



**PROTEK**

group of companies

## **Q2-2011 / 1HY-2011 OPERATING HIGHLIGHTS**

### **INVESTOR AND ANALYST PRESENTATION**



August 2011

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- **Market Overview 1HY-2011**
    - Vadim Muzyayev, President of Protek Group
  - **Business Overview and Operating Highlights**
    - Vadim Muzyayev, President of Protek Group
    - Timofey Prokopov, CFO of Protek Group
    - Igor Filatov, General Director of CV Protek
  - **Questions and Answers**
- 

*Details of conference call:*

**17:00 – 18:00 (Moscow) / (14:00 – 15:00, London) : Telephone conference for investors and analysts**

Participant Telephone Numbers:

8 499 272 4337 - Moscow

8 10 8002 1774011 - Russia (Moscow only) Toll Free

+44 (0) 20 3003 2666 - Standard International Access

0808 109 0700 - UK Toll Free

Participant PIN: 3420201#

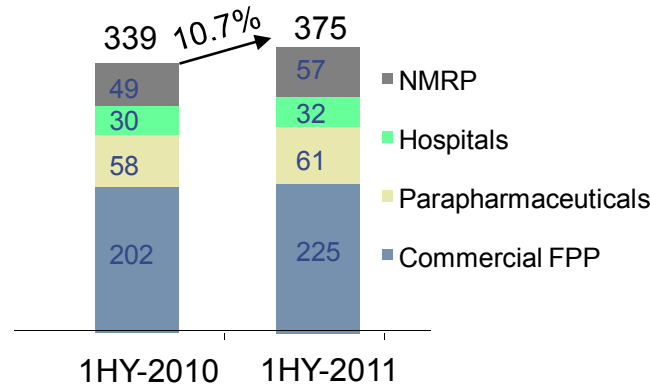
*Participants will have to quote the above code when dialling into the conference*

# Russian Pharmaceutical Market, 1HY-2011



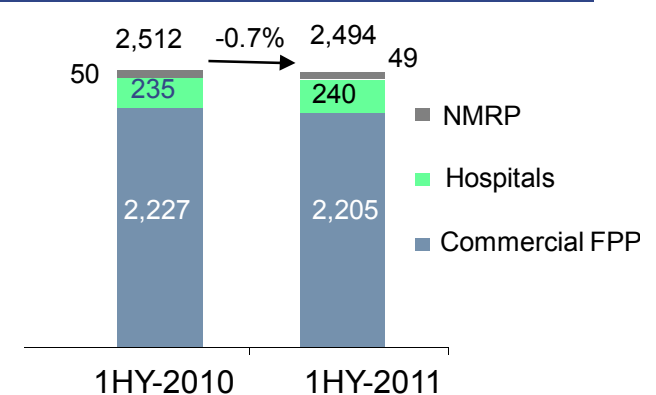
- In 1HY-2011, the Russian pharmaceutical market grew by 10.7% (in rouble terms) to RUB 375 billion y-o-y (DSM Group data)
- In package terms 1HY-2011 saw a decrease of the market by 0.7%\* to 2,494 mln. packages\*
- Commercial segment of the market, which is strategic for the Group, grew by 11.8%\* in 1HY-2011 (in rouble terms) y-o-y
- In 1HY-2011, the market shows a positive year-on-year trend in value terms, mostly due to commercial and NMRP segments. However, the growth slowed down in Q2-2011. The market stagnated in volume terms due to minimal inflation of drug prices and Life Essential Medicines price regulations introduced in 2010.

## Market Performance, RUB billion Including Parapharmaceuticals



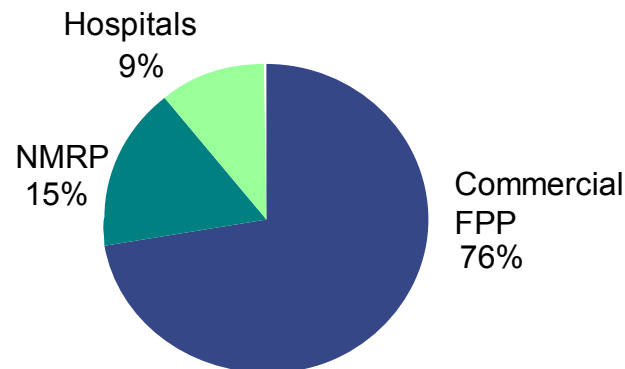
Source: preliminary data of DSM Group

## Market Performance, mln. packages\* Excluding Parapharmaceuticals

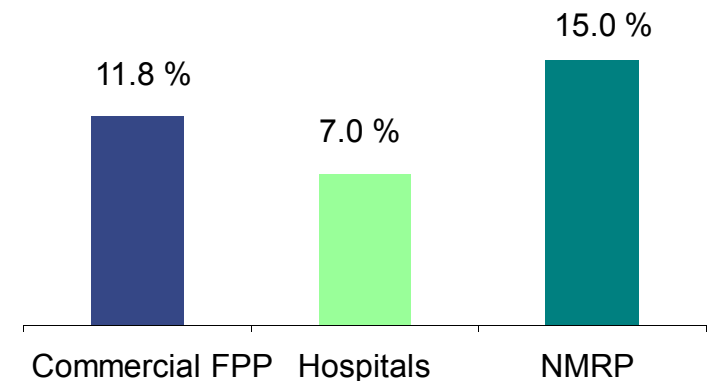


Source: preliminary data of DSM Group

## Market Breakdown, 1HY-2011



## Segment Performance, 1HY-2011



Source: preliminary data of DSM Group

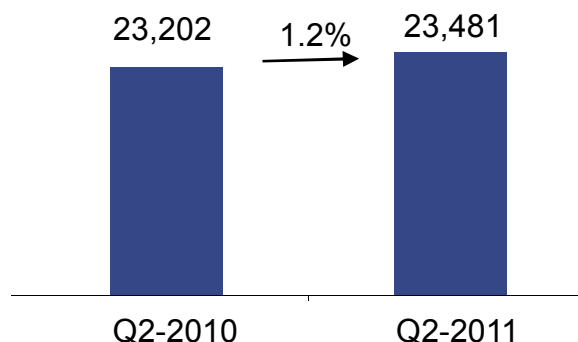
\* Preliminary data of DSM Group, excluding parapharmaceuticals

# Group Operating Highlights, Q2-2011 and 1HY-2011

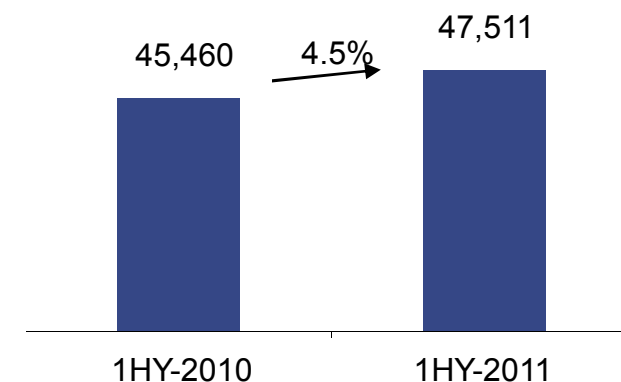


- The consolidated revenue of the Group grew by 1.2% to RUB 23,481 million in Q2-2011
- The consolidated revenue of the Group grew by 4.5% to RUB 47,511 million in 1HY-2011
- The Group's revenue growth in 1HY-2011 was driven by sales in the Retail Segment (19.5% y-o-y)
- In 1HY-2011, the share of the Distribution Segment decreased by 2% to 82% of the Group's total revenue, with the Retail Segment growing to 13%. The Production Segment share remained at ~5%\*

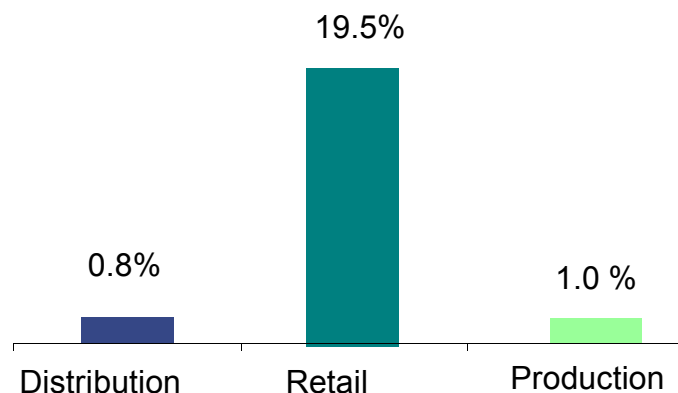
**Consolidated Revenue in Q2, RUB mln.**



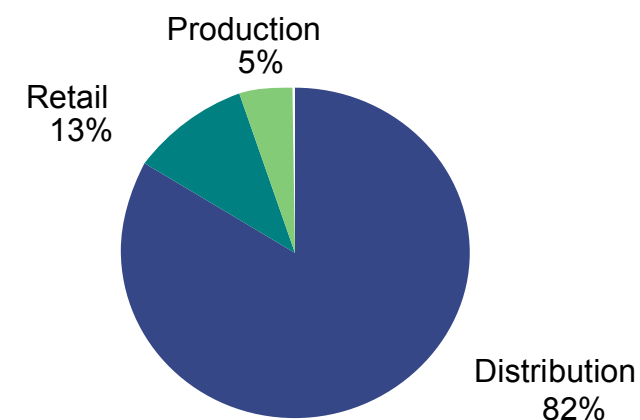
**Consolidated Revenue in 1HY, RUB mln.**



**Revenue by Segment in 1HY-2011, %**



**Revenue Share by Segment in 1HY, %\***



Source: unaudited management accounts for Q2-2011 and 1HY-2011, preliminary data

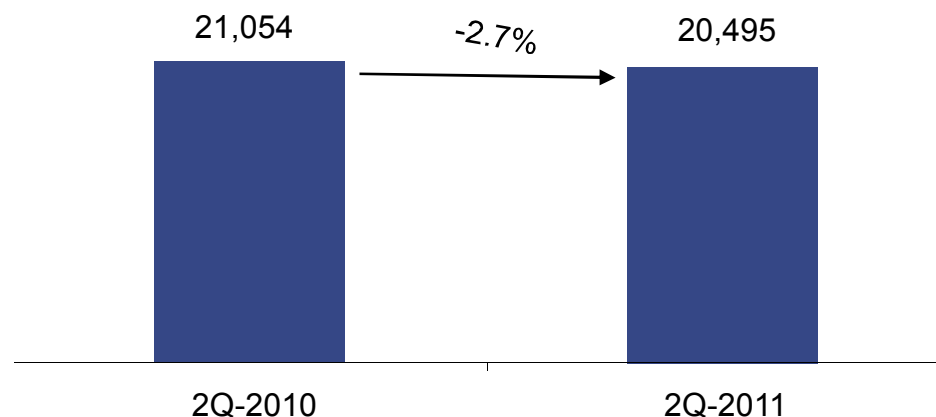
\* Calculated in relation to the total revenue from each segment (excluding retained earnings and eliminations)

# Distribution Segment Operating Highlights, Q2-2011



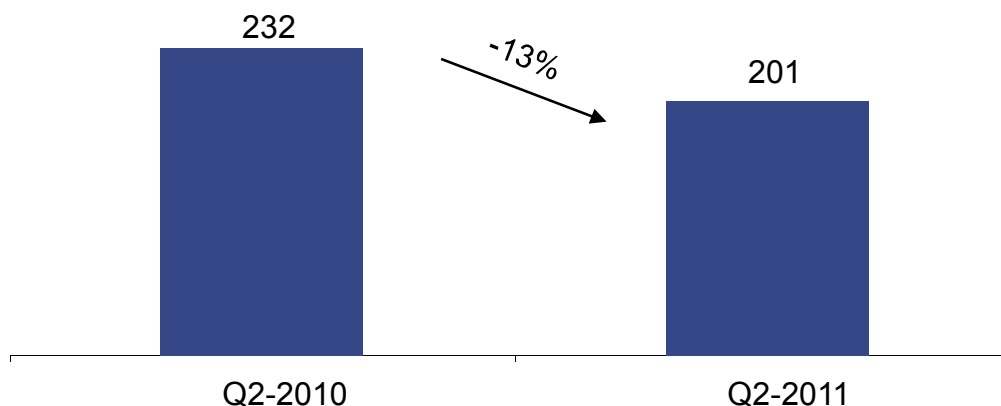
- In Q2-2011, the Distribution Segment showed a 2.7% y-o-y decrease in revenue totalling RUB 20,495 million against RUB 21,054 million in Q2-2010
- Sales of packages decreased by 13% to 201 million packages
- The key factors in Q2-2011 were:
  - sales increased in the commercial segment by 4% and decreased in the budget-funded segment by 18% (incl. NMRP (-77%), and hospitals market +26%) against Q2-2010.
- The key drivers in Q2-2011 were: measures to increase margins and average package price. The sales volumes were mostly affected by the commercial market (-14%), though the average package price grew by 20%

## Revenue in Q2-2011, RUB mln.



Source: unaudited management accounts of Protek Group, preliminary data

## Sales in Q2-2011, mln. packages



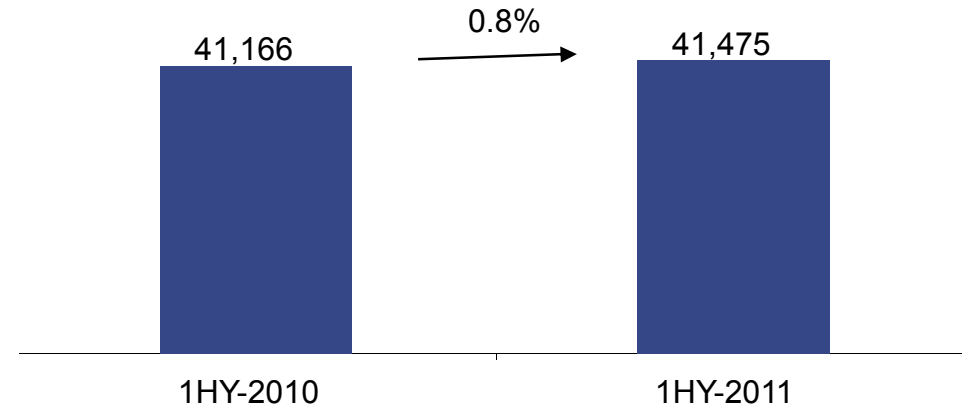
Source: company data

# Distribution Segment Operating Highlights, 1HY-2011



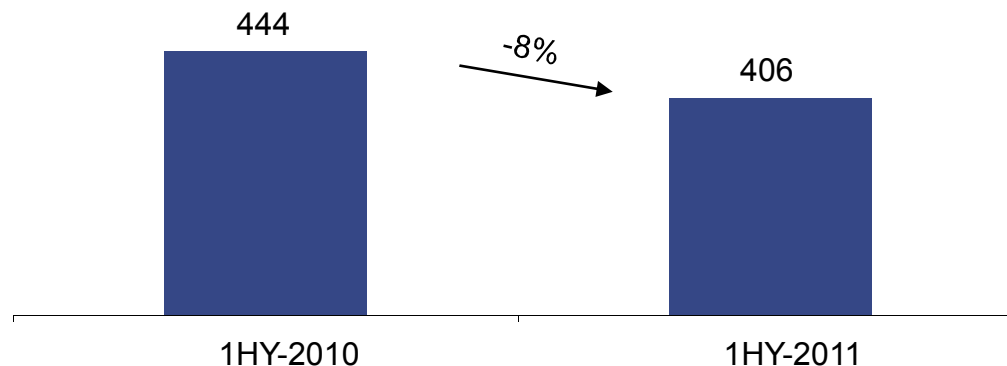
- In 1HY-2011, revenue grew by 0.8% y-o-y to RUB 41,475 million against RUB 41,166 million in 1HY-2010
- Sales in packages decreased by 8% to 406 million packages in 1HY-2011
- The key factors in 1HY-2011 were:
  - a 7% y-o-y growth in the commercial segment and a 19% y-o-y growth in the state-funded segment (incl. NMRP (-75%), and hospitals market +29%).
  - the customer base grew by ~5 % y-o-y to 16,700 clients.
  - number of the price list positions decreased by ~5% to approx. 14,200 items against 14,963 items in 1HY-2010 following steps to increase a share of high-margin products
  - the storage capacity increased to 450 thousand positions per day, a new retail conveyor installed in the central storage facility

## Revenue in 1HY-2011, RUB mln.



Source: unaudited management accounts of Protek Group, preliminary data

## Sales in 1HY-2011, mln. packages



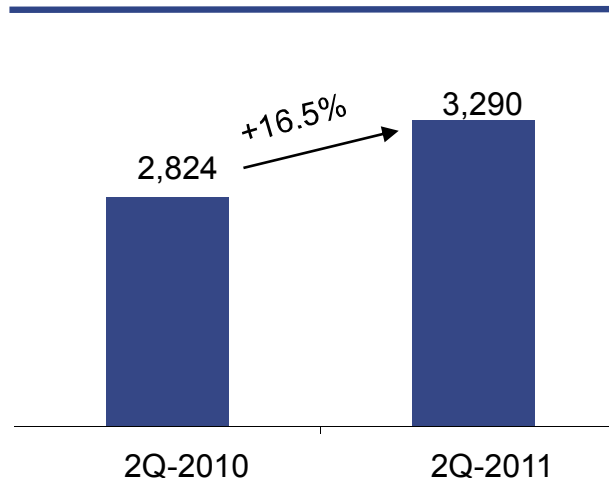
Source: company data

# Retail Segment Operating Highlights, Q2-2011

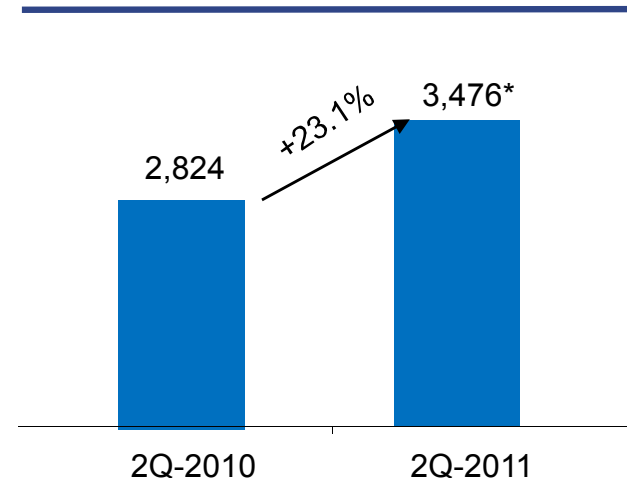


- Pharmacy performance in Q2-2011:
  - 22 pharmacies were organically opened, 10 pharmacies were closed
  - As of 30 June 2011, there were a total of 655 pharmacies
- Revenue of the Retail Segment grew by 16.5% y-o-y to RUB 3,290 million against RUB 2,824 million in Q2-2010. The growth in the comparable revenue bases including VAT amounted to 23.1%. The growth is considerably higher than that in the commercial market segment (10.4% according to DSM Group data)
- Revenue of Like-for-like pharmacies decreased by 1.8%, though the average ticket price grew by 4.9% y-o-y. The growth in the comparable revenue bases (including VAT) amounted to 6.1%, with the average ticket growing by 13.4%
- In Q2-2011, private label products included 92 items, accounting for 1.7% of the revenue and 4.3% of the gross income.

Revenue in Q2-2011, RUB mln.

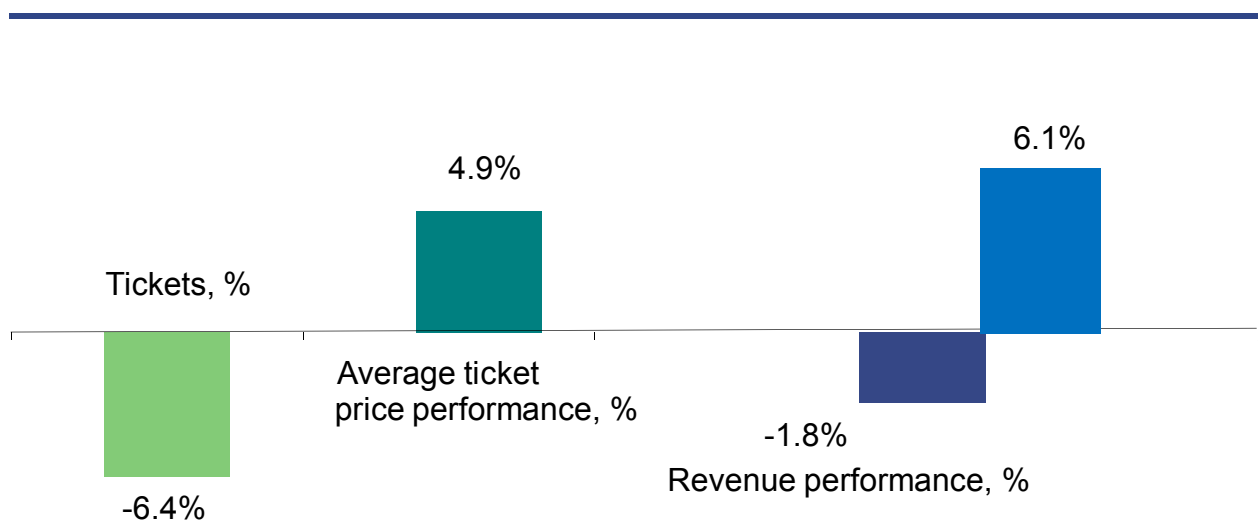


Revenue with VAT charges\*, RUB mln.



Source: unaudited management accounts of Protek Group, preliminary data

L-f-L Revenue Indicators in Q2-2011, %



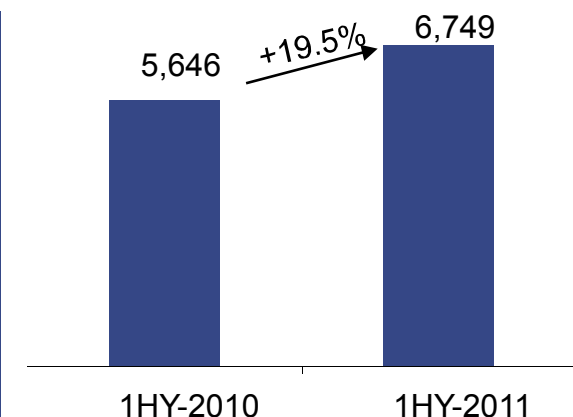
\* Comparable revenue indicators incl. VAT following tax changes in 2011

# Retail Segment Operating Highlights, 1HY-2011

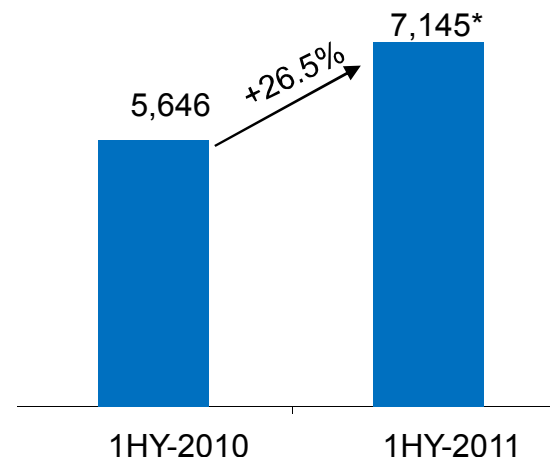


- Revenue of the Retail Segment demonstrated a significant growth in 1HY-2011 which almost doubled the market growth. It increased by 19.5% y-o-y to RUB 6,749 million against RUB 5,646 million in 1HY-2010. The growth in the comparable revenue bases including VAT amounted to 26.5%\*
- A 4% decrease in tickets was compensated by a 4% growth of the average ticket price (in the comparable revenue bases)
- Although financial revenue of the Like-for-like pharmacies remained the same in 1HY-2011 as it was in 1HY-2010, however the growth in the comparable revenue bases (including VAT) amounted to 6.9%.

Revenue in 1HY-2011, RUB mln.

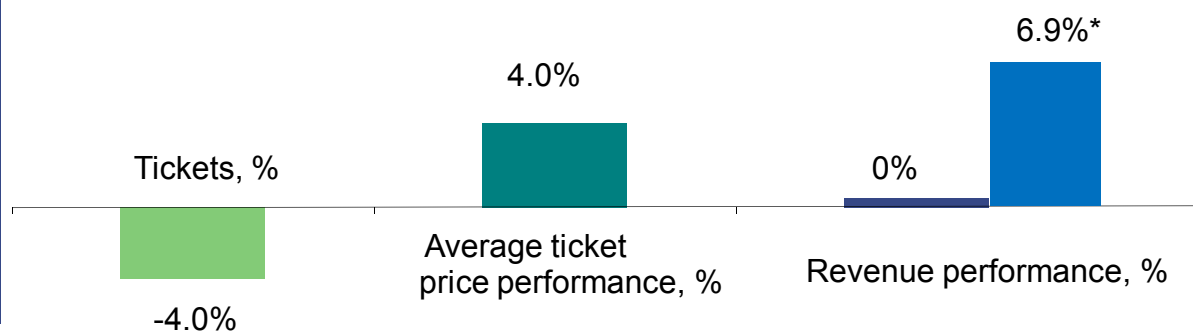


Revenue with VAT charges\*, RUB mln



Source: unaudited management accounts of Protek Group, preliminary data

L-f-L Revenue Indicators in 1HY-2011, %



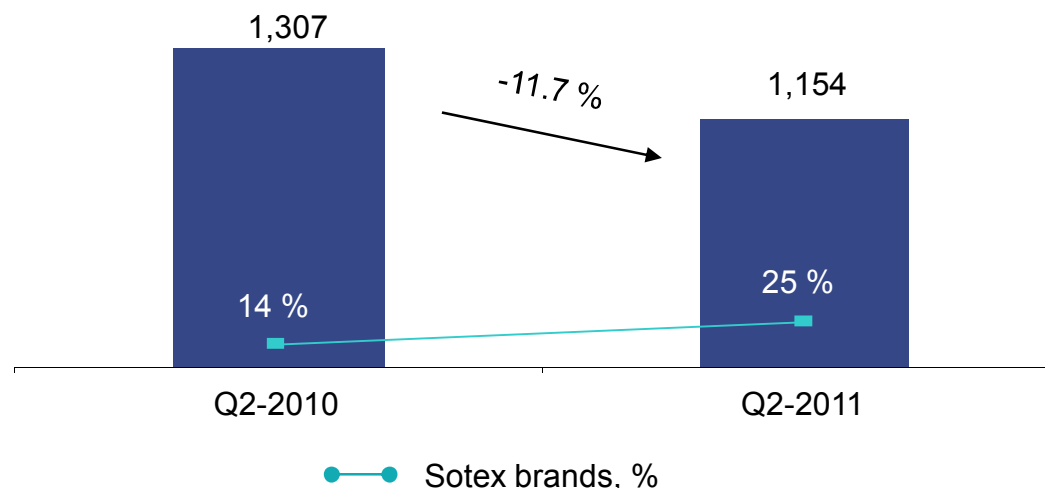
\* Comparable revenue indicators incl. VAT following tax changes in 2011

# Production Segment Operating Highlights, Q2-2011



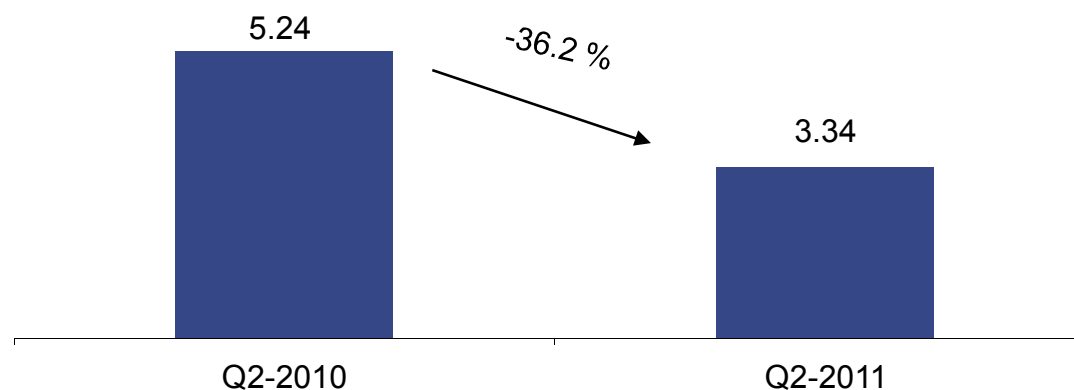
- Revenue amount of the Production Segment decreased by 11.7% y-o-y to RUB 1,154 million against RUB 1,307 million in Q2-2010 - due to a very high volume of licensed generics produced in Q2-2010.
- Own brands increased by 58% in revenue - the revenue share of own brands went up from 14% in Q2-2010 to 25% in Q2-2011
- Following a decrease in sales of contract-manufactured products in Q2-2011, the number of packages sold fell by 36.2% to 3.34 million
- The Group expanded its line of nephrology and oncology products. New private labels were launched, such as: Likferr100, Eralfon 40,000 IE, Eralfon 20,000 IE, Idrinol (injections), and BlokkoS

## Revenue in Q2-2011, RUB mln.



Source: unaudited management accounts of Protek Group, preliminary data

## Sales in Q2-2011, mln. packages



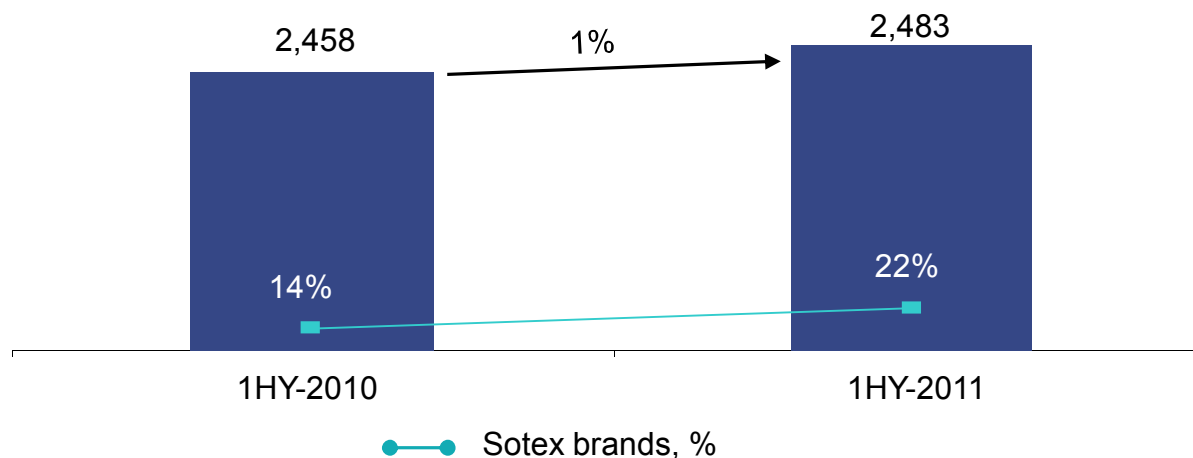
Source: company data

# Production Segment Operating Highlights, 1HY-2011



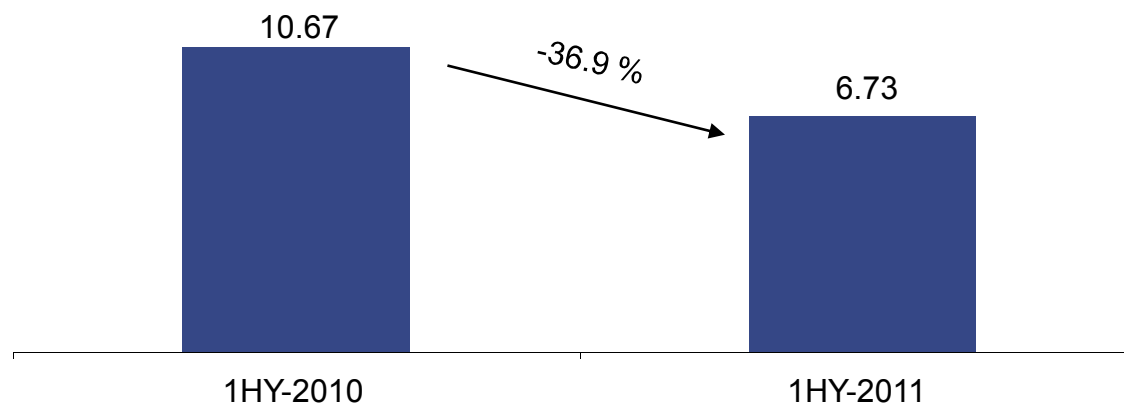
- Revenue of the Production Segment decreased by 1% y-o-y to RUB 2,483 million against RUB 2,458 million in 1HY-2010
- The revenue share of own brands went up from 14% in 1HY-2010 to 22% in 1HY-2011
- The revenue growth remained at 1% following changes in the sales structure: significantly lower sales of low-margin licensed generics products and a 57% increase in sales of own brands
- Reduction in contract manufacturing of low-margin licensed generics products resulted in a 36.9% decrease in packages turnover in 1HY-2011.

## Revenue in 1HY-2011, RUB mln.



Source: unaudited management accounts of Protek Group, preliminary data

## Sales in 1HY-2011, mln. packages



Source: company data