

China Nepstar Chain Drugstore Ltd.

(NYSE: NPD)

2Q 2013 Earnings Conference Call
August 29, 2013



Safe Harbor



This presentation contains forward-looking statements. These statements constitute “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Among other things, the quotations from management in this press release and the Company’s strategic operational plans, contain forward-looking statements. Such statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Further information regarding these and other risks is included in the Company’s filings with the U.S. Securities and Exchange Commission, including its annual report on Form 20-F. The Company does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law.

Conference Call Presenters



Mr. Fuxiang Zhang
Chief Executive Officer



Mr. Zixin Shao
Chief Financial Officer

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Q&A (Mr. Fuxiang Zhang, Mr. Zixin Shao)

Company Overview



Who We Are

- We are China's largest drugstore chain by the number of directly operated stores
- Awarded "Best Drugstore Chain of 2007 in China" by China Drugstore magazine

Our Retail Network*

- Nepstar has a total of 2,071 stores in operation
- National presence in 75 cities

(*As of June 30, 2013)

Our Business Model

- Neighborhood drugstore of 80-120sqm in size
- Directly operated stores to ensure consistent service standard
- Optimized product offerings including private label products

Our Key Strategies

- Broaden product offerings and bring convenience to customers
- Grow store productivity to drive customer spending per visit
- Improve operation efficiency and service quality

Second Quarter 2013 Results



2Q 2013 Highlights



Revenue increased 3.4% to RMB639 million (US\$104 million) compared to revenue of RMB 618 million in 2nd quarter 2012

Same Store Sales: 8.6%

Gross Margin: 44.0%

Operating loss: RMB1 million (US\$0.2 million)

Net cash flow from operations: RMB15 million

** During Q2 2013, Nepstar recognized non-cash impairment loss of RMB 3.4 million*

2Q 2013 Revenue by Segment



	Three-Month Period Ended	
	June 30, 2013	June 30, 2012
Total revenue	RMB 639M	RMB 618M
Same-store sales growth	YoY 8.6%	YoY 7.8%
Prescription drugs	22.3%	20.3%
OTC drugs	38.2%	37.2%
Nutritional supplements	14.8%	16.7%
Herbal products	4.0%	3.9%
Other merchandise sales	20.7%	21.9%

Private-Label Products (PLPs)



Private-label products offer high margin contribution, flexibility in pricing and more control over product quality

First PLP Launched:	Sept. 2005
# of PLPs at end of 2Q 2013:	2,069
PLPs as % of revenue in 2Q 2013:	25.0%
PLPs as % of gross profit in 2Q 2013:	33.8%

2Q 2013 Income Statement



(in Millions of RMB, except % analysis)

	Three-Month Period Ended	
	June 30, 2013	June 30, 2012
Revenue	639	618
Store counts	2,071	2,257
Gross Margin	44.0%	46.5%
Gross Profit	281	288
Selling & Mkting / Rev	38.9%	40.8%
G&A / Rev	4.6%	5.1%
Income (loss) from Operations	(1)	3.9
Interest income	4.2	3.9
Net income	(3.9)	2.5

Strong Balance Sheet



(in Millions of RMB)

June 30, 2013

December 31, 2012

Cash & cash equivalents & Rst Cash	394	407
Short-term & long-term Bank Deposits	272	257
Amount due from Related Parties	11	8
Accounts Receivable	115	115
Inventories	453	478
Deferred Tax Assets	2.5	1.7
Total current liabilities	546	556
Shareholders' equity	1,029	1,026



Questions and Answers

Thank you!



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