



PROTEK

group of companies

Q3-2010 TRADING UPDATE

ANALYST AND INVESTOR PRESENTATION



November, 2010

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- **Market overview for Q3-2010 and 9M-2010**
 - Vadim Muzyaev, President, Protek Group
 - **Overview of operating performance indicators and business**
 - Vadim Muzyaev, President, Protek Group
 - Timofei Prokopov, CFO, Protek Group
 - Alexey Molchanov, General director, CV Protek
 - **Questions & Answers**
-

Conference call details:

Protek Group Analyst and Investor Conference Call : Wed., 10 November, 14.00 UK time / 17.00 Moscow time

CONNECTION DETAILS:

To join the conference call please register on-line:

<https://eventreg1.conferencing.com/webportal3/reg.html?Acc=916302&Conf=175456>

or dial

UK Number: +44 (0)20 7162 0025

US Number: +1 334 323 6201

Conference ID: 880714

**We recommend that participants register on-line to avoid waiting in a queue or to start dialing-in 5-10 minutes prior to the conference call.*

The conference call replay will be available through November 14, 2010 :

UK Replay Number: +44 (0)20 7031 4064

US Replay Number: +1 954 334 0342

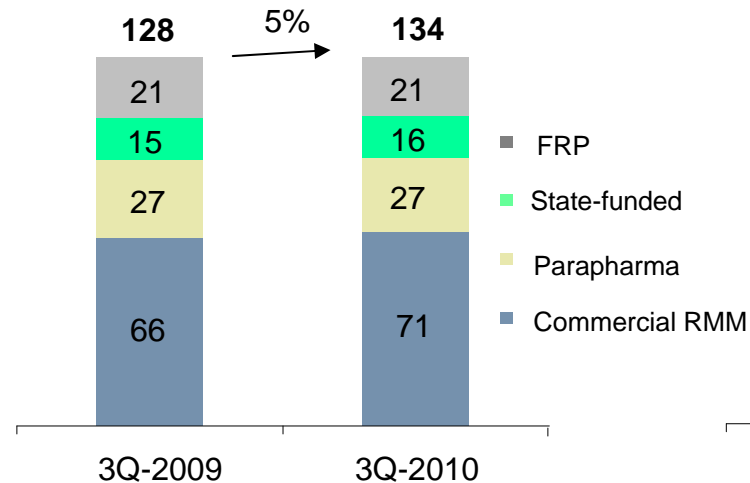
Replay Access Code: 880714

Russian Pharmaceutical Market in Q3-2010



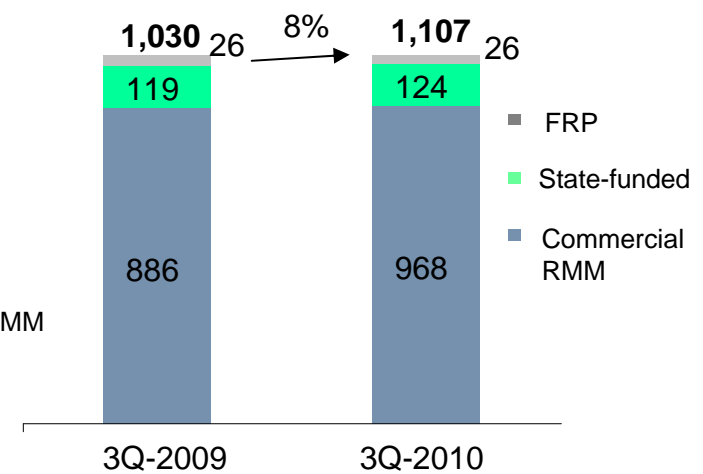
- In Q3-2010 the Russian pharmaceutical market grew by 5% as compared to Q3-2009 (in RUR terms) and reached RUR 134 bln.
- In terms of packages, the market in Q3-2010 grew by 8%*, and sales in packages reached 1,107 mln.*
- Commercial market segment – strategic segment for Protek – Group – grew by 8%* in RUR terms as compared Q3-2009
- Market growth in Q3-2010 was due to seasonal demand growth, as well as consumer demand recovery

Market Dynamics, bln. RUR. Parapharma inclusive



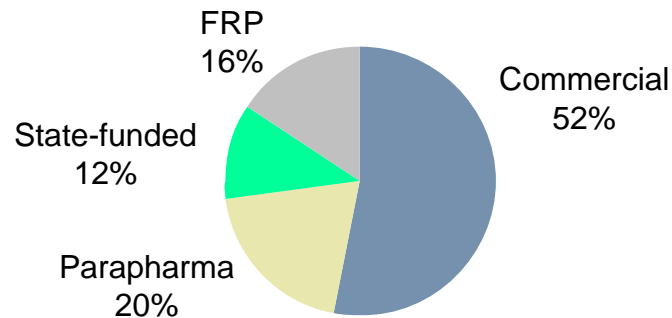
Source: DSM preliminary report

Dynamics in Packages, mln. Parapharma exclusive



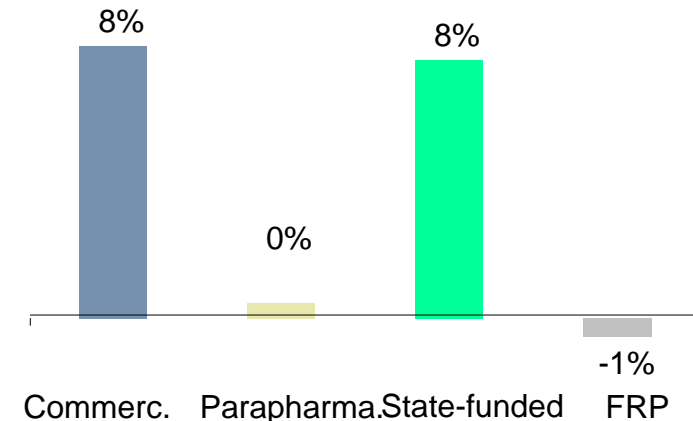
Source: DSM preliminary report

3Q-2010, Market structure



Source: DSM preliminary report

3Q-2010, Dynamics by segments



Source: DSM preliminary report

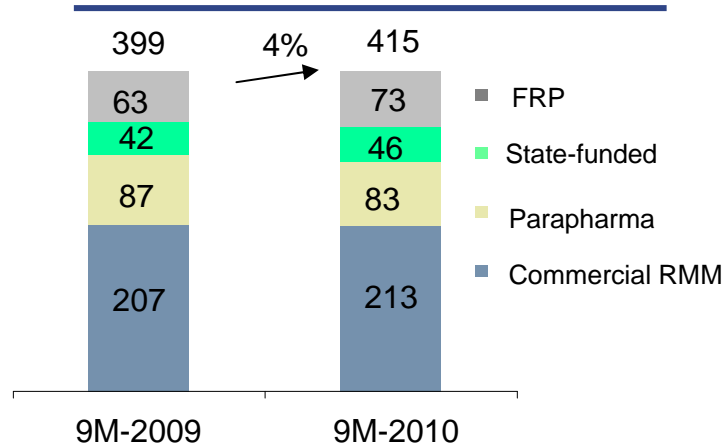
* Source: DSM preliminary report

Russian Pharmaceutical Market over 9M-2010



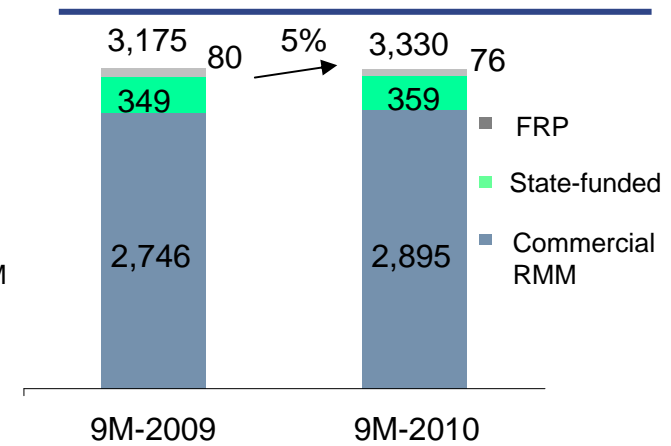
- Over 9M-2010, the Russian pharmaceutical market as a whole grew by 4% as compared to 9M-2009 (in RUR terms), and reached RUR 415 bln. (DSM report).
- Over 9M-2010, the market in terms of packages grew by 5%*, and sales reached 3,330 mln. packages*.
- Commercial segment – the strategic segment for the Group – grew by 3% over 9M-2010 as compared to 9M-2009 in RUR terms.
- Over 9M-2010 as compared to 9M-2009, the market showed positive results both in volume, and in RUR terms. The main reason behind the positive volume dynamics is demand recovery. Market dynamics deterrents in RUR terms were minimum inflation on medicines, markup stabilization after changes in laws and rules for Life-Essential-Medicines.

**9M-2010, Market Dynamics, RUR bln.
Parapharma inclusive**



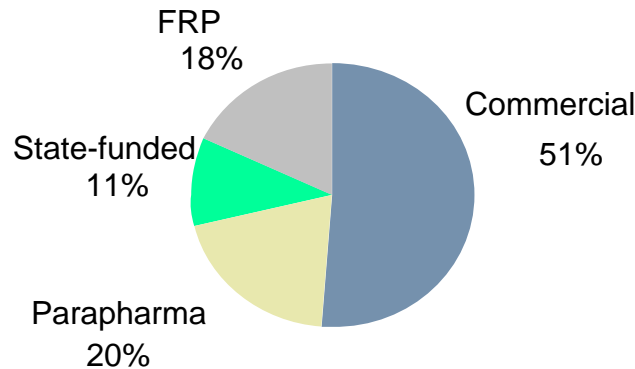
Source: DSM preliminary report

**9M-2010, Dynamics in Packages, mln.*
Parapharma exclusive**



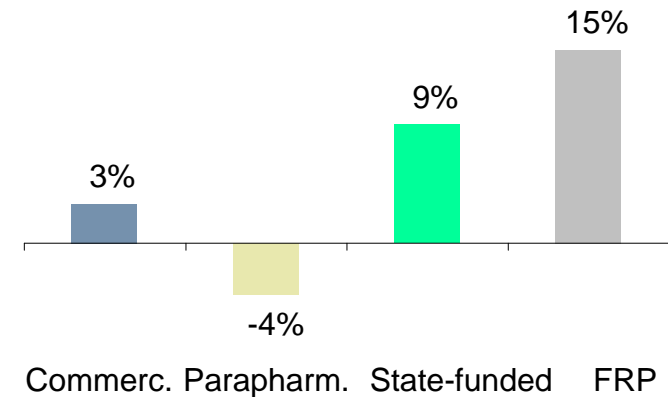
Source: DSM preliminary report

9M-2010, Market structure



Source: DSM preliminary report

9M-2010, Dynamics by segments



Source: DSM preliminary report

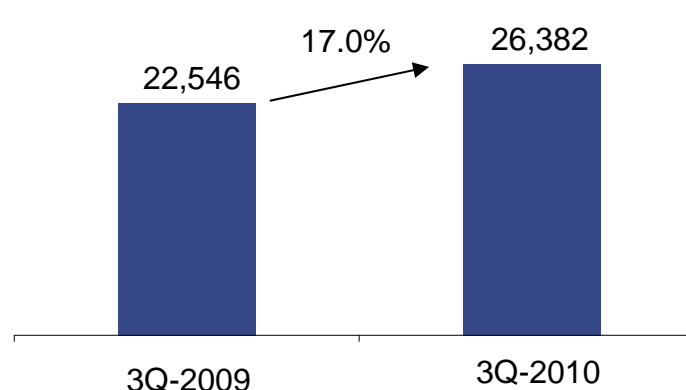
Source: DSM preliminary report

* Parapharma exclusive

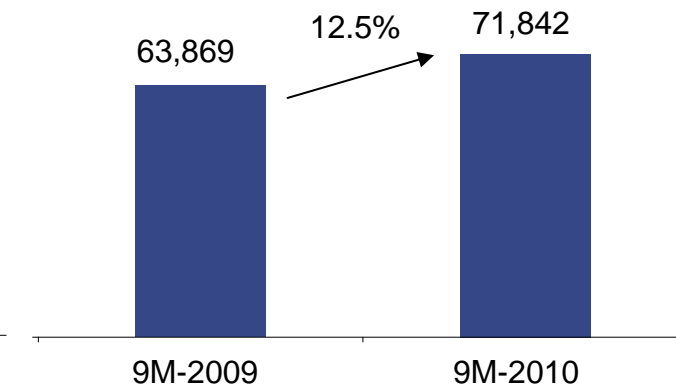
Group Performance in Q3-2010 and over 9M-2010



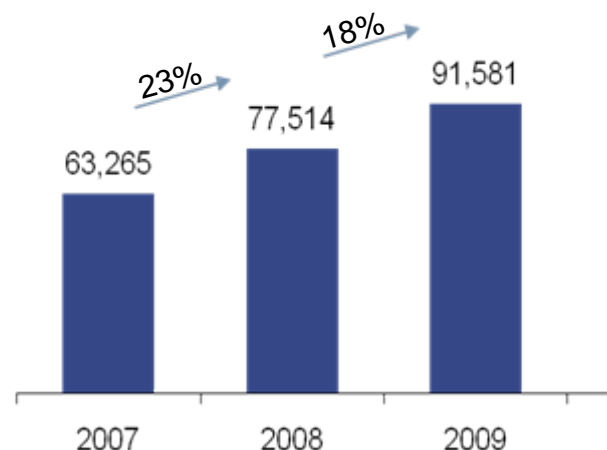
Consolidated revenue dynamics, Q3-2010, RUR mln.



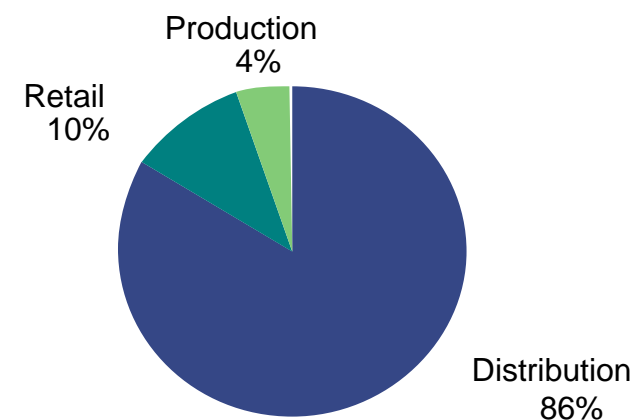
Consolidated revenue dynamics, 9M-2010, RUR mln.



Consolidated revenue dynamics, RUR mln.



Segment share in revenue in 3Q-2010, %*



- Consolidated revenue of the Group in Q3-2010 grew by 17.0% to RUR 23,201 mln.
- Consolidated revenue of the Group for 9M-2010 grew by 12.5% to RUR 71,842 mln.
- Revenue growth dynamics in 3Q-2010 grew ahead of the 5% market growth for this period.
- In 3Q-2010, distribution segment totaled ~86% of Group revenue, retail segment ~10%, and production segment ~4%.

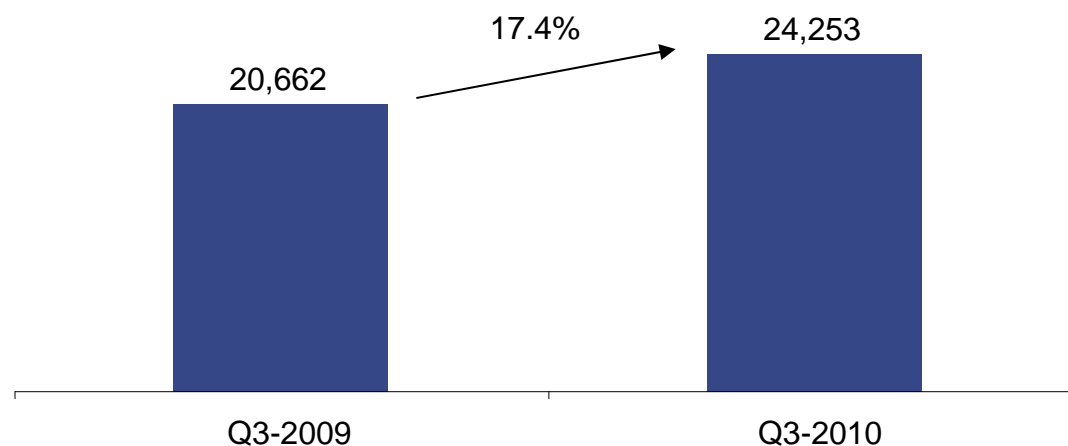
Source: Protek Group IFRS accounts for 2007-2009, unaudited management accounts for Q3-2010

* Calculated as share of each segment of the total revenue, excluding eliminations and un-allocated segment.

Distribution Segment Performance in Q3-2010

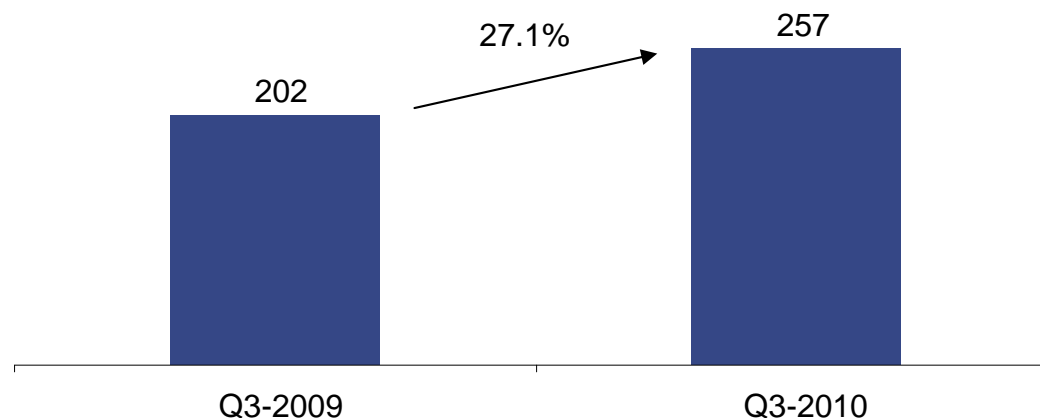
- In Q3-2010, the Distribution segment demonstrated high revenue growth: 17.4% as compared to Q3-2009, mainly due to growth of the Commercial sector (+20%) and the State-funded market (+31%).
- Distribution sales in terms of packages grew by 27.1% as compared to Q3-2009. The highest growth was that of FRP (+63.6%) and Commercial segment (+28%). At the same time, the average package price decreased (negative 7.5% from RUR 102 to RUR 95).
- Key growth drivers in Q3-2010: improvement of client management (client base growth by 7%) against dumping market, exit from the market of small distributors, their market share re-allocation, improvement of distribution centers efficiency, expansion of products available for regional clients, development of product categories: cosmetics, BAAs, and non-medical para-pharmaceuticals.

Revenue dynamics в Q3-2010, mln. RUR.



Source: Protek Group unaudited management statements

Dynamics in Packages в Q3-2010, mln.



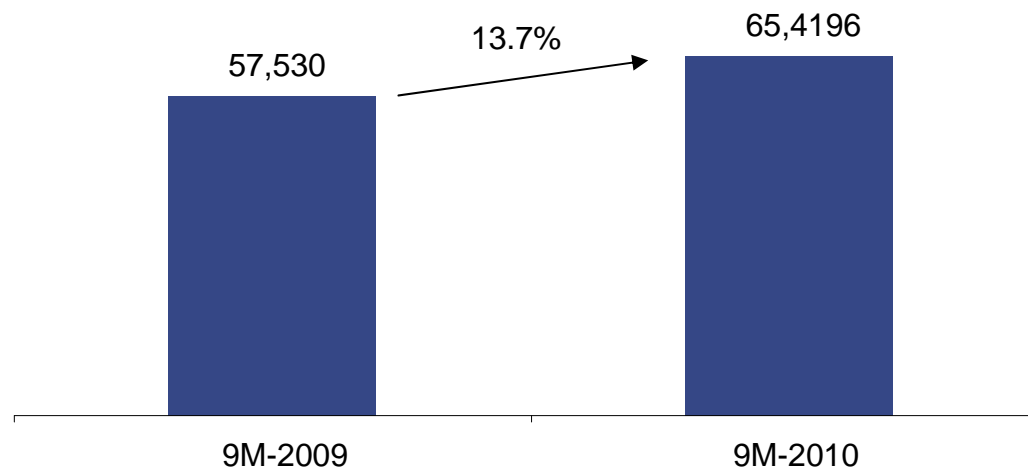
Source: Company data

- Seasonal demand impact.

Distribution segment performance over 9M-2010

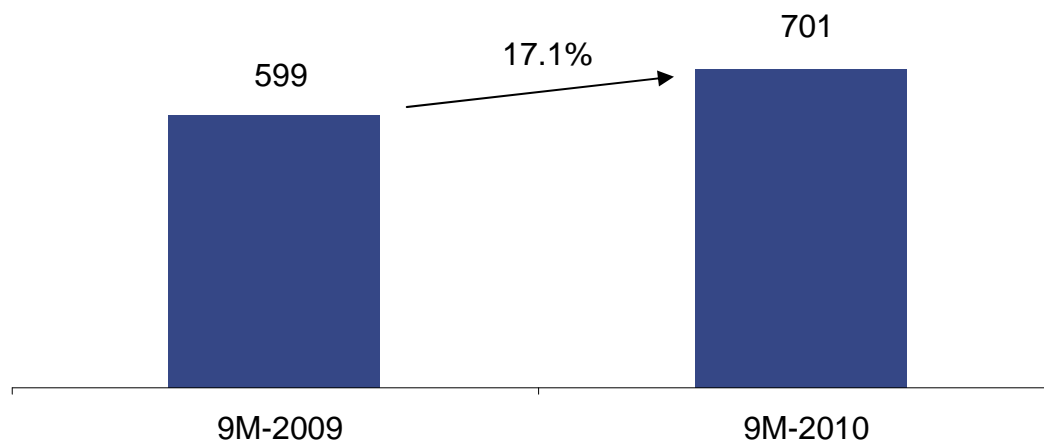
- For the period, revenues grew by 13.7%, as compared to 9M-2009. Main drivers: sales growth in FRP (+41%), and in the State-funded segment (+14%). The Commercial sector grew by 12%, which was above market.
- Distribution sales in terms of packages over the period grew by 17.1% as compared to 9M-2009. Number of packages shipped grew faster than revenue in money terms, which was due to decrease in the average package value over the period by 3% to RUR 92. In the Commercial sector, shipment in terms of packages grew by 18%, in the State-funded sector by 3%, and in the FRP segment by 25%.
- Number of clients over the period increased by ~6 % to some 18,000 as compared to ~17,000 for 9M-2009, which was due to improved service and client management quality.
- Number of product range items increased by ~1% to almost 15,000 as compared to 9M-2009.

9M-2010, Revenue dynamics, mln. RUR.



Source: Protek Group unaudited management statements

9M-2010, Dynamics in Packages, mln.

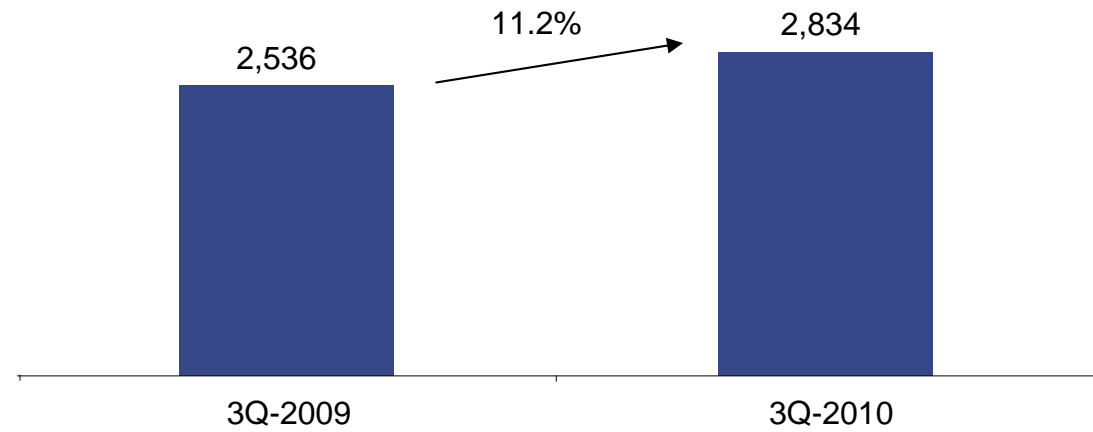


Source: Company data

Retail segment performance in Q3-2010

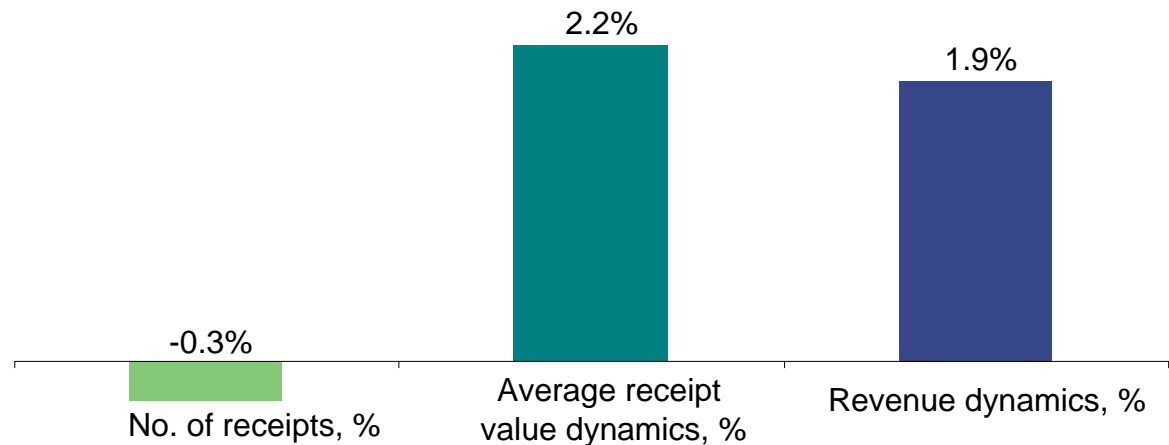
- Dynamics by pharmacies in Q3-2010:
 - Organically opened 23 pharmacies
 - 10 pharmacies closed
 - 2 pharmacy chains purchased: Biopharm and Panacea (30 pharmacies) in September 2010.
 - Total number of pharmacies as of 30 September 2010: 652*
- Retail revenue growth (Rigla) in Q3-2010 was 11.2% as compared to Q3-2009. Traffic growth was 10.9% as compared to Q3-2009, which was in line with the market. Positive dynamics was due to growth of revenues of Like-for-Like pharmacies, as well as due to acquisition of new chains.
- Growth of revenues of Rigla Like-for-Like pharmacies was 1.9%, which exceeds growth in Q2 of 0.4%. The dynamics was related to average ticket growth.
- Rigla Like-for-Like pharmacies are still challenging the trend of ticket value decrease: in Q3-2010, decrease in tickets number was negative 0.3%, while in the Q2-2010, it was negative 0.8 %. During the Q3-2010 revenues of L-f-L pharmacies have shown positive growth: 0.2% in July, 2.1% in August , and 3.5% in September'2010.

Revenue dynamics, VAT excl., in Q3-2010, RUR mln.



Source: Protek Group unaudited management statements

Revenue, VAT excl., of Like-for-Like pharmacies in Q3-2010, %

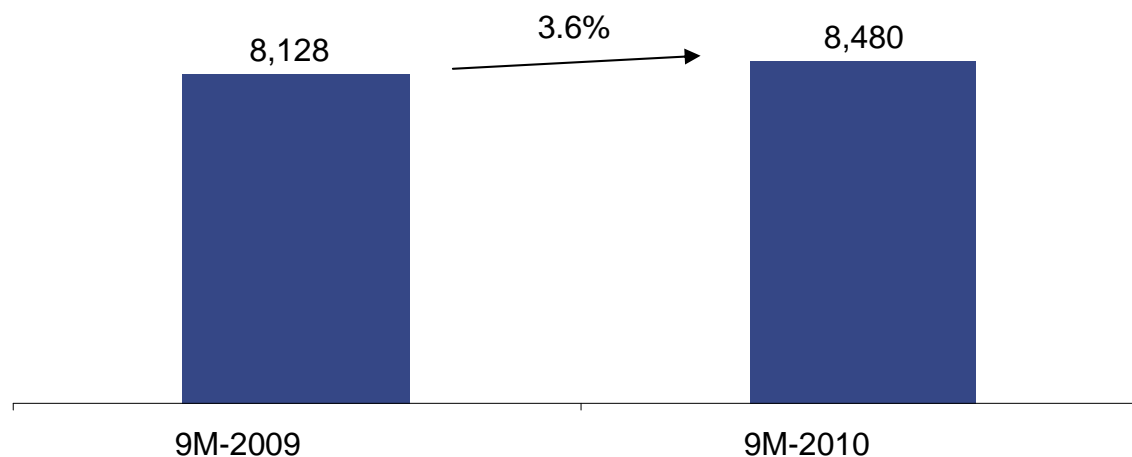


Source: Company data

Retail segment performance over 9M-2010

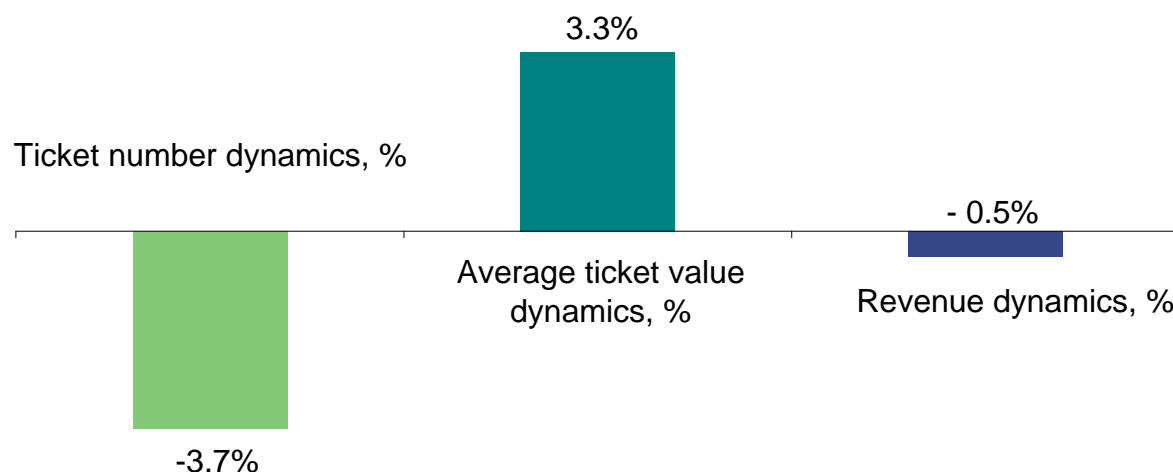
- Dynamics by pharmacies over 9M-2010:
 - 46 pharmacies opened organically*
 - 20 pharmacies closed
 - 4 pharmacy chains (49 pharmacies) acquired
- Trends in Retail revenue dynamics for 9M-2010 was positive, in line with the market growth. Revenue grew by 3.6% to RUR 8,480 mln. as compared to RUR 8,128 mln. over 9M-2009.
- Retail average ticket value for 9M-2010 grew by 2.0% to RUR 258, VAT exclusive.
- Revenue growth in Rigla pharmacies for the period based in Like-for-Like indicator was minus 0.5%, due to negative dynamics starting from the beginning of the year (maximum drop was in February'2010, - negative 6.2%).
- Main initiatives in Retail over 9M-2010 aimed at revenue and traffic growth: pricing repositioning, multi-format system adoption, pharmacies and discount chains development, boost in sales of own private label (39 products as of 30 Sept' 2010), and improved performance of pharmacies personnel.

9M-2010, Revenue dynamics, VAT excl., RUR mln.



Source: Protek Group unaudited management statements

9M-2010, Revenue, VAT excl., of Like-for-Like pharmacies, %

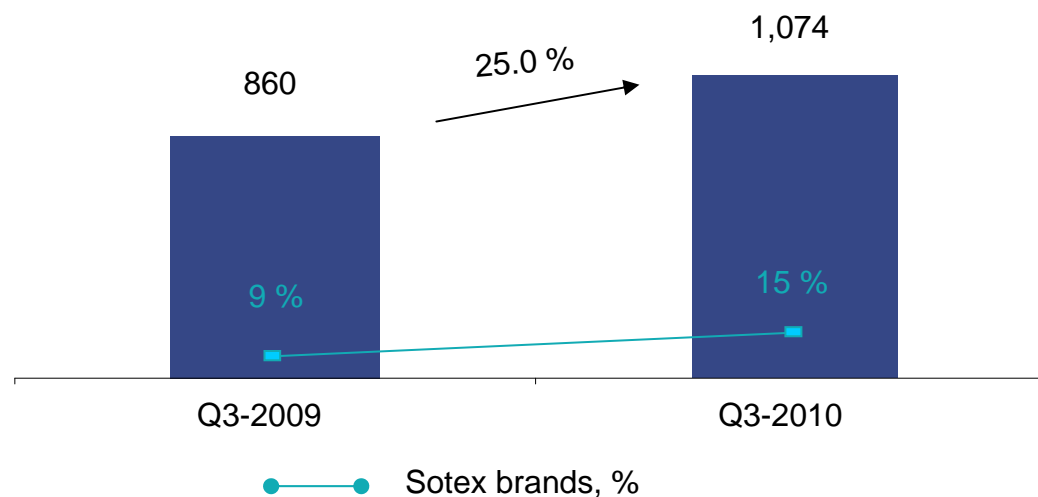


Source: Company data

Production segment performance in Q3-2010

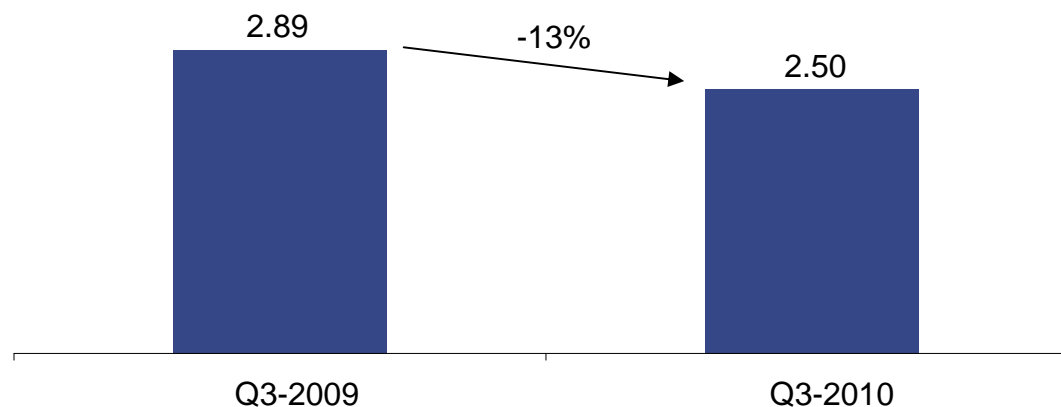
- In Q3-2010 Production segment revenue grew by 25.0% reaching RUR 1,074 mln. as compared to RUR 860 mln. in Q3-2009.
- Dynamics in number of packages was negative 13%, due to decrease in sales of licensed generics and discontinued operations with low-margin medicines (both licensed and INN ones).
- Share of own brands grew from 9% to 15% in revenue and has exceeded RUR 163 mln. (+ 104.2% as compared to Q3-2009).
- The number of own brands in Q3-2010 reached 27 items.
- Revenue growth factors: increase in sales of licensed generics, and strong performance of own brands: Eralfon (main growth), Amelotex, and Cereton.

Q3-2010 Revenue dynamics, RUR mln.



Source: Protek Group unaudited management statements

Q3-2010 Dynamics in Packages, mln.

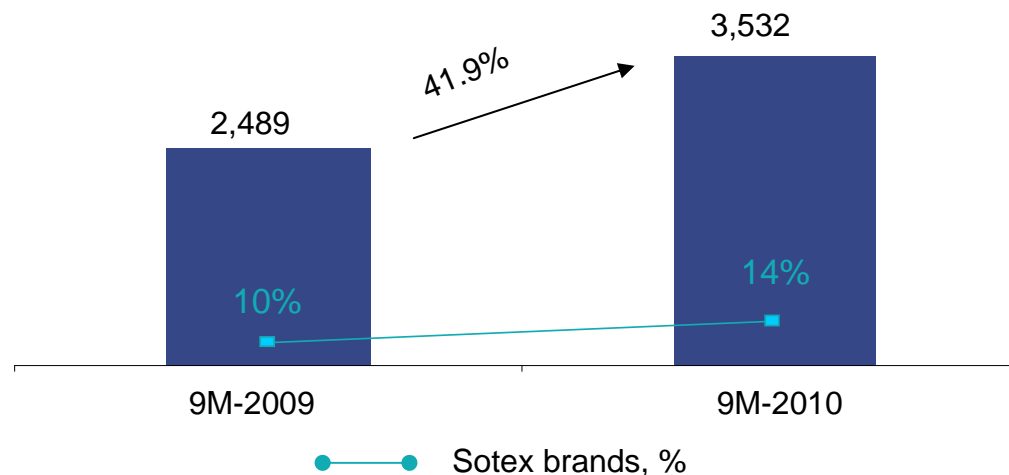


Source: Company data

Production segment performance over 9M-2010

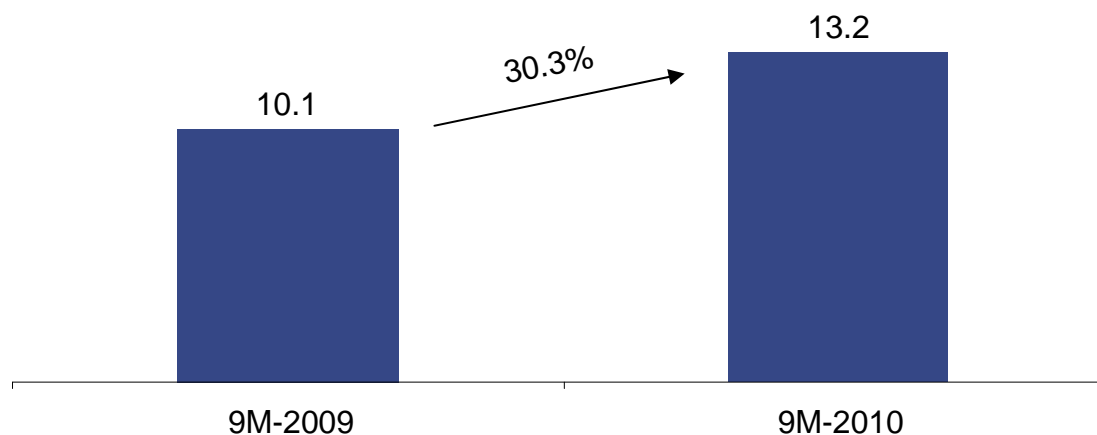
- Over 9M-2010, Production segment revenue grew by 41.9% to RUR 3,532 mln. as compared to RUR 2,489 mln. in 9M-2009
- Growth in terms of packages was 30.3% - number of packages increased to 13.2 mln. as compared to 10.1 mln. for 9M-2009, which was mainly due to sales of licensed generics
- Share of own brands grew from 10% to 14% in revenue to RUR 502 mln. (+97,5% as compared to 9M-2009, +80,0% in the number of SKUs).
- The most successful promoted own brands: Eralfon, Amelotex, and Cereton.

9M-2010, Revenue dynamics, RUR mln.



Source: Protek Group unaudited management statements

9M-2010, Dynamics in Packages, mln.



Source: Company data