



PROTEK
group of companies

A LEADER IN THE RUSSIAN PHARMACEUTICAL MARKET

INVESTOR PRESENTATION



UBS Investor Conference | 8-9 September 2010 | Moscow

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- 1. Protek Group at a glance**
2. Market performance in 2010
3. Group performance in 2010
4. Investment highlights

Protek Group:

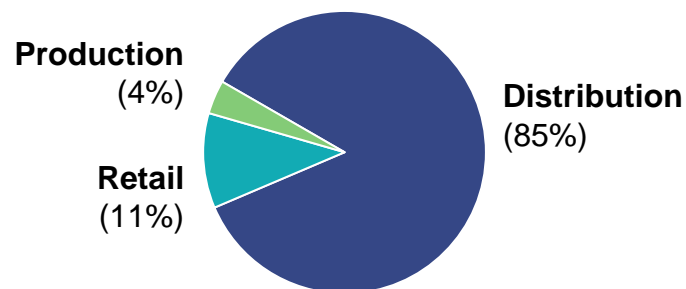
A leading vertically integrated pharmaceutical company



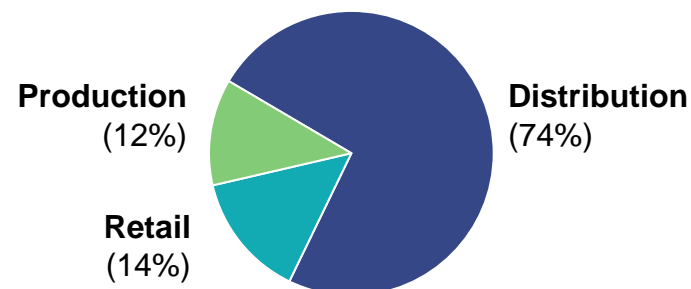
Protek Group
2009 Consolidated Revenue¹: RUR 91,581mln. (US\$ 2,882 mln.⁵)
2009 Consolidated EBITDA¹: RUR 5,837mln. (US\$ 184 mln.⁵)

Distribution	Retail	Production
<ul style="list-style-type: none"> ▪ #1 player in Russia in 2009⁴ ▪ Nationwide coverage with over 168,000 sq m of warehouse premises 	<ul style="list-style-type: none"> ▪ #2 player in Russia in 2009⁴ ▪ Fast growing and profitable business: <ul style="list-style-type: none"> ▪ 2007-2009 Revenue CAGR: +37.1% ▪ 2009 EBITDA margin: 7.1% 	<ul style="list-style-type: none"> ▪ #4 domestic player in Russia in 2009⁶ ▪ Production plant certified for GMP compliance by Nycomed
2009 Sales^{1,2}: RUR 83,121 mln. (US\$ 2,616 mln.)⁵ EBITDA^{1,3}: RUR 4,290 mln. (US\$ 135 mln.)⁵	2009 Sales^{1,2}: RUR 11,256 mln. (US\$ 354 mln.)⁵ EBITDA^{1,3}: RUR 795 mln. (US\$ 25 mln.)⁵	2009 Sales^{1,2}: RUR 3,484 mln. (US\$ 110 mln.)⁵ EBITDA^{1,3}: RUR 699 mln. (US\$ 22 mln.)⁵

2009 Revenue breakdown by segments²



2009 EBITDA breakdown by segments³



1 Consolidated Financial Statements of OJSC Protek for the three years ended 31 December 2009, 2008 and 2007 ("IFRS accounts")
 2 Calculated on the basis of revenue for each segment (excludes unallocated revenues and eliminations)
 3 Calculated on the basis of EBITDA for each segment (excludes unallocated operating profits, D&A expenses and eliminations)

4 DSM annual market report 2009, by sales
 5 Using 2009 RUR/US\$ average exchange rate of 31.78
 6 Pharmexpert data for 2009, by sales

- Since successful IPO in April 2010, Protek has been outperforming the market and currently trades approximately at the level of the offering price

IPO Summary

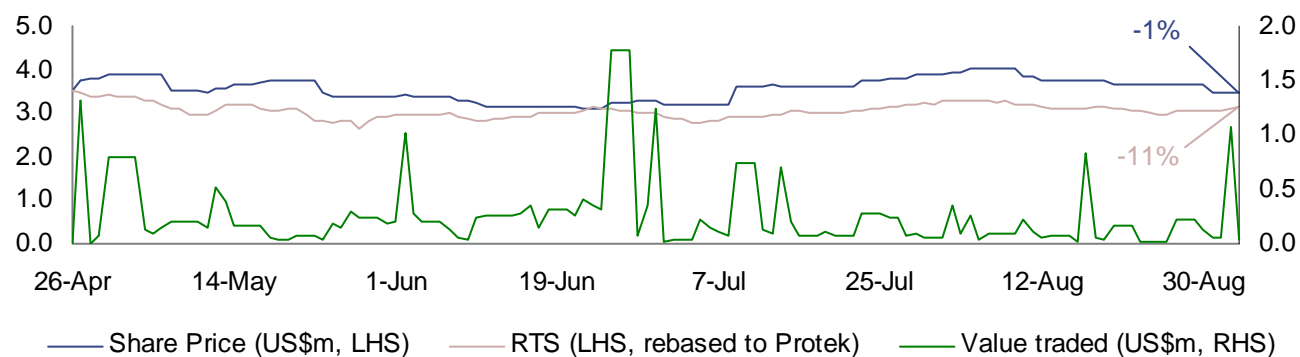
Pricing Date	April 26, 2010
Common Stock Sold	114.3m shares
Offering Price	US\$ 3.50
Gross Proceeds	US\$ 0.4 bln.
Percent Primary Shares	50%
Percent Secondary Shares	50%
Net Proceeds to Company	US\$ 0.2 bln.
Market Capitalisation (post-money)	US\$ 1.8 bln.
IPO Enterprise Value	US\$ 1.7 bln.
EV/ 2009 EBITDA Pricing Multiple	9.4x

Trading update

Share price	US\$ 3.45
Price change to IPO date	-1%
Market capitalization	US\$ 1.8 bln.
Free-float	20%
Free-float	US\$ 0.4 bln.
3m ADTV - RTS	US\$ 5.5 mln.
3m ADTV – MICEX	US\$ 0.1 mln.

Source: Bloomberg, as of 3 September 2010

Share price performance since IPO

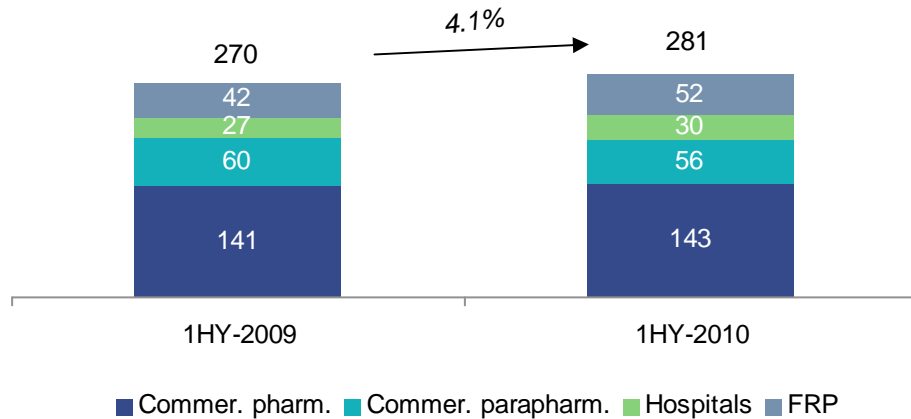


Source: Bloomberg, as of 3 September 2010

1. Protek Group at a glance
2. Market performance in 2010
3. Group performance in 1H 2010
4. Investment highlights

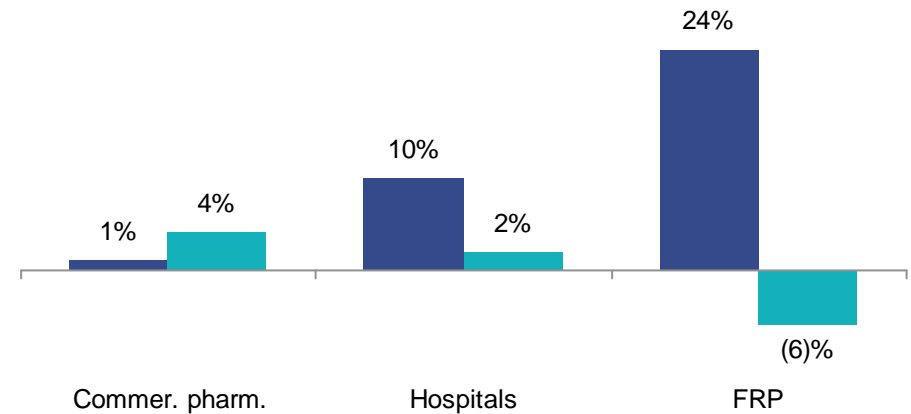
Russian Pharmaceutical Market in 1HY-2010

Dynamics of the market, RUR bln.



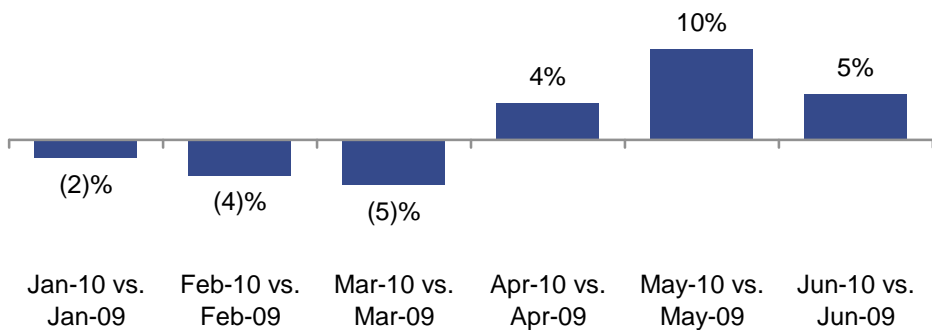
Source: DSM report, 1HY-2010

Dynamics across segments in packages



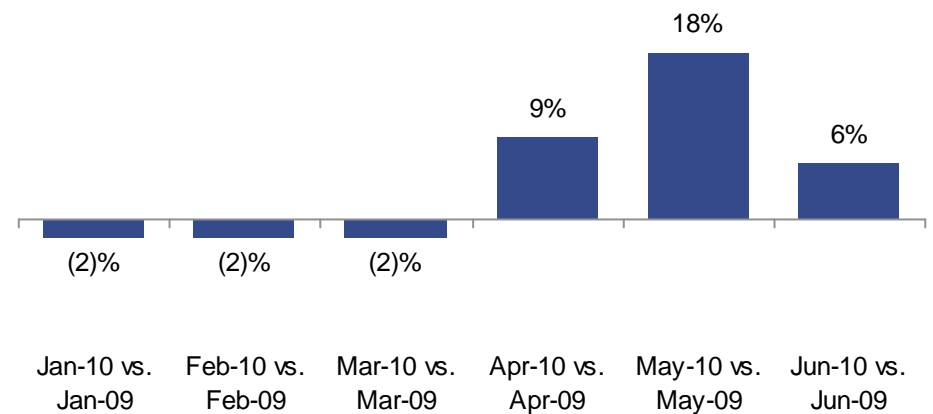
Source: DSM report, 1HY-2010

Commercial pharmaceutical segment in 1HY-2010, RUR



Source: DSM report, 1HY-2010

Commercial pharmaceutical segment in 1HY-2010, packages

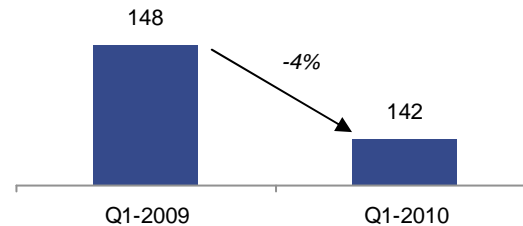


Source: DSM report, 1HY-2010

- Somewhat negative market dynamics in Q1- 2010 vs. Q1-2009 was compensated by strong performance in Q2-2010 which allowed the market to demonstrate overall positive growth in 1HY-2010
- The key drivers of the growth in Q2-2010: increase in state-financed sales, large volume of sales on the commercial market, stocking of pharmacies which was delayed in Q1-2010 until the changes in legislation and regulations on price markup control for Life Essential Medicines came into effect
- Strengthening competition and tightening regulation – key market themes of 1HY-2010

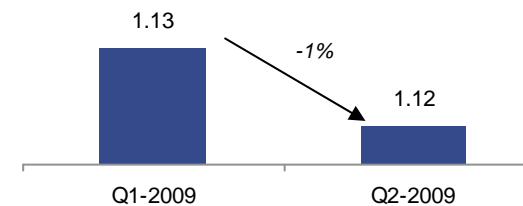


Value terms, RUR, bln.



Source: DSM report, 1HY-2010

Volume terms, packs, bln.

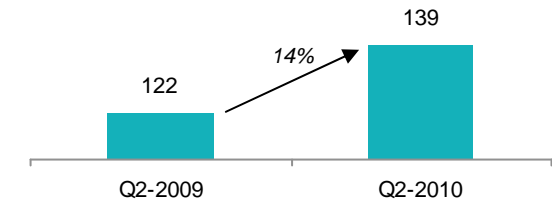


Source: DSM report, 1HY-2010

Key developments

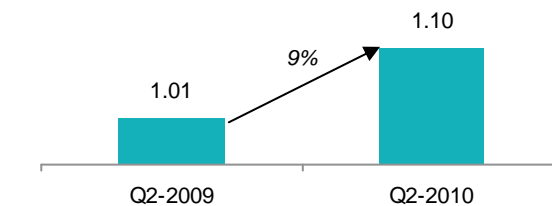
- Start of large-scale regulatory inspections (investigations)
- Establishment of the essential drug list with relevant pricing and registration procedures
- Approval of a list of products and services to be provided to the Federal government through a public on-line auction from 1 January to 30 June, 2010
- Strengthening of price competition

Value terms, RUR, bln.



Source: DSM report, 1HY-2010

Volume terms, packs, bln.



Source: DSM report, 1HY-2010

Key developments

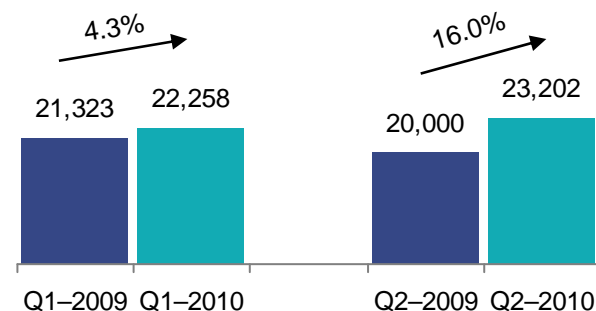
- Introduction of a new procedure and maximum permitted retail and wholesale markups from 1 April 2010
- Auction for Federal purchase of pharmaceuticals and diagnostic tools for RUR 10.1 bln. held by the Ministry of Public Health & Social Development
- Further strengthening of price competition

1. Protek Group at a glance
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- 3. Group performance in 2010**
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Group Performance in 1HY-2010

- Consolidated revenue of the Group in 1HY-2010 has increased by 10% and reached RUR 45,460 mln.
- The dynamics of sales growth of the Group in 1HY-2010 is well ahead of the 4.1% market growth for the same period.
- In 1HY-2010 the Distribution segment accounted for c.84% of the consolidated Group revenue, Retail and Production for c.11% and c.5% respectively

Consolidated quarterly sales dynamics, 1HY-2010, RUR, mln.



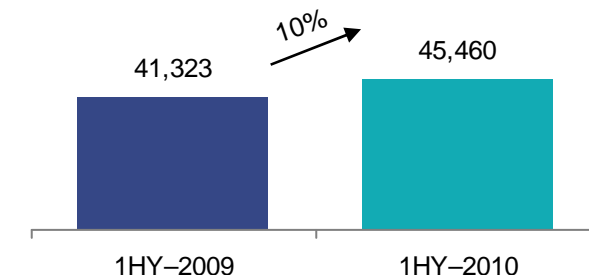
Source: *Protek Group unaudited management accounts 1HY-2010*

Segments performance in 1HY-2010

Distribution	
Sales value	+11.7%
Sales volume	+12.0%
Retail	
Sales value	+1.0%
Sales L-f-L	-1.9%
Average ticket	+3.6%
Production	
Sales value	+50.8%
Sales volume	+48.0%

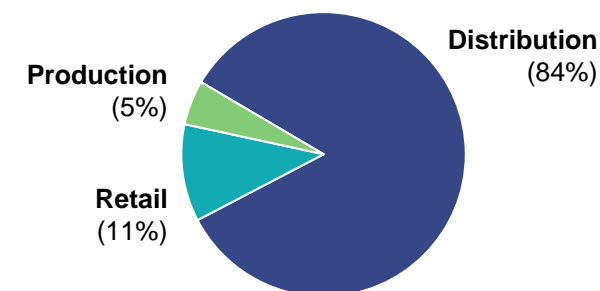
Source: *Protek Group unaudited management accounts 1HY-2010*

Consolidated sales dynamics, 1HY-2010, RUR, mln.



Source: *Protek Group unaudited management accounts 1HY-2010*

Segments share in sales, 1HY-2010*

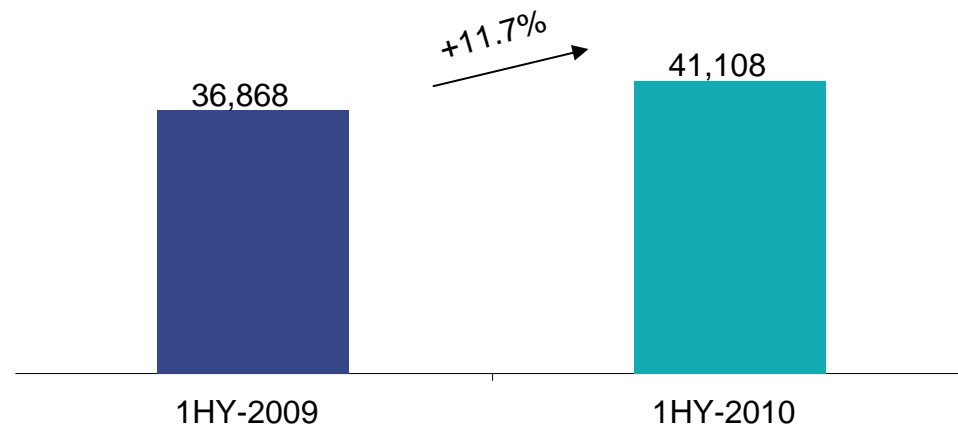


*Calculated on the basis of revenue for each segment (excludes unallocated revenues and eliminations)

Performance of Distribution Segment in 1HY-2010

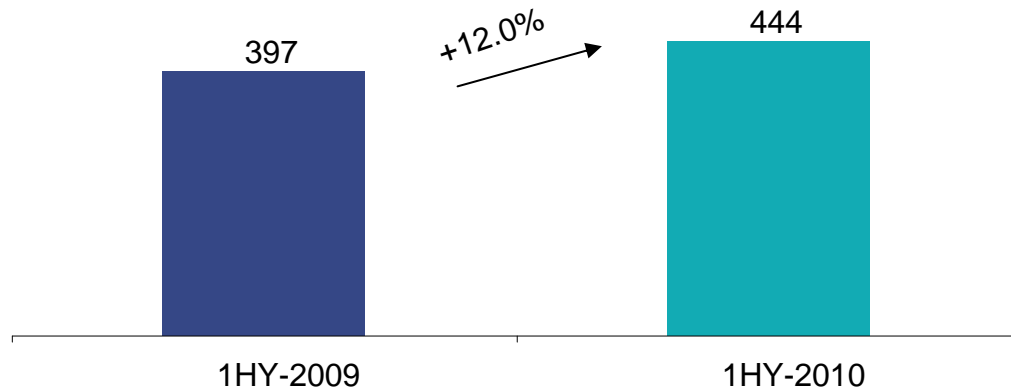
- 1HY-2010 shows a stable growth of sales by 11.7%, to RUR 41,108 mln., compared to RUR 36,868 mln. in 1HY-2009
- The sales volume has increased by 12.0% to 444 million packages vs. 397 million packages in 1HY-2009
- Key performance indicators in 1HY-2010: customer base growth by ~8% to more than 16,000 customers (14,870 in 1HY-2009), number of items in the product range increase by ~4% to c. 15,000 (14,360 in 1HY-2009)
- Key growth factors in 1HY-2010: increase in sales on the state-financed market, growth of the client base, improvement in the product range management

Sales Dynamics in 1HY-2010, RUR, mln.



Source: Protek Group unaudited management accounts

Dynamics in packages in 1HY-2010, mln.

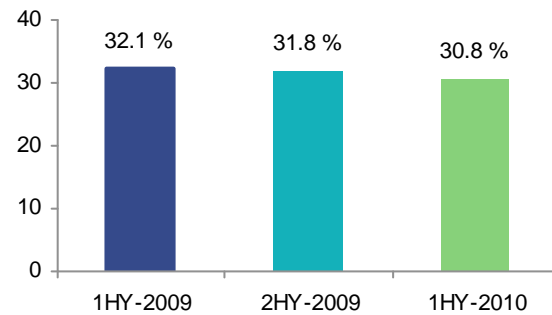


Source: Company data

Markup dynamics in 2010

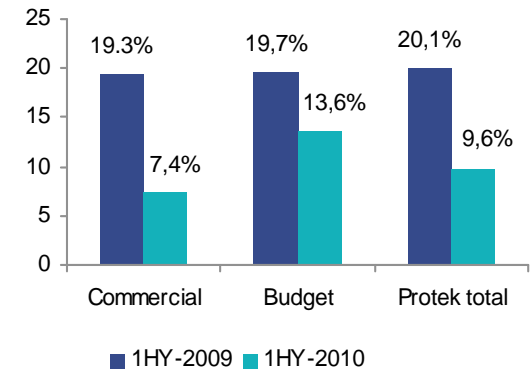
- Strengthening competition along with tightening regulation drove markup down in 2010
- Substantial changes in markup structure - in 1HY-2009 over half of the total markup was contributed by trade markup (as per shipping documents net of refunds and discounts) , while in 1HY-2010 it was mainly driven by manufacturers' bonuses
- Efficient work with manufacturers has become the key profitability factor in the distribution market

Retail markup (market average)



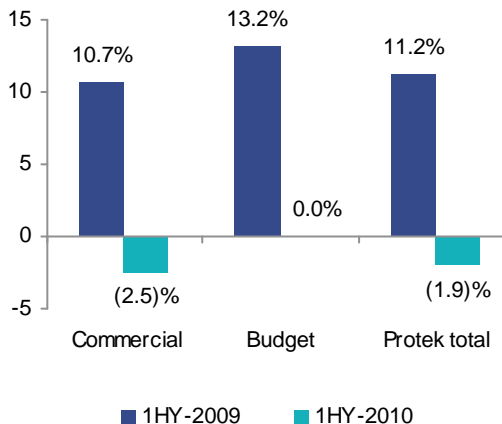
Source: DSM report, 1HY-2010

Total distribution markup



Source: Company data

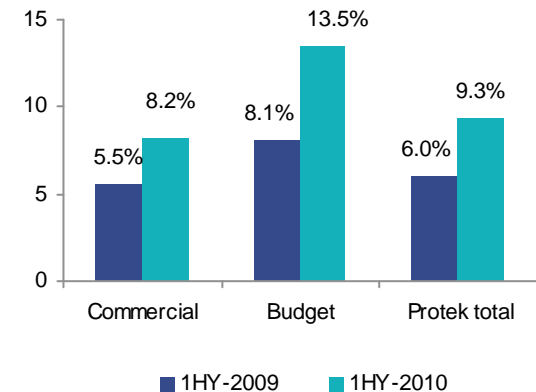
Trade distribution markup*



Source: Company data

* Calculated as % to total COGS

Suppliers bonuses and rebates*

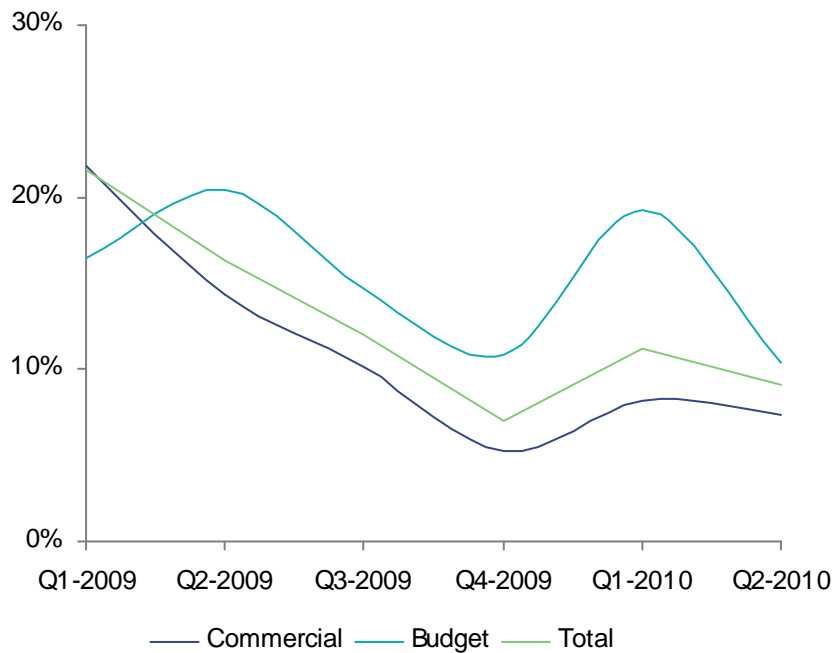


Source: Company data

* Calculated as % to supplier to price

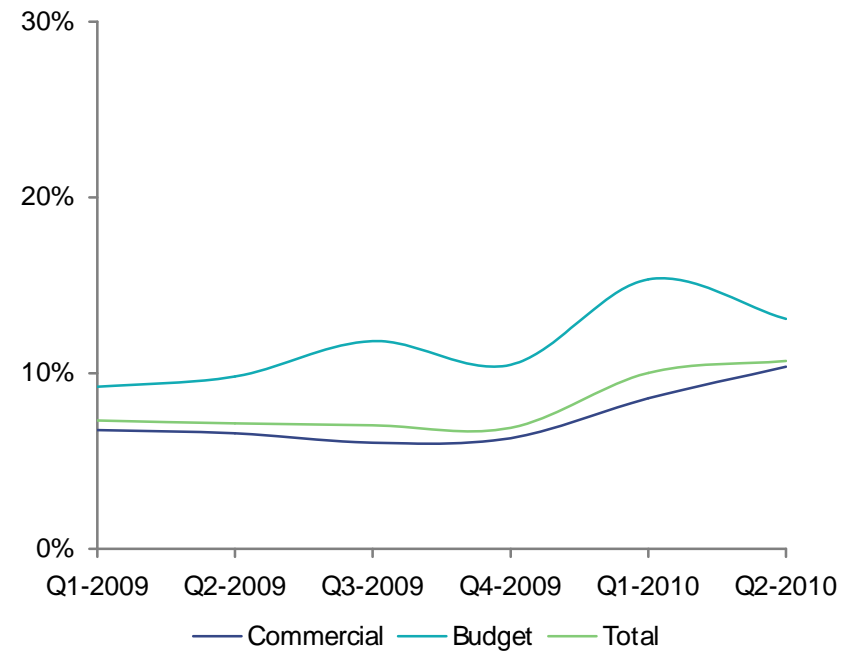
- One can observe certain stabilization and recovery of markups in Q2-2010 supported by growth of bonus share in total markups

Total markup



Source: Company data

Suppliers bonuses and rebates



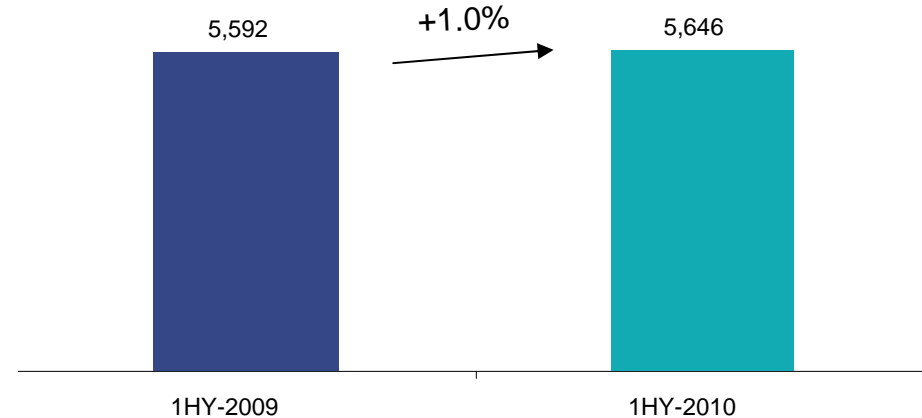
Source: Company data

Performance of Retail Segment in 1HY-2010

- Dynamics across pharmacies in 2010:
 - 34 pharmacies were organically opened, 8 pharmacies closed
 - 4 chains (49 pharmacies) were acquired
 - Total number of pharmacies as of September 7th, 2010: 652*
- The sales dynamics of Retail in 1HY-2010 demonstrates a positive trend in line with market growth. The sales in Retail have grown by 1.0% reaching RUR 5,646 mln. vs. RUR 5,592 mln in 1HY-2009
- Like-for-Like pharmacies sales in 1HY-2010 showed negative dynamics (-2% to 1HY-2009), which is primary caused by the negative performance of -4.3% in 1Q-2010
- The main initiatives in Retail in 1HY-2010, aimed at increasing revenue and traffic:
 - repositioning in terms of prices
 - adopting multi-format system
 - development of pharmacies and discount chains
 - increase of own private label products share
 - improvement in pharmacies' staff productivity

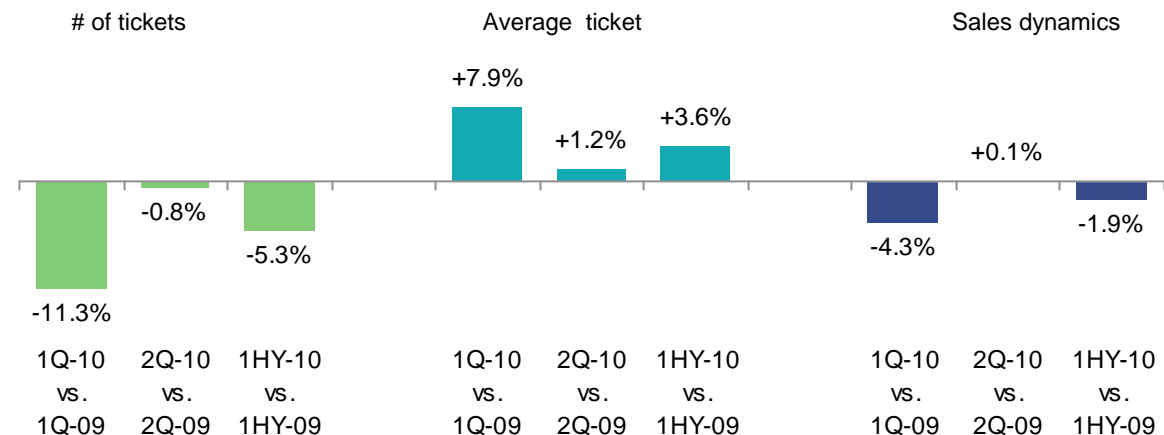
* incl. Zhivika chain

Sales Dynamics in 1HY-2010, RUR, mln.



Source: Protek Group unaudited management accounts

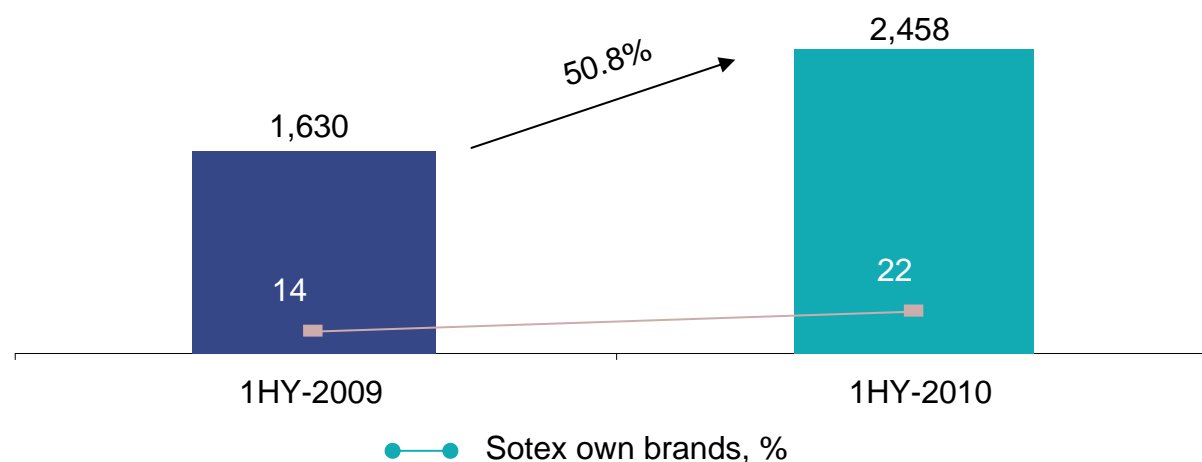
Performance of Like-For-Like pharmacies in 1HY-2010, %



Source: Protek Group unaudited management accounts

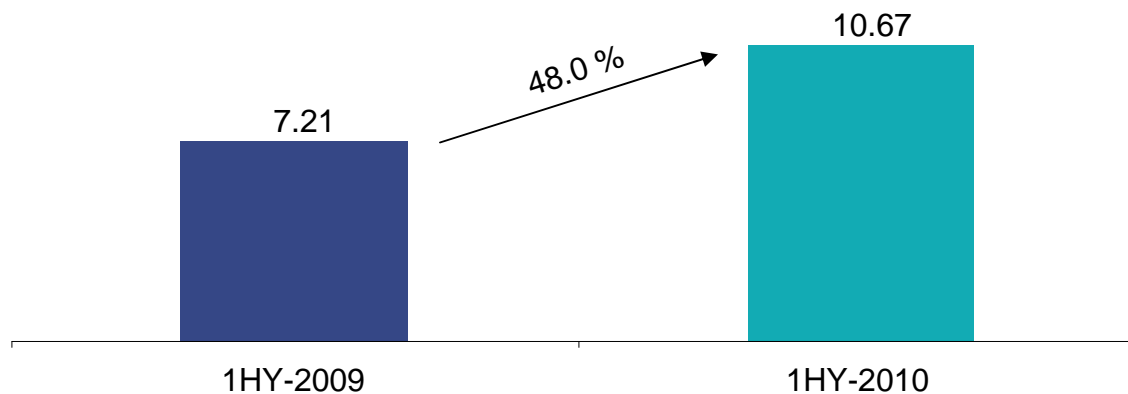
Performance of Production Segment in 1HY-2010

1HY-2010 Sales dynamics, RUR, mln.



Source: Protek Group unaudited management accounts

1HY-2010 Dynamics in packages, mln.



Source: Protek Group unaudited management accounts

- In 1HY-2010 the sales in the Production segment have increased by 50.8% and reached RUR 2,458 mln. compared to RUR 1,630 mln. in 1HY-2009
- Volume growth of 48% allowed the Group to produce 10.67 mln. packages vs. 7.21 mln. in 1HY-2009
- Share of own brands in revenue has increased from 14% to 22% and has exceeded RUR 339 mln. (+93% increase to 1HY-2009)
- The growth factors: increase in sales of own brands on the state-financed market, increase in sales of licensed drugs, targeted promotion of own brands

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2. Market performance in 2010
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4. Investment highlights

Key investment highlights

1 **Defensive sector of consumer market with attractive growth dynamics**

2 **Successful business model built around distribution - the principal segment of the Russian pharmaceutical market**

3 **An established market leader in its business segments**

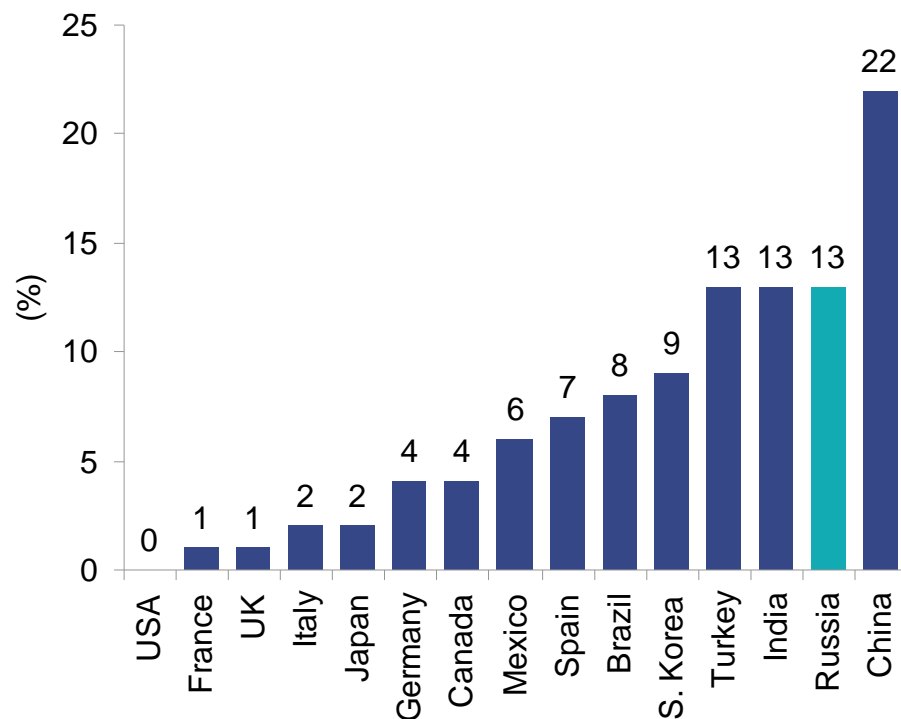
4 **Track record of profitable growth**

5 **Significant competitive advantages derived from vertical integration**

6 **Experienced management team**

Defensive sector of consumer market with attractive growth dynamics

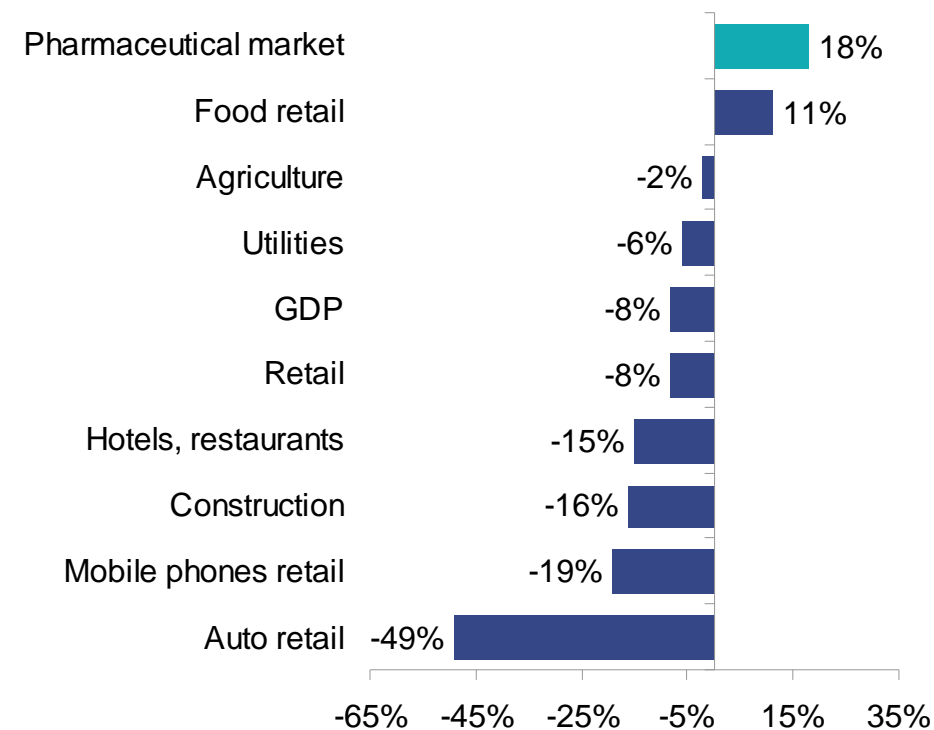
Estimated growth of pharmaceutical markets, CAGR 2008-2013, in US\$ terms



Source: IMS Health Consulting 2009

One of the fastest growing pharmaceutical markets in the world

Performance of various sectors in Russia, 2008-2009, YoY, in RUB terms

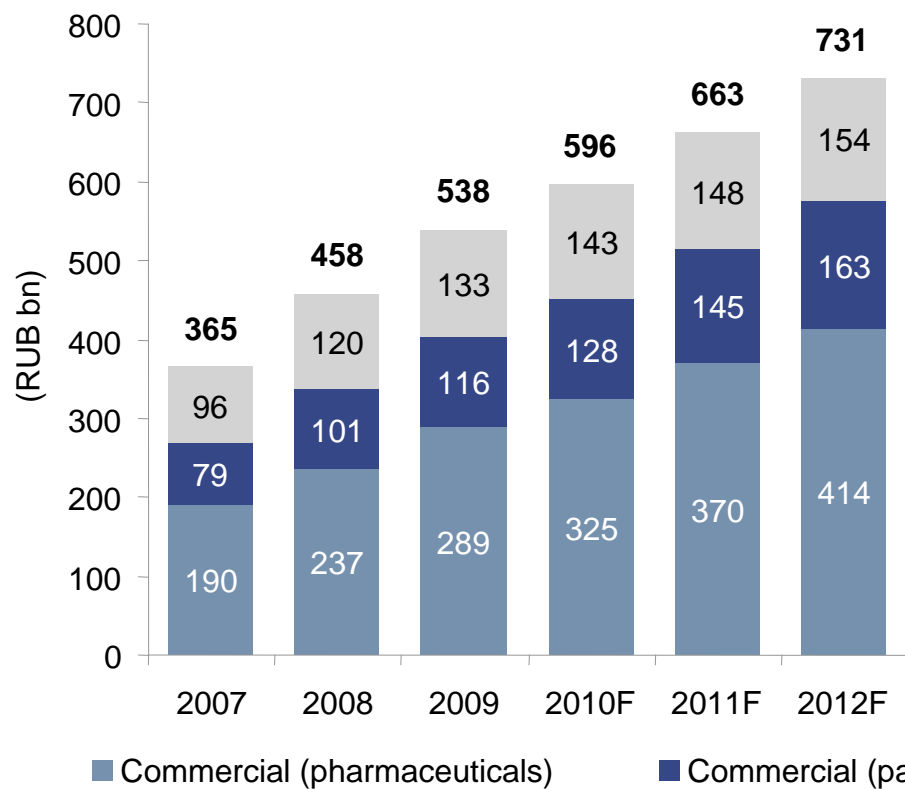


Source: DSM annual market report, 2009

Strong performance of the sector in the crisis period

Market is dominated by private commercial sector

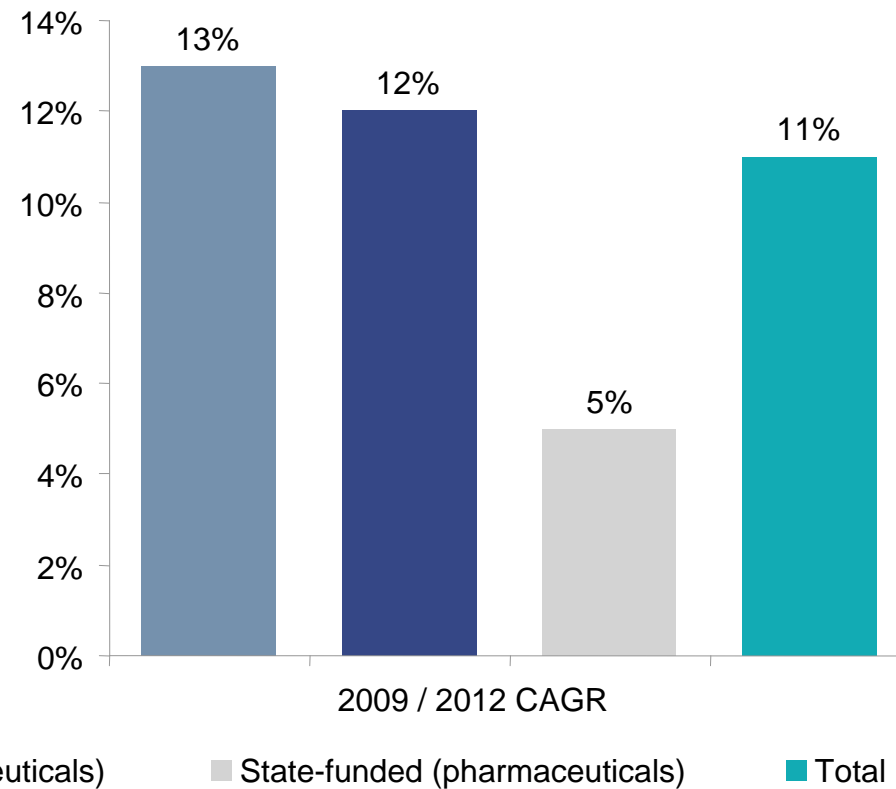
Russian pharma market (in retail prices, incl. VAT)



Source: DSM annual market report, 2009

Commercial segment remains the largest and accounted for 75% of the total pharmaceutical market in 2009...

YoY growth forecast by market segments, in RUB terms



Source: DSM annual market report, 2009

...and is expected to be the primary growth driver over the next three years

Successful business model built around distribution

1 2 3 4 5 6

Domestic producers



- Nearly 620 domestic producers¹
- Top 10 producers account for 31% of the domestic market share²

Foreign producers



- Nearly 530 foreign producers¹
- Imports account for 76% of the total market³

Distribution



- Only 5 national distributors, controlling 82%²
- Top 10 players account for 99% of total market share²

Pharmaceutical retail



- Over 50,000 pharmacies in Russia¹
- Top 10 pharmacy chains account for just 18% of the market²

Hospital segment / Healthcare services



- Over 22,000 hospitals and clinics in Russia⁴
- Unconsolidated sector, primarily standalone state-funded hospitals

¹ DSM presentation, 20.11.09

² DSM annual market report, 2009

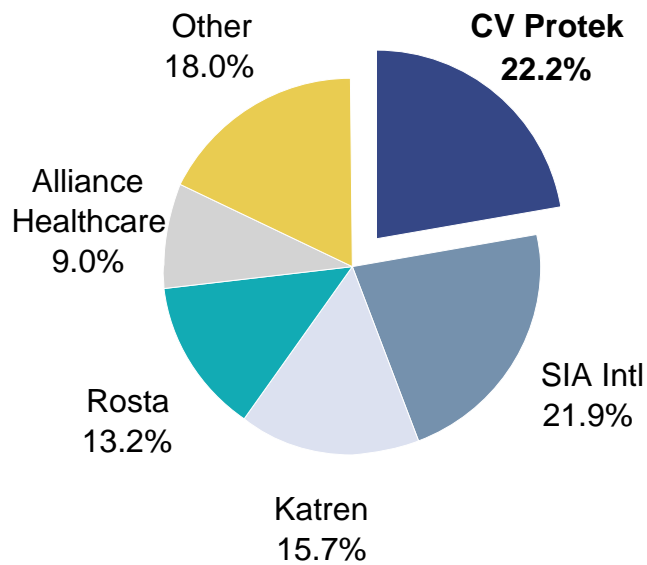
³ Pharmexpert, 2008 annual report

⁴ Rosstat, at the end of 2008

Strong market position across all business segments

Distribution, 2009

#1 player in Russia

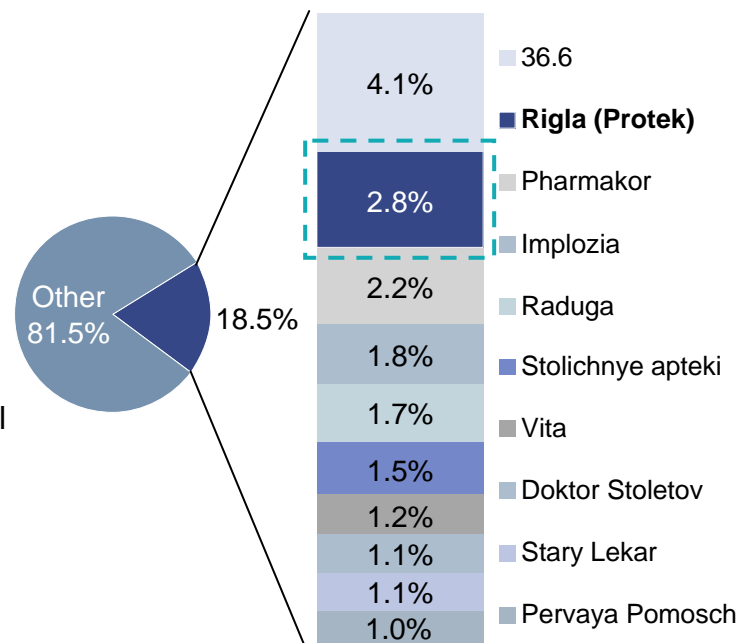


Top 5 market share: 82.0%

Source: DSM annual market report, 2009, by sales value

Retail, 2009

#2 player in Russia



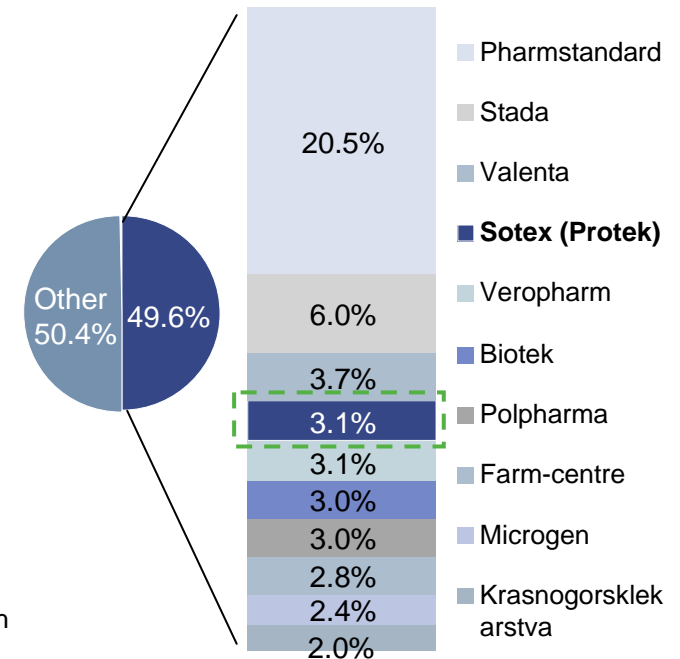
Top 5 market share: 12.6%

Source: DSM annual market report, 2009, by sales value

Note: Rigla market share represents the total market share of the Protek Retail segment

Domestic production, 2009

#4 player in Russia

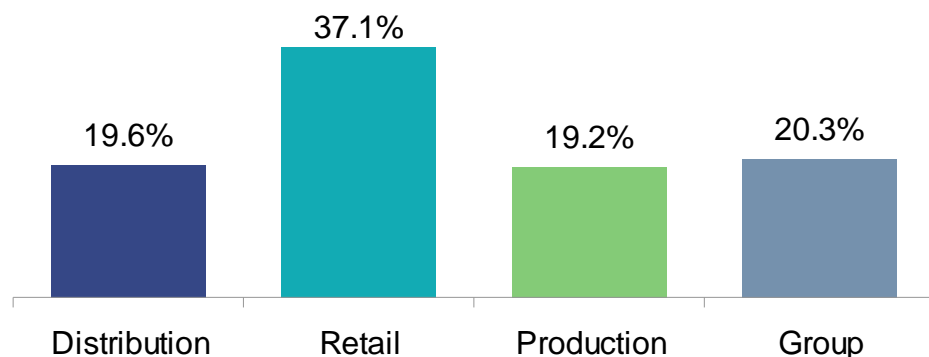


Top 5 market share: 36.4%

Source: Pharmexpert data for 2009, by sales volume

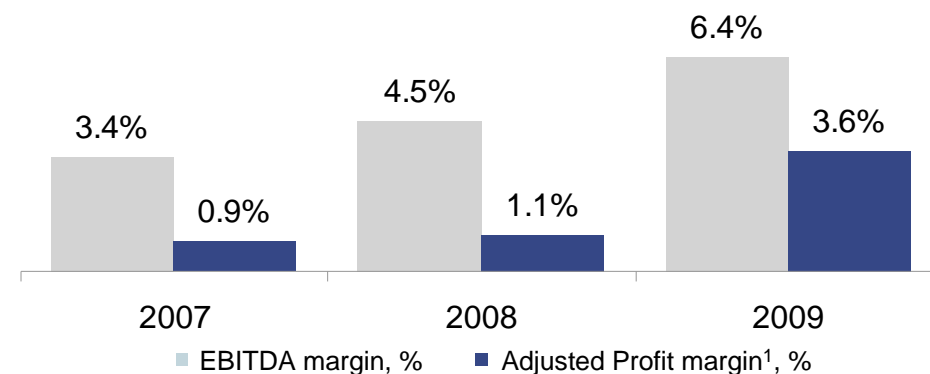
Track record of profitable growth

Revenue growth by business segment, 2007-2009 CAGR, in RUB terms



Source: IFRS accounts

EBITDA and Profit margins



Source: IFRS accounts

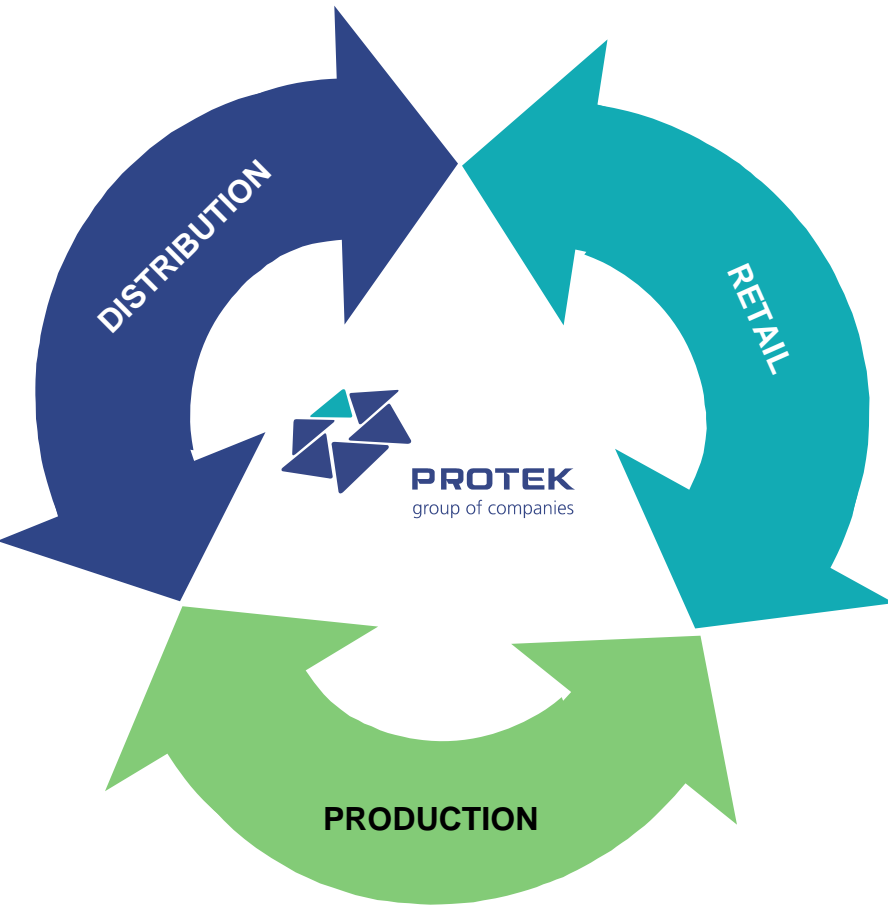
Organic growth

- **Distribution:**
 - Investments of over RUB1.2bn (US\$40mln²) in 2007-2009
 - Construction of a world-class logistics terminal, TST Transservice
 - Continuous modernisation and automation of logistics operations and IT platform
- **Retail:** In the period of 2001-2009, Protek Retail segment has opened 347 pharmacies (~39 per year)
- **Production:** Rapid product portfolio development, number of own brands reached 15 in 2009

Acquisitions

- **Retail:** Since inception, Protek Retail segment has acquired 403 stores and continues to pursue a selective M&A strategy
- **Production:** Sotex has entered an attractive biosimilar medicine market by acquiring control over Protein Contour, an R&D company

Significant competitive advantages derived from vertical integration



- Production-Distribution-Retail distribution channel
- Joint promotion programs
- Enhanced product quality control
- Information exchange between companies of the Group
- Integrated logistics infrastructure for all the Group segments
- Integrated IT systems
- Uniform management, planning and reporting standards

Experienced management with long track record in pharmaceutical sector

1 2 3 4 5 **6**



Vadim Muzyaev
President, Protek
17 years with Protek



Timofey Prokopov, ACCA
CFO, Vice-President for Finance, Protek
6 years with Protek



Alexey Molchanov
Head of Distribution
General Director, CV Protek
9 years with Protek



Andrey Gusev
Head of Retail
General Director, Rigla
9 years with Protek



Dmitry Golub
Head of Production
Vice-President, Protek
17 years with Protek



Sergey Anoshin
Chief Legal Officer, Protek
8 years with Protek



Distribution



Retail



Production



Group