



PROTEK

group of companies

Q4-2010 TRADING UPDATE

PRESENTATION FOR INVESTORS AND ANALYSTS



February 2011

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- **Market review for Q4-2010 and 12 months of 2010**
 - Vadim Muzyaev, Protek Group President
 - **Operations and business review Q4-2010 and FY-2010**
 - Vadim Muzyaev, President, Protek Group
 - Timofei Prokopov, CFO, Protek Group
 - Igor Filatov, CEO of CV Protek (from 2011)
 - Alexey Molchanov, ex-CEO of CV Protek (2008-2010)
 - **Questions and Answers**
-

Details of conference call:

Conference call: **Thursday, 10 February, 17.00 Moscow time (14.00 London time).**

Duration: ***1 hour***

Recording: ***Sound file available after the call***

Participant Dial-in Number(s):
Standard International Access : +44 (0) 20 3003 2666
UK Toll Free : 0808 109 0700
Russia (Moscow only) Toll Free : 8 10 8002 4801012
Russia (Moscow Local) : 8 499 270 6354

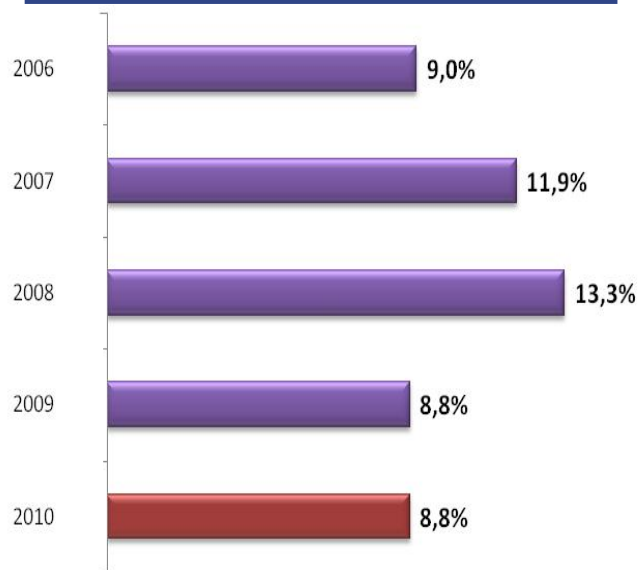
Participant Password: ***Protek***

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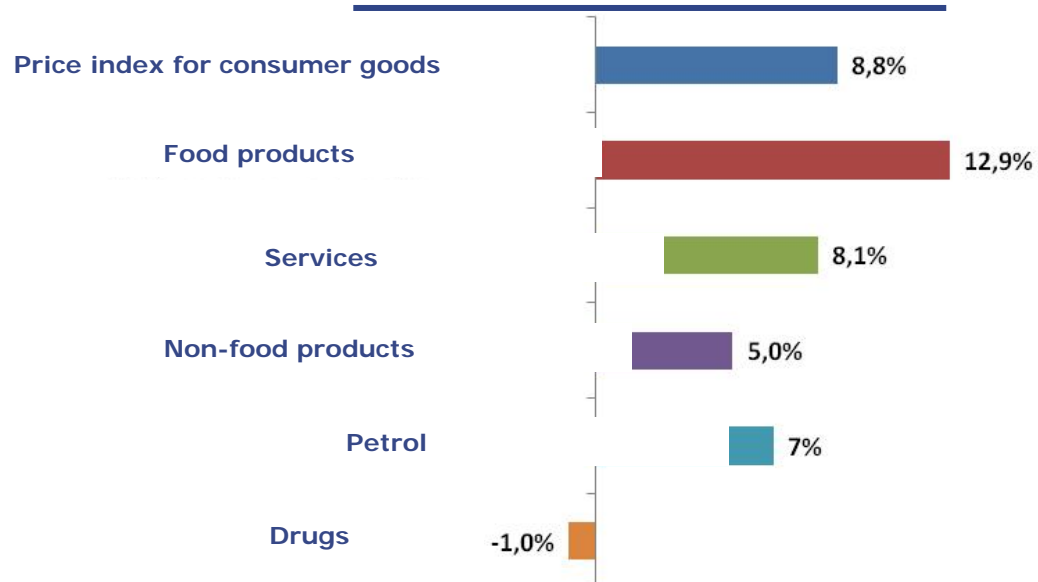
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2010 results

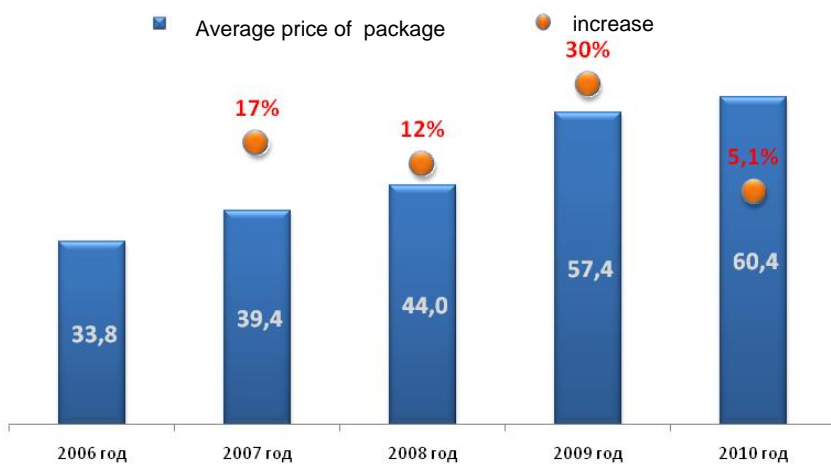
Price index for consumer goods*



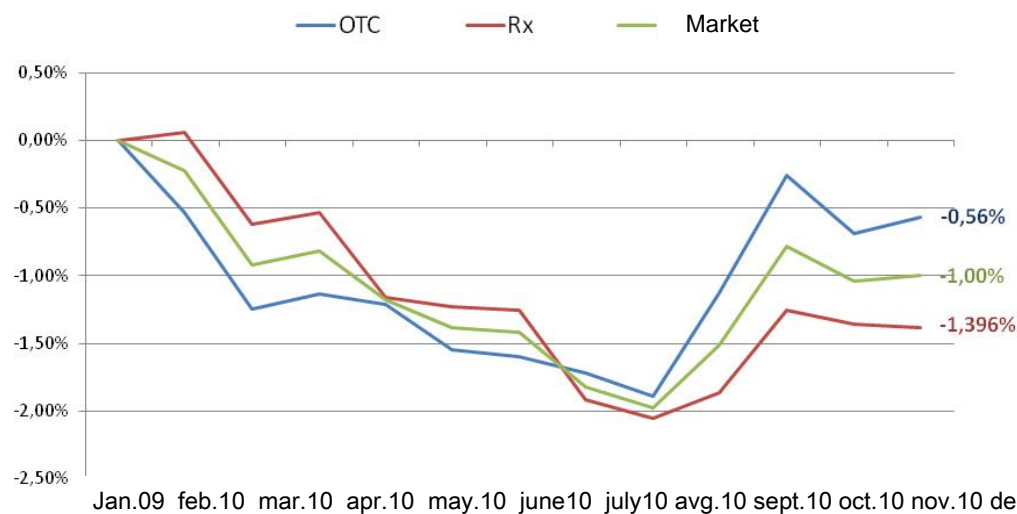
Price index by products categories*



Average price of package, RUR



Drugs prices dynamics, commercial market, %



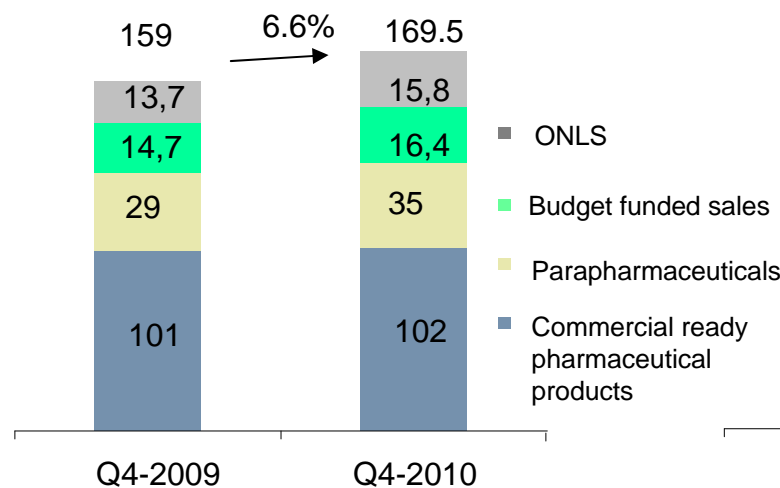
*Источник: State Statistics Dept., DSM Group

Russian Pharmaceutical market in Q4-2010



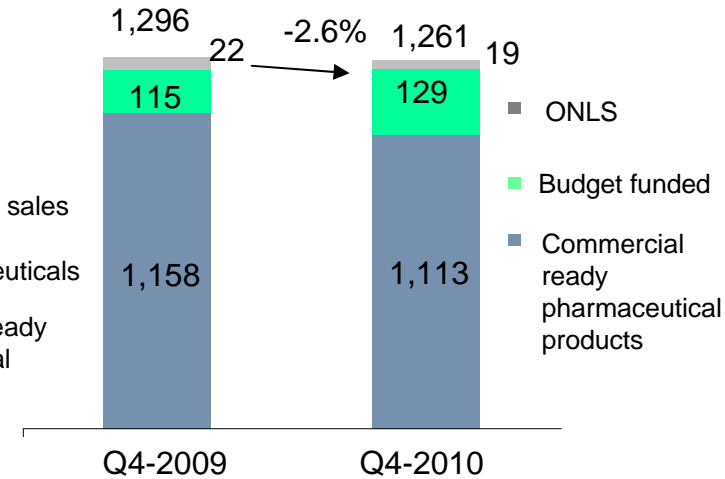
- Russian pharmaceutical market has grown by 6.6% in Q4-2010 in comparison with Q4-2009 (in ruble terms) and came to RUR 169.5 billion.
- In packages the market has fallen by 2.6%* in Q4-2010, volume of sales in packages was 1,261 million packs*
- Commercial segment of market has grown by 0.9%* in Q4-2009 (in ruble terms) and came to RUR 102.3 billion.
- Absence of growth in commercial segment was due to low purchasing capacity in comparison with high and speculative demand in Q4-2009
- Market growth in Q4-2010 was mainly due to budget-funded sales and ONLS segments

Market Performance, RUR, billion Including Parapharmaceuticals



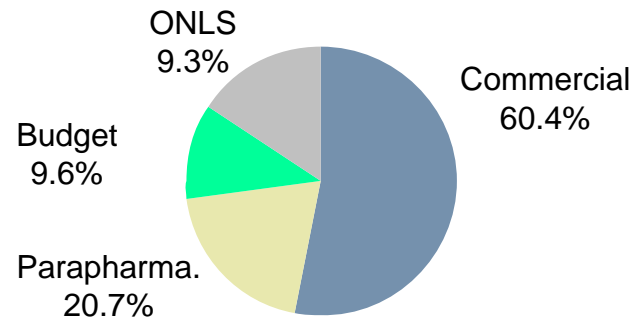
Source: Preliminary data of DSM Group

Market in packages, million Excluding Parapharmaceuticals



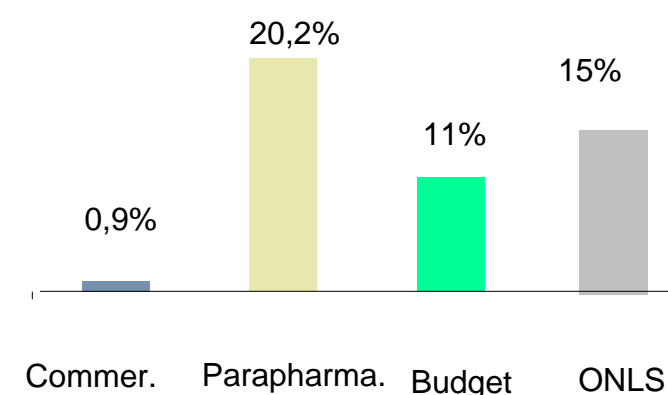
Source: Preliminary data of DSM group

Q4-2010, Market Structure



Source: Preliminary data of DSM Group

Q4-2010, Dynamics by segments



Source: Preliminary data of DSM Group

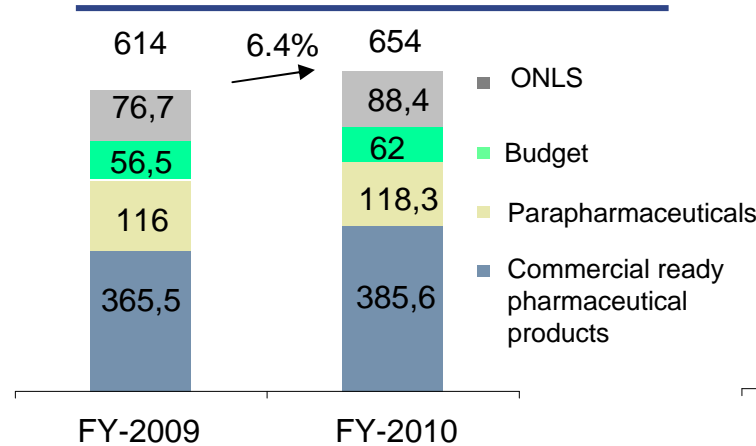
*Source: Preliminary data of DSM, excluding ParaPharmaceuticals.

Russian pharmaceutical market, FY-2010



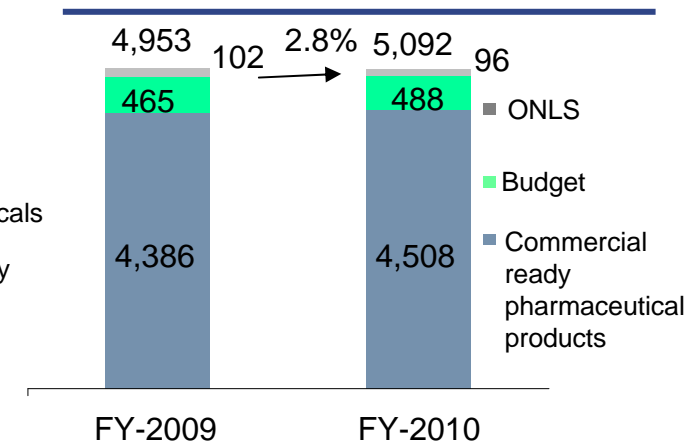
- In FY-2010, Russian pharmaceutical market on the whole has grown by 6.4% vs. FY-2009 (in ruble terms) and came to RUR 654 billion (source: DSM Group report)
- In FY-2010 the market has grown (in package terms) by 2.8%*, volume of sales was 5,092 million packages*
- Commercial segment of the market in FY-2010 has grown only by 2.8% vs. FY-2009 in ruble terms.
- In FY-2010 (in comparison with FY-2009), the market has actually shown a stagnation (in package terms) and modest rise in rubles. Market slow-down factors (in ruble terms) were the government measures taken to strengthen the control over the margins on life-vital medicines, deflation in pharmaceuticals, as well as a tough price competition in distribution and retail segments.

FY-2010, Market performance, RUR, billion Including Parapharmaceutics



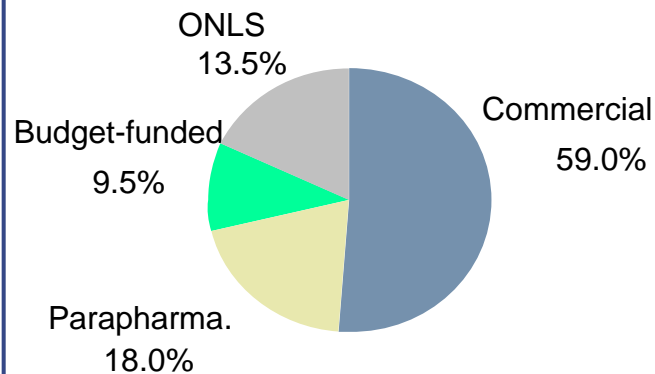
Source: Preliminary data of DSM Group

FY-2010, Market performance in packages, million* Excluding Parapharmaceutics



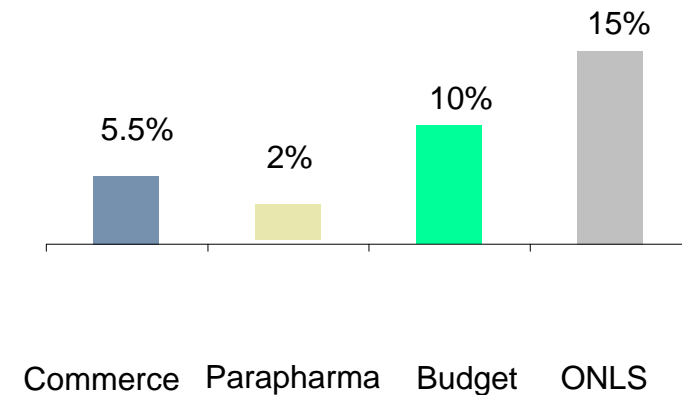
Source: Preliminary data of DSM group

FY-2010, Market Structure



Source: Preliminary data of DSM Group

FY-2010, Dynamics by segments



Source: Preliminary data of DSM Group

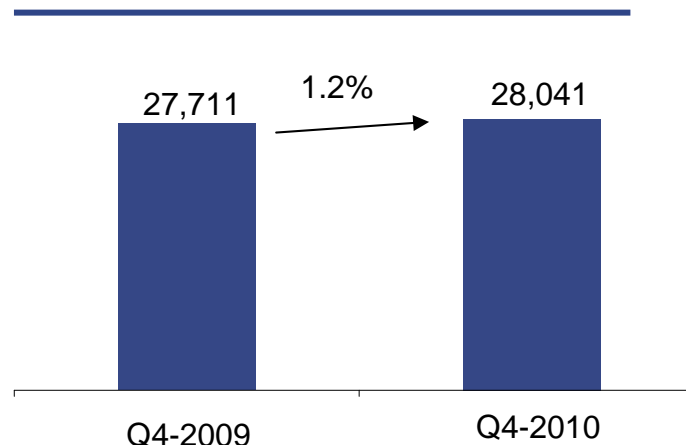
*Source: Preliminary data of DSM, excluding ParaPharmaceutics

Group performance in Q4-2010 and FY-2010

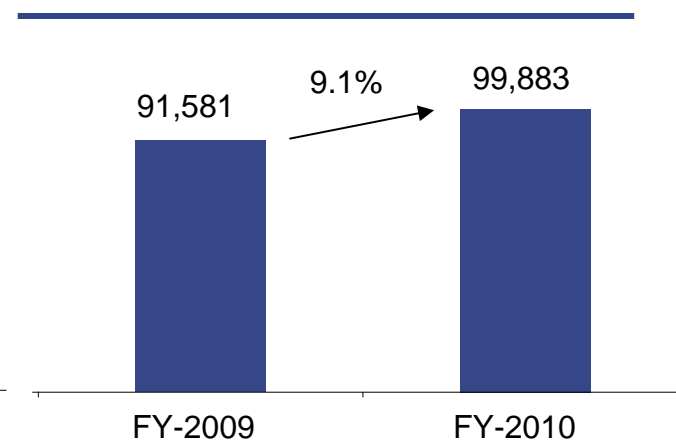


- Preliminary unaudited revenue of the Group in Q4-2010 has increased by 1.2% and came to RUR 28,041 million.
- Preliminary unaudited revenue of the Group in FY-2010 has increased by 9.1% and came to RUR 99,883 million.
- Revenue growth dynamics of Group in 2010 was ahead of 6-percent market growth for the same period.
- In Q4-2010, distribution segment was ~84% of the Group's total revenue, Retail segment was ~12% and Production segment ~4%.

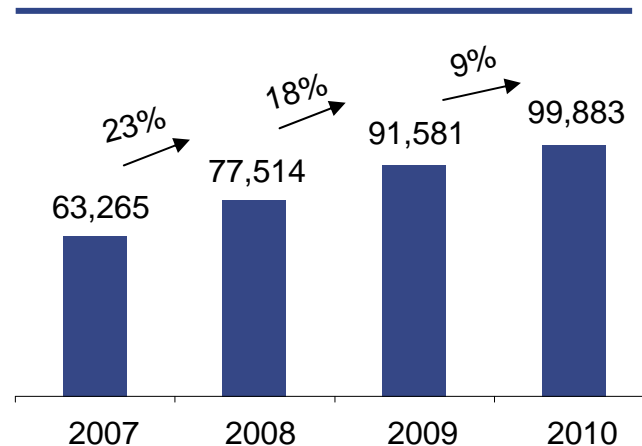
Revenue dynamics (unaudited), Q4-2010, RUR, million



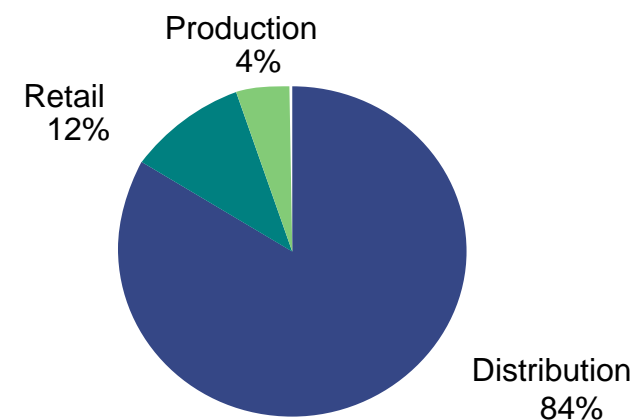
Revenue dynamics (unaudited), FY-2010, RUR, million



Revenue dynamics (unaudited), RUR, million



Segment share in Group's revenue in Q4-2010, %*



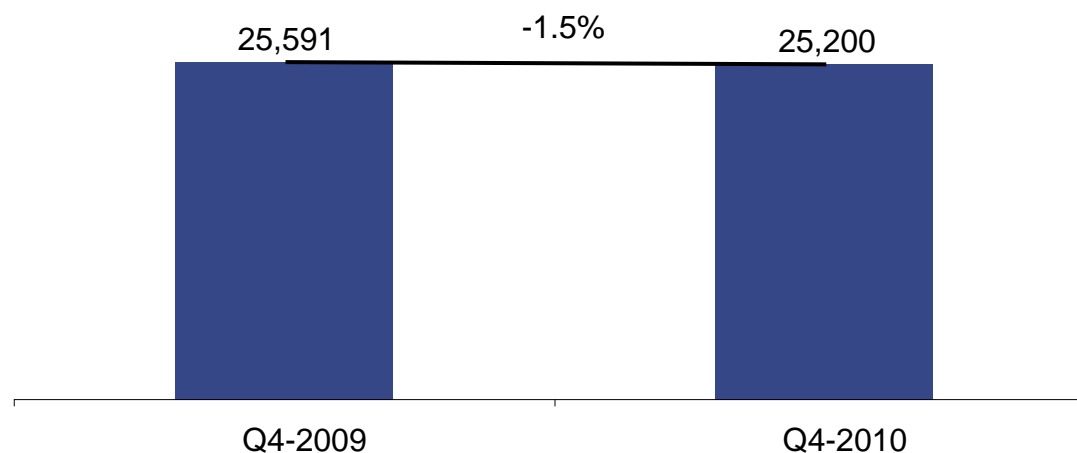
Source: IFRS report of Protek Group for 2007-2009, unaudited management accounts for Q4-2010 and FY-2010

Calculated based on the total revenue in each segment (excluding the non-allocated revenues and eliminations)

Distribution performance in Q4-2010

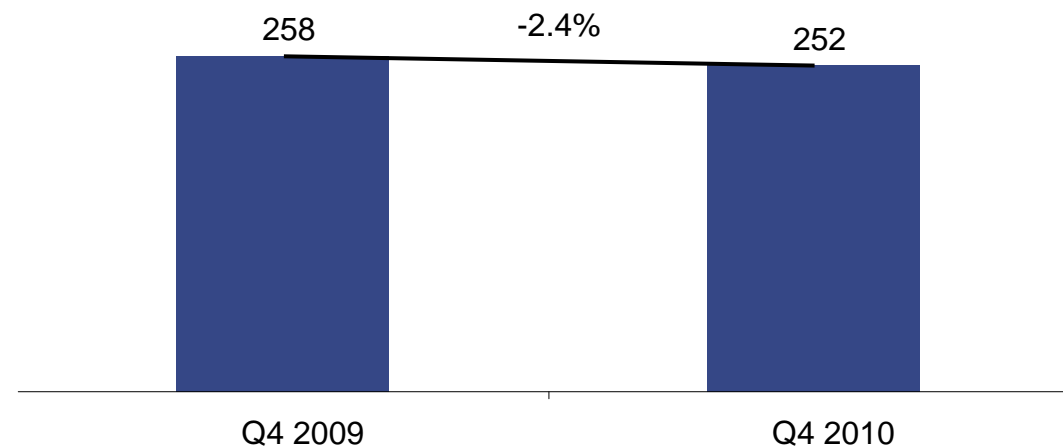
- Revenue (unaudited) in Q4-2010 of the Distribution segment has dropped by 1.5% in comparison with Q4-2009. This said, commercial segment has dropped by 1.8%, budget segment has increased by 2.5%.
- Volume of sales (in terms of packages) in Distribution in Q4-2010 has decreased by 2.4% over Q4-2009. This said, change in the average package price in commercial segment was plus 1% (up to RUR 88) and in budget-funded sales segment – it was negative -6% (down to RUR 208).
- Key factors that affected the revenue performance in Q4-2010 were:
absence of flu-epidemics similar to that of Q4-2009, which in Q4-2009 lead to a very high demand during “swine flu” epidemic;
rise in margin with an aim to increase the return on sales.
- Increase of client base by 12%.

Revenue Dynamics (unaudited) in Q4-2010, RUR, million



Source: Unaudited management accounts of Protek Group

Packages Dynamics in Q4-2010, million

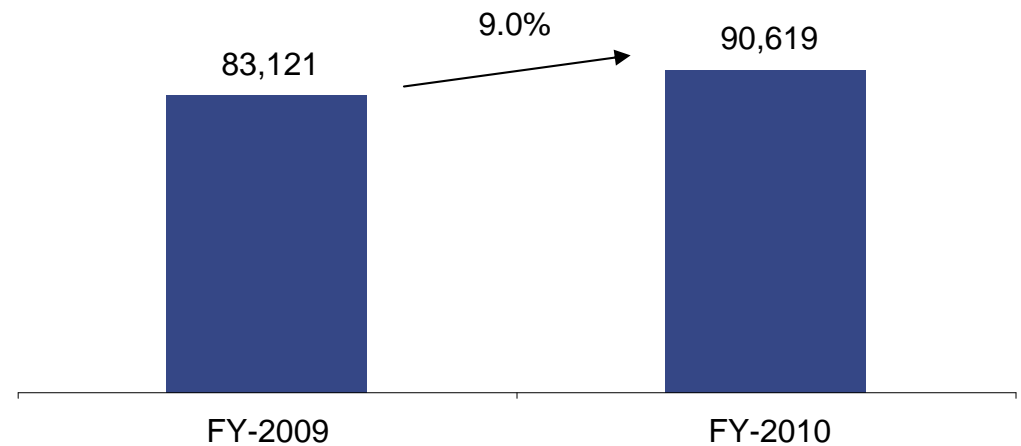


Source: Data by Protek company

Distribution performance in FY-2010

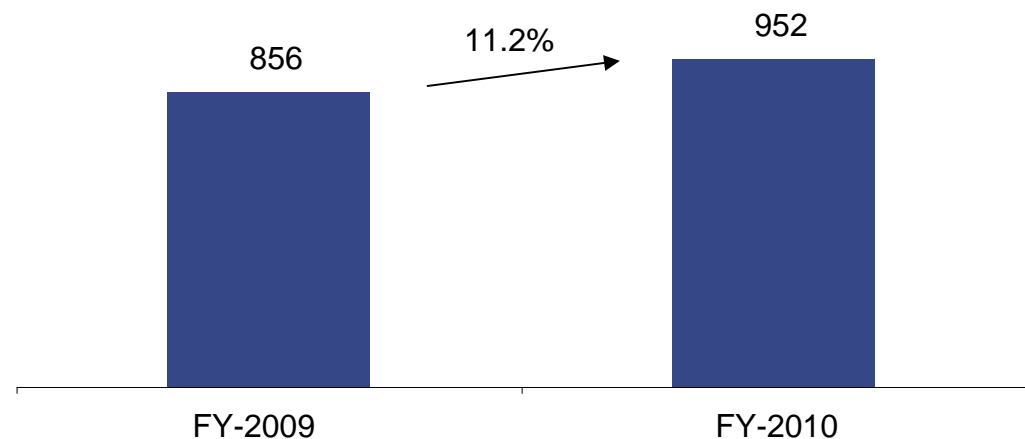
- Revenue (unaudited) growth in FY-2010 was achieved at a rate of 9.0% in comparison with FY-2009, which is substantially bigger, than the market growth (6.4%). Growth by sectors: commercial market +8.2%, budget-funded sales market +18.4%.
- Volume of sales (in package terms) of Distribution in FY-2010 has increased by 11.2% over FY-2009. Growth by sectors: commercial market +12.3% and in budget-funded sales market +5.1%. Average package price decreased by 2.2% to RUR 96.3.
- Number of clients in FY-2010 has increased by 12.7 % and was around 19,000 vs. ~17,000 in 2009. This was achieved by improvements in customer service as well as due to the exit of some second tier distributors from market.
- A slight reduction in the product range number by -1.4% (i.e. down to ~14,600 products) has been observed during 2010 in comparison with 2009. This was the result of product range optimization program implementation, withdrawal of low-margin products (mainly in cosmetics and medical-purpose products).

FY-2010, Revenue Dynamics (unaudited), RUR, million.



Source: Unaudited management accounts of Protek Group

FY-2010, Package Dynamics, million.



Source: Data of company

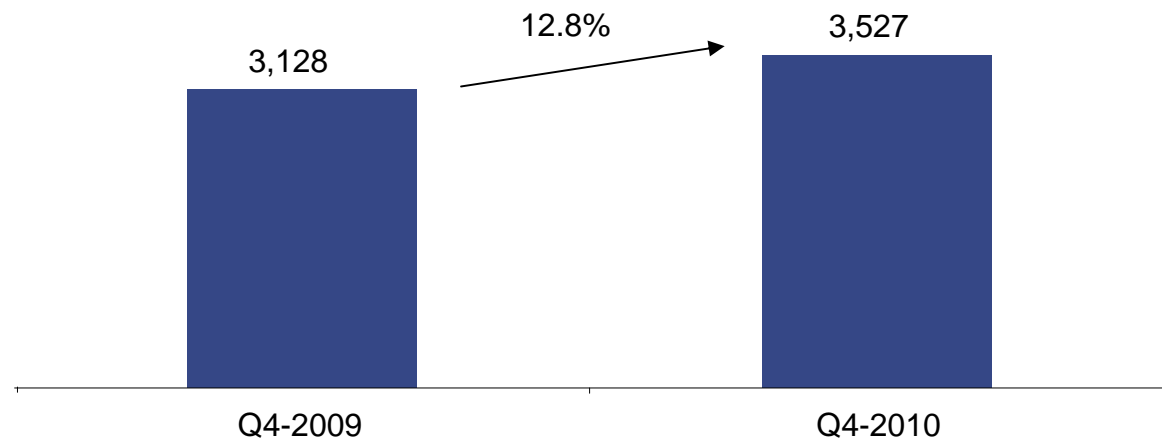
Retail Performance in Q4-2010

- Pharmacy dynamics in Q4-2010:
 - 15 pharmacies were opened organically
 - 19 pharmacies were closed
 - Zhivika pharmacy chain (57shops) is consolidated in the financial accounts from 15/11/2010.

Total number of pharmacies as at 31/12/2010: 648 pharmacies

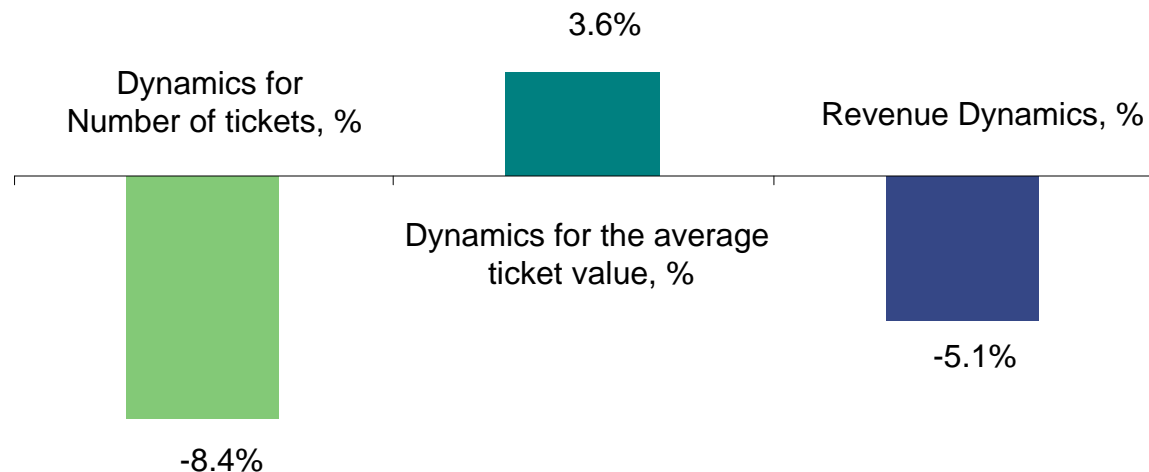
- Retail revenue (unaudited) growth in Q4-2010 was 12.8% over Q4-2009. Traffic growth was 9.7% over Q4-2009. Positive dynamics was partly due to consolidation of Zhivika financials in the Group accounts.
- Revenue performance (unaudited) in Rigla's Like-For-Like pharmacies in Q4-2010 was negative -5.1%, which is below the Q3-2010 growth of 1.9%. This was due to decrease in traffic, which was the result of absence of winter flu epidemic in Q4-2010 (there was a sharp increase of traffic and revenue in Q4-2009 due to heavy "swine flu" epidemic).

Revenue Dynamics (unaudited) in Q4-2010, RUR, million



Source: Unaudited management accounts of Protek Group

Revenue indicators for Like-For-Like pharmacies in Q4-2010, %

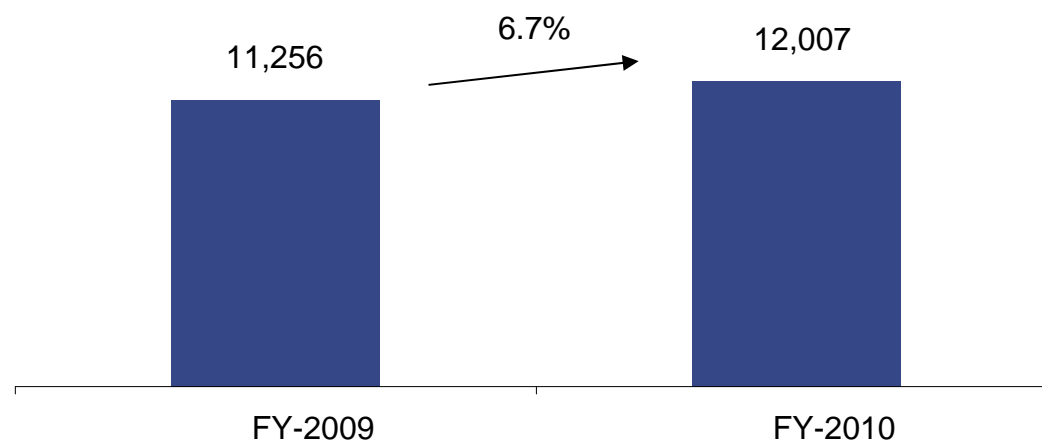


Source: Unaudited management accounts of Protek Group

Retail Performance in FY-2010

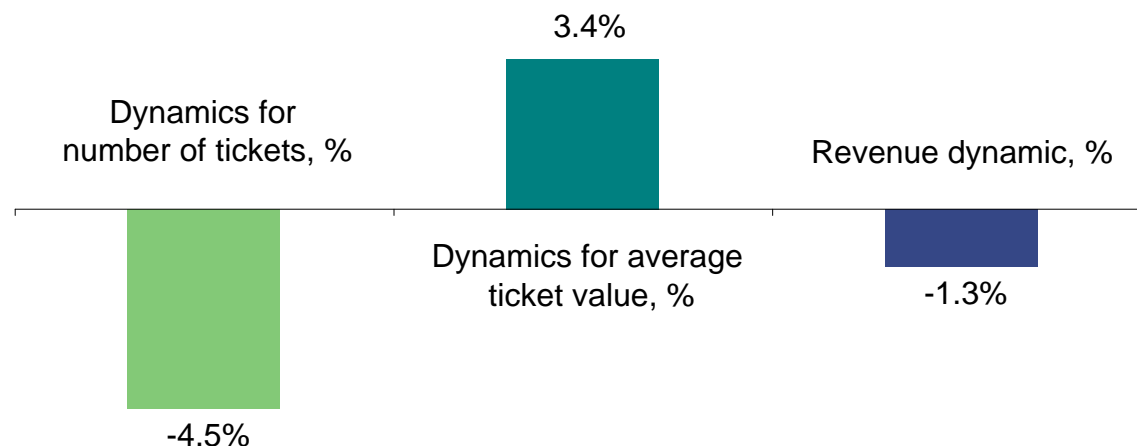
- Pharmacy dynamics during 2010:
 - 59 pharmacies are organically opened*
 - 37 pharmacies are closed
 - 5 pharmacy chains (106 pharmacies) were purchased.
- Retail revenue (unaudited) performance in FY-2010 exceeded the market growth: revenue has increased by 6.7% on the back of commercial market growth of 5.5% and was RUR 12,007 million in comparison with RUR 11,256 million in FY-2009.
- Rigla's average ticket value in 2010 has increased by 1.9% up to RUR 264.
- In FY-2010 unaudited revenue growth in Rigla's Like-For-Like pharmacies was negative -1.3%, which was due to the negative dynamics in Q1 and Q4-2010.
- In 2010 Rigla took a number of measures to increase revenue and traffic, those were: development of multi-format pharmacies (expansion of discounter chain as well as strengthening competitive advantages in open-format pharmacies), partnership with food products retailers, increased share of Private label sales (56 products as at 31.12.2010).

FY-2010, Revenue Dynamics (unaudited), RUR, million



Source: Unaudited management accounts of Protek Group

FY-2010, Revenue (unaudited) for Like-For-Like pharmacies, %

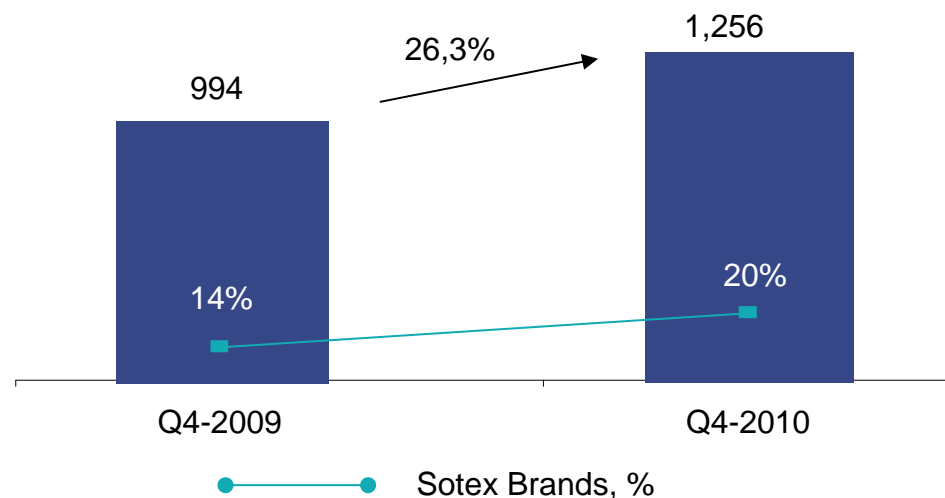


Source: Unaudited management report of Protek Group

Production performance in Q4-2010

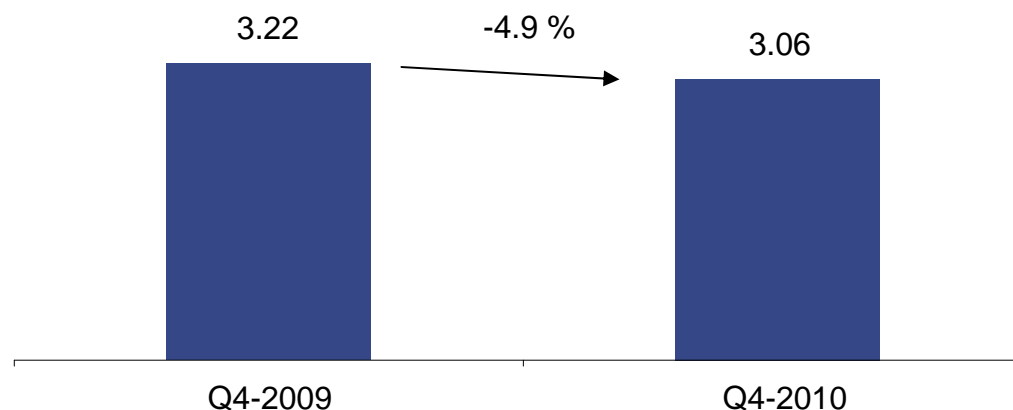
- Production segment's unaudited revenue in Q4-2010 has grown by 26,3%, it came to RUR 1,256 million in comparison with RUR 994 million in Q4-2009.
- Dynamics in number of packages sold has shown a reduction Q4-2010 by 4.9%, which was the result of the decrease in sales of licensed and INN-generics (those have constituted a substantial share in the packages sold during Q4-2009).
- Revenue share of own brands in Q4-2010 has increased from 14% to 20% and has exceeded RUR 265 million.
- Number of own brands in Q4-2010 was 28 products (86.7% growth in comparison with Q4-2009 as per SKU quantity).
- Growth factors: change in the products portfolio structure – resulted in the situation when licensed products are substituted by Sotex own brands, with higher margin.

Q4-2010 Revenue Dynamics (unaudited), RUR, million



Source: Unaudited management accounts of Protek Group

Q4-2010 Package Dynamics, million

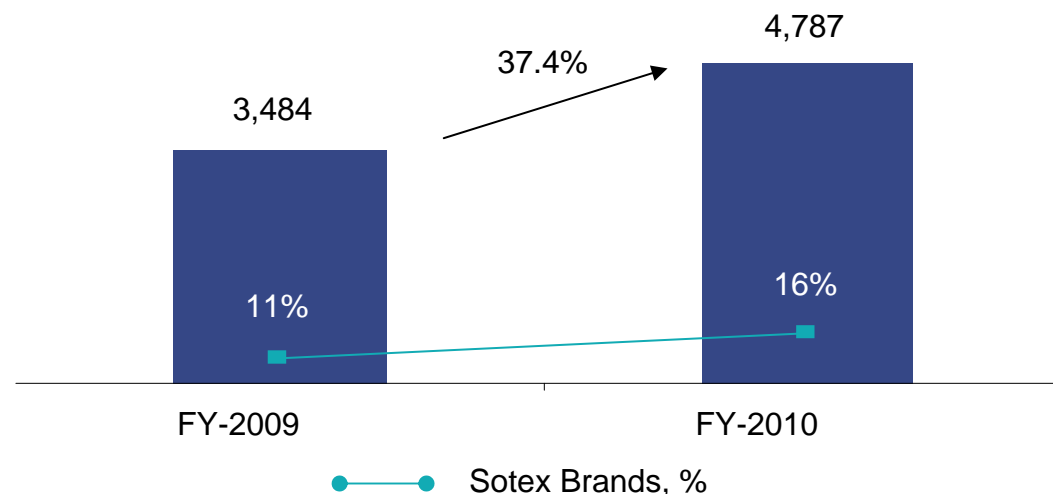


Source: Company data

Production performance in FY-2010

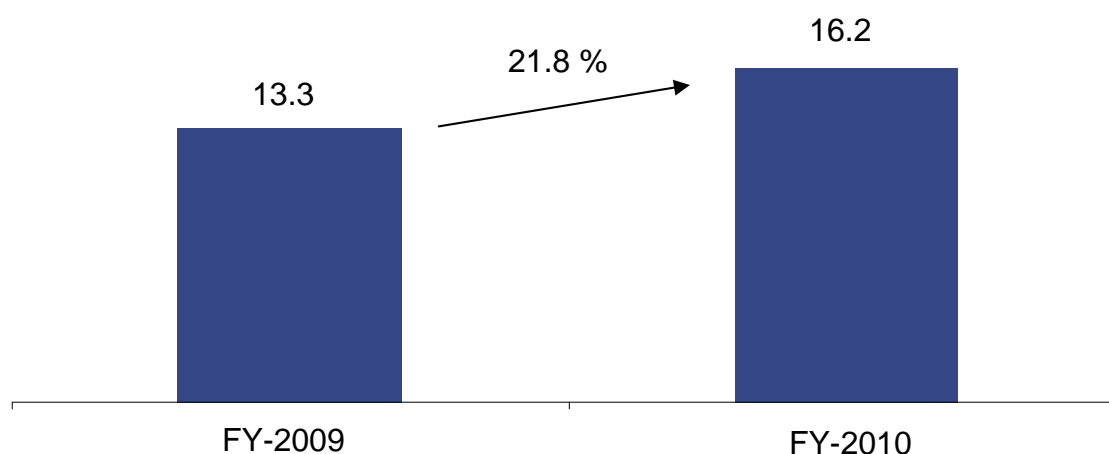
- Production segment's revenue (unaudited) in FY-2010 has grown by 37.4% and was RUR 4,787 million in comparison with RUR 3,484 million in 2009. Growth factor: increase of sales in own brands segment (main growth was provided by Eralfon).
- Growth in packages was 21.8% - number of packages in 2010 was 16.2 million vs. 13.3 million packages in 2009, which was mainly due to sale of own brands (Compligam, Cereton, Neirox, Amelotex), and also licensed brands (especially Baralgin).
- Share of Sotex own brands in the revenue has increased from 11% to 16% and came to RUR 765 million (86.7% growth as per SKU quantity in 2010 vs. 2009).
- Promoted own brands, that brought most significant sales increase: Eralfon, Amelotex, Neirox, new product forms of Compligam and Listab, Flamax and Cereton.

FY-2010 Revenue Dynamics (unaudited), RUR, million



Source: Unaudited management accounts of Protek Group

FY-2010 Package Dynamics, million



Source: Company data