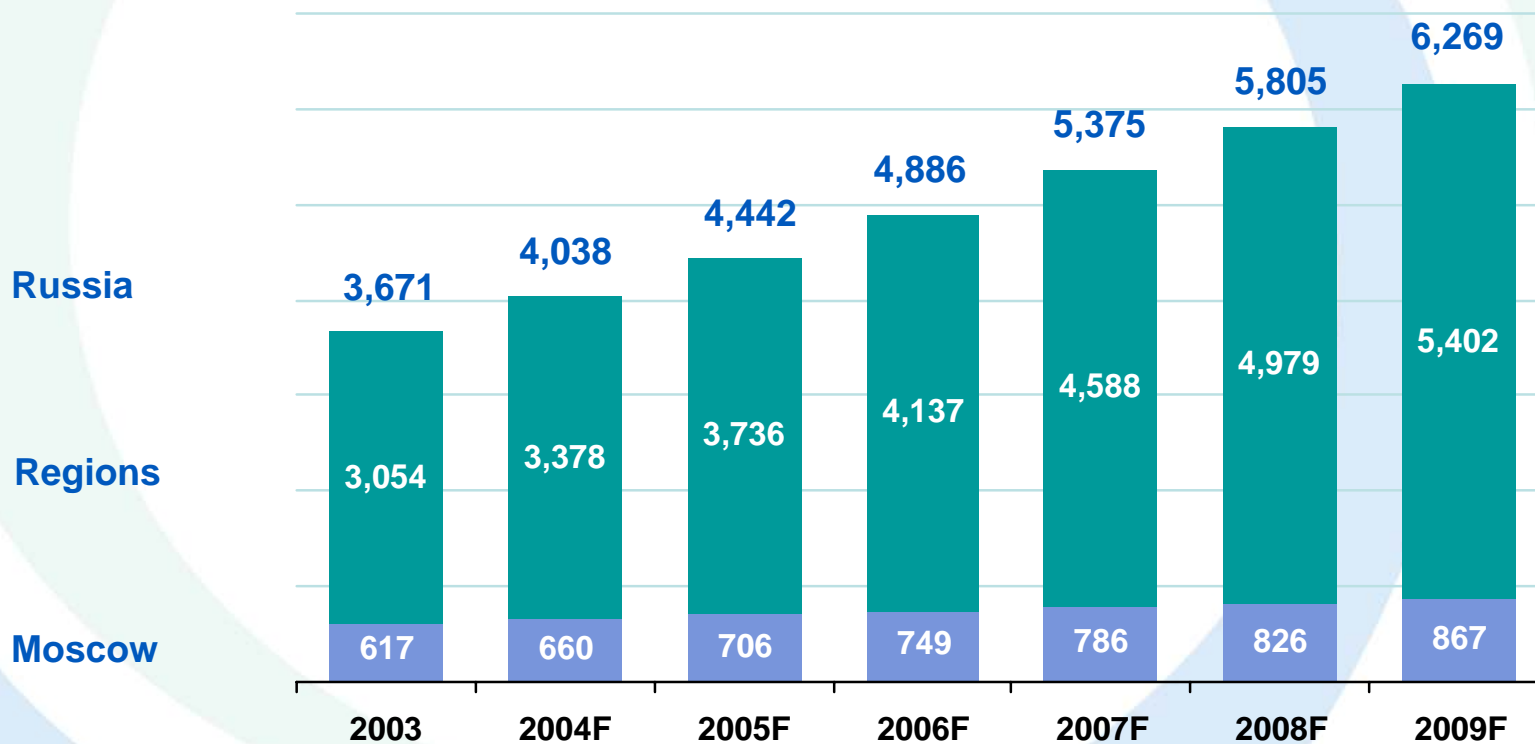
RUSSIAN RETAIL: MAIN BARRIERS

- ① Capital: Lack of investments for domestic retail chain development.
- ② Consumer Income: Low income of Russian population outside Moscow.
- ③ Real Estate Shortage/Prices: Lack of space and high rental and purchase prices.
- ④ Competition: Particularly with unorganized trade and open markets.
- ⑤ Bureaucracy & Red Tape.



PHARMACEUTICAL MARKET FORECAST

USD Millions



2003-2009
CAGR*

Russia
9.3%

Regions
10%

Moscow
5.8%

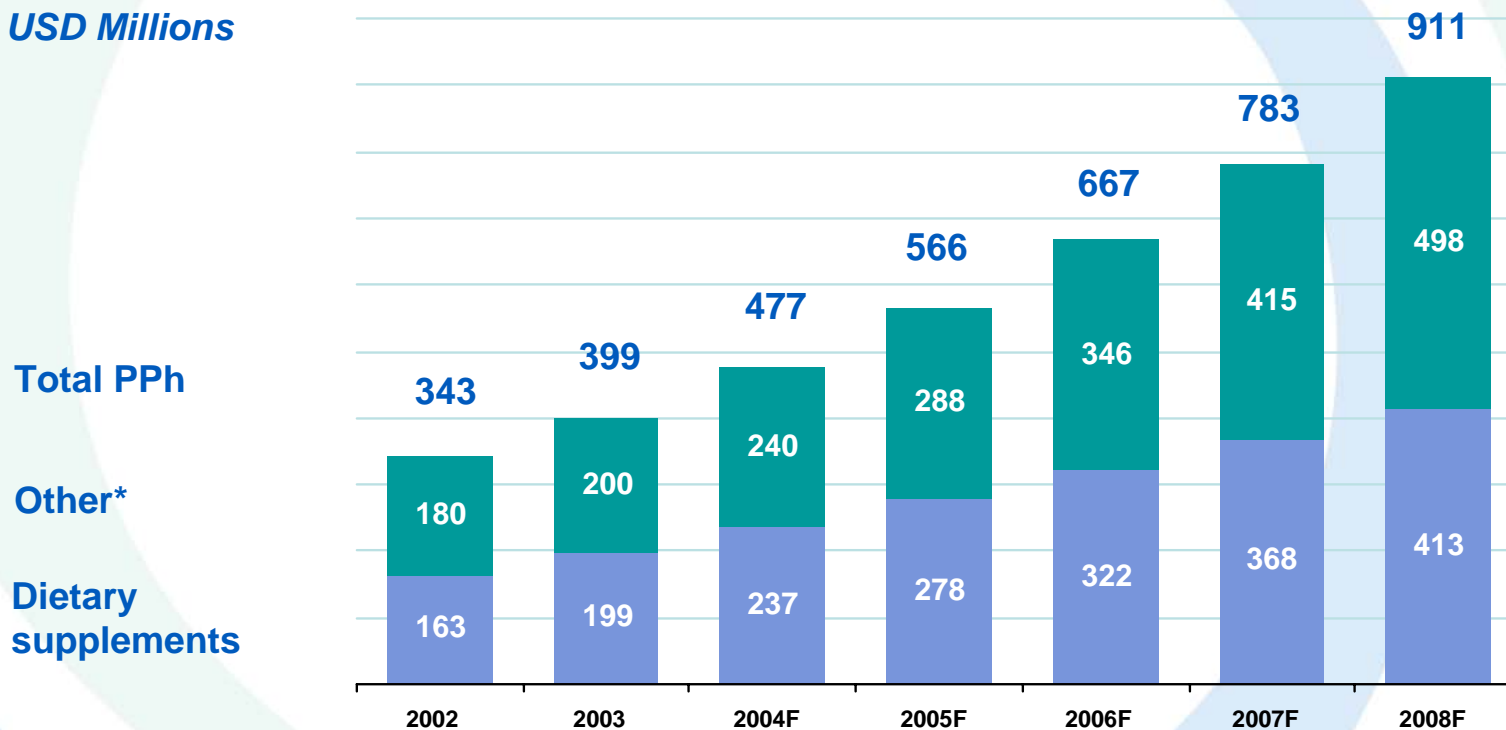
Source: Pharmexpert, RMBC, DSM, 36.6

*Compound Annual Growth Rate



PARA-PHARMACEUTICAL MARKET FORECAST

USD Millions



2003-2009 CAGR

Total PPh
18%

Other
20%

Supplements
15.8%

* Includes medical devices (blood pressure meters, thermometers, glucometers, etc.), first aid (adhesive bandages, wound care materials, etc.), patient care products, specialty hosiery and support products.

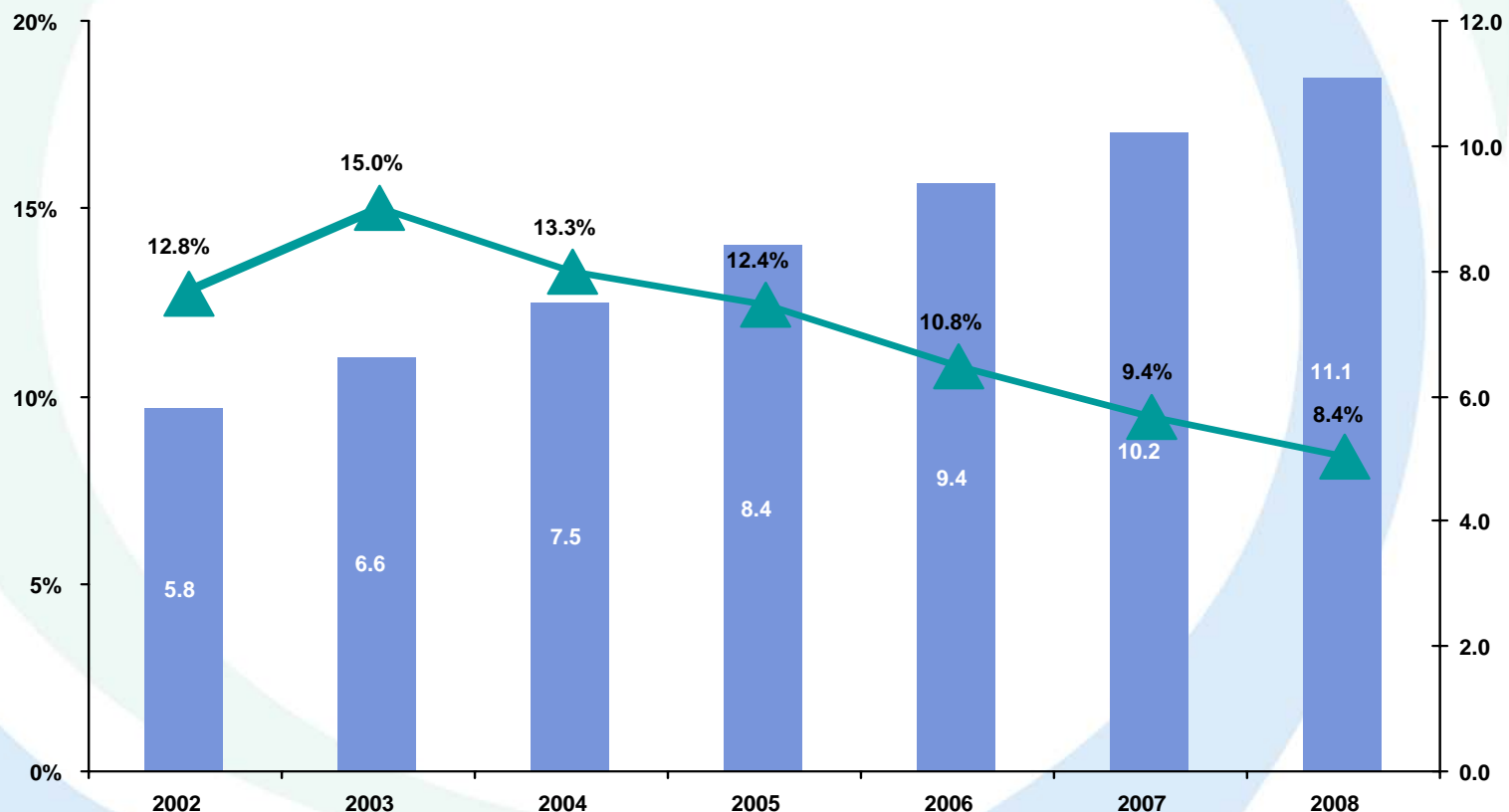
Source: Euromonitor, Pharmexpert, Supplier data, Internal estimates



COSMETICS AND TOILETRIES MARKET FORECAST

GROWTH
Y-o-Y, %

MARKET
USD billions



Sources: AIPM/RMBC, UFG, GKS, Euromonitor

**Fastest
Growing
% CAGR
(2003-2008)**

Diapers **16.1%**

Sanitary
Protection **15.5%**

Skin Care **14.6%**

Pharmacy Chain 36.6

Russia's Leading Health and
Beauty Retailer

36.6

healthy fit & strong





36.6 AT A GLANCE

147.8
million sales in 2003. EBITDA was 9.3% in 2003.

145
million market capitalization. 20% of shares placed in 2003 IPO.

25% topline annual growth: 30% in retail, 20% in manufacturing.

250
pharmacies in 7 Russian regions.

7.3
million purchases in 4th quarter 2004.

290
products in the generic portfolio of Veropharm.

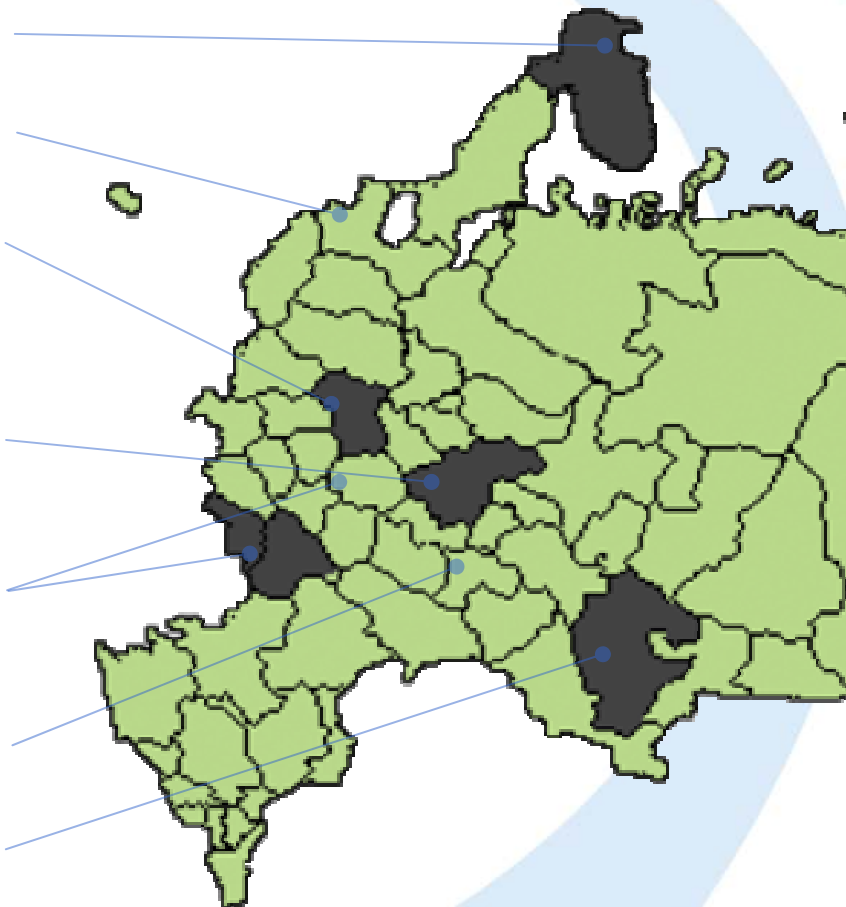
6000
employees skilled personnel and experienced management team.

36.6



36.6 EXPANSION

MURMANSK	31
ST.PETERSBURG	4
MOSCOW & LOGISTIC REGION	92
NIZHNY NOVGOROD	40
VORONEZH & TULA	5
ULYANOVSK	9
BASHKIRIA	69



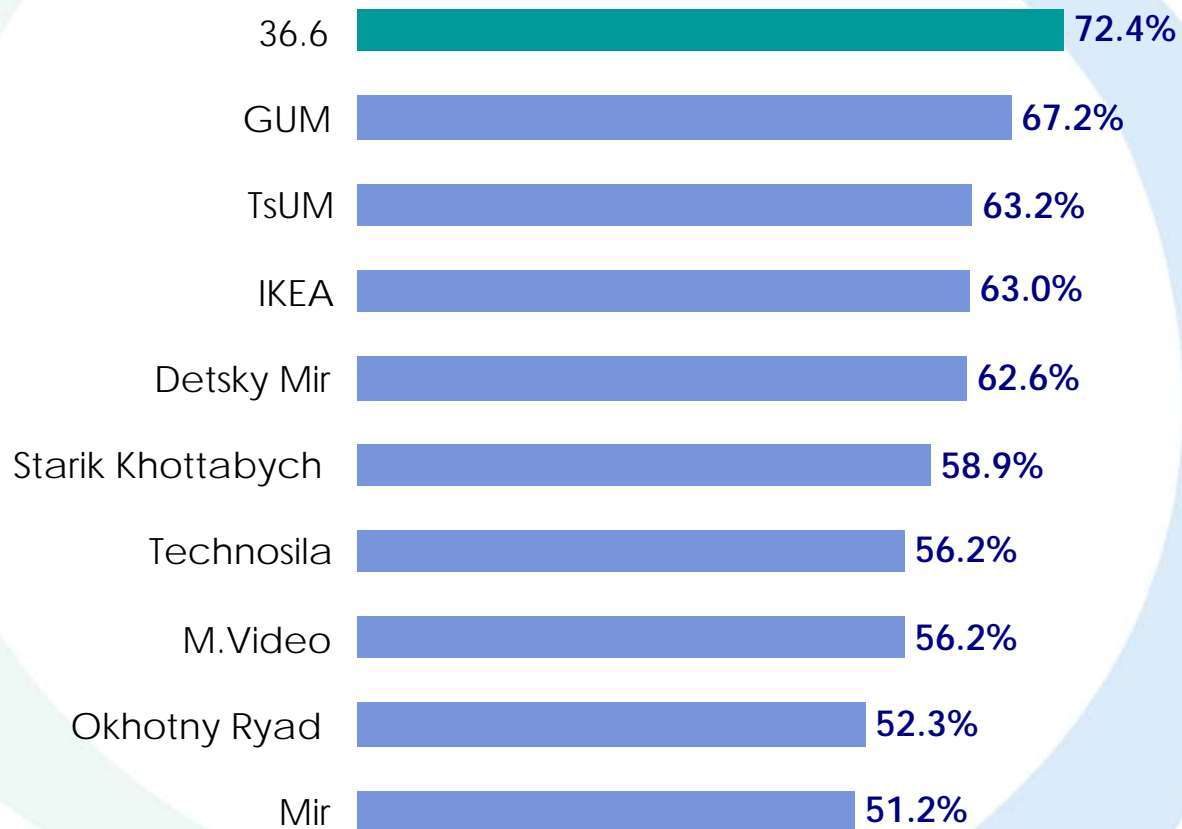
250 pharmacies

7 regions

30 million
customers



36.6 IS RUSSIA'S MOST RECOGNIZABLE BRAND



Also leads in:

attendance **49%**

purchases **40%**



CUSTOMER VALUE PROPOSITION

- 1 Convenient locations.
- 2 Reliable quality products.
- 3 Excellent shopping experience.
- 4 Wide assortment.
- 5 Competitive prices.



We strive to increase the value of the company by providing our customers with a reason to come back.



36.6 TODAY & TOMORROW

SALES 2003
USD millions

STORES
2003



By **2008:**

\$800 million in sales

10% of market

60 million customers

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366

healthy fit & strong

