PHARMACY CHAIN 36.6

PRESS RELEASE
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PHARMACY CHAIN 36.6 ANNOUNCES 2007 FINANCIAL RESULTS

JULY 11, 2008, MOSCOW – OAO Pharmacy Chain 36.6 [RTS:APTK; MICEX:RU14APTK1007] the leading Russian pharmaceutical retailer announces audited 2007 financial results prepared in accordance with the International Financial Reporting Standards (IFRS).

Highlights:

- Y-o-Y in 2007 Group's consolidated sales increased by 64,7% and reached US$ 871,1 million
- Sales in the retail unit grew by 74% and reached US$ 673,4 million, sales of the production unit, Veropharm, reached US$ 139,5 million (annual growth 39%), sales of other non-core businesses (including EMC) grew by 37,9% and reached US$ 58,2 million.
- Consolidated Gross profit increased by 51,3% to reach US$ 277,5 million, 31,9% of consolidated revenues.
- Consolidated EBITDA of the Group declined to -US$ 7,0 million;
- Consolidated Net loss amounted to -US$ 99,4 million

The results are driven primarily by performance of the retail and production units of the Group:

$ mln.	**CONSOLIDATED, Year ended 31 December 2007**		
	2007	**2006**	**change**
Revenue	**871,1**	**528,9**	**64,7%**
Retail	673,4	386,2	74,3%
Veropharm	139,5	100,5	38,8%
other	58,2	42,2	37,9%
Gross profit	**277,5**	**183,4**	**51,3%**
Retail	171,0	112,2	52,4%
Veropharm	86,7	60,1	44,3%
other	19,8	11,2	77,3
EBITDA	**-7,0**	**25,5**	**N/A**
Retail	-48,3	-1,2	N/A
Corporate center (Retail)	-6,7	-4,6	N/A
Veropharm	42,5	29,3	45,4%
other	5,4	2,1	157,1%
Net profit	**-99,4**	**34,5**	**N/A**
Retail	-71,5	-26,9	N/A
Corporate center (Retail)	-57,4	42,0	N/A
Veropharm	27,7	18,7	48,1%
other	1,8	0,7	157,1%

Commenting on the 2007 results Jere Calmes, President of OAO Pharmacy Chain 36.6 and General Director of the Managing Company, stressed:

"Even with the strong performance of the Group's manufacturing unit, Veropharm, our 2007 financial results are disappointing. The negative trends registered in our Gross Profit Margin, SG&A, EBITDA, and Net Profit are primarily attributed to the poor performance of our retail unit and have become the central focus of management's activity. In 2008 we have already started the process of stabilizing our financial situation, focusing the business on a turnaround of its Moscow Operations, executing a direct-to-manufacturer purchasing strategy, ramping-up our private label initiative, and strengthening the management team. We understand 2008 will be a year to rebuild confidence, significantly improve operational performance, and set the foundation for profitable future growth".

Retail sales and gross profit

Sales in the pharmacy retail chain totaled US$ 673,4 million, representing a 74,3% growth as compared with 2006. The sales in the pharmacies opened or acquired before 01.01.07 (786 pharmacies) reached US$ 582,2 million, which is 86,5% of total sales and a 51,5% increase year on year. The sales in the pharmacies opened or acquired after 01.01.07 (439 pharmacies) amounted US$ 61,9 million, which is 9,2% of total sales.

The like-for-like sales growth of pharmacies opened or acquired before January 1, 2006 amounted to 20,2%.

The gross margin in the retail segment decreased to 25,4% from 29,1% in 2006 due to rapid regional expansion, ERP-related pricing issues in the Moscow region, consolidation of logistical operations in Yekaterinburg and increased competition.

The company is undertaking several actions to improve gross margin in the future:

- Stabilizing prices in the Moscow region;
- Continue development of proprietary supply chain and directly source from manufacturers. As of the end of the year the Company's logistics system included 13 distribution centers which covered 4% of overall retail sales;
- Further expand the Private Label line (currently over 500 SKUs with average gross margin in excess of 60%. By the end of 2007 Pharmacy Chain 36.6 private label line sales reached 2% of the retail revenue;
- Continuous review of acquired companies for reformatting and rebranding opportunities in order to improve profitability.

SG&A

The Group's general and administrative expenses increased to 34,7% of sales compared to 32,2% in 2006. In the retail segment SG&A increased Y-o-Y from 31,7% to 34,7% of revenues driven primarily by increases in payroll, rent, professional services and logistics.

In Q4 2007 the Group has posted charges related to reclassification of certain costs treatment and adjusting clearing accounts payable and receivable balances, which jointly affected SG&A cost by US$ 19,3 million.

Financial costs

The Group's financial expenses increased to USD 36.9 million including interest expense in the amount of US$ 27,8 million, bank charges – US$ 1,2 million, US$ 9,4 million of equity participation premium (as described below) and US$ 1,5 million interest income.

In March 2007 the company established an SPV, aimed at raising investments in the pharmaceutical retail market. Under the existing arrangements the company controls 51% of the SPV with the right to buy-out stakes of other existing shareholders. In 2007 the expense relating to that option amounted to US$ 5,7 million. The Investors' success fee related to US$ 85 million investment amounted to US$ 3,6 million. The respective total of US$ 9,4 million was additionally charged to financial costs in Q4 2007.

Foreign currency exchange loss amounted to USD 4,3 million mostly due to Euro denominated borrowings. The management is working to minimize its FX exposure by reducing the share of non-Rouble borrowings.

The total charge of US$ 2,2 million was made to the 2007 Group's P/L in relation to equity-linked motivation programs for the top management of Pharmacy Chain 36.6 and Veropharm.

Investment and debt

In 2007 Pharmacy Chain 36.6 conducted a successful secondary offering of ordinary company shares (1,5 million shares) and raised USD 114 million.

The Group invested a total of US$ 126,6 million including US$ 87,4 million in retail development, US$ 6,4 million in modernization of Veropharm's production facilities and US$ 32,8 million was invested in real estate acquisitions. Major investments in the retail segment consisted of US$ 20,6 million in opening of new pharmacies, US$ 1,9 million in re-branding and US$ 64,9 million in acquisition of regional pharmacy chains. Throughout 2007, Pharmacy Chain 36.6 acquired 26 pharmacy chains with a total of 293 pharmacies, organically opened 166 pharmacies and re-branded 45 pharmacies.

In 2007, the total Group's financial debt as of the end of 2007 reached US$ 292,0 million, including debt of Veropharm US$ 20,2 million.

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Notes to the editor:

Pharmacy Chain 36.6 is the first public national health and beauty retailer listed on the "B" list on the RTS (ticker: APTK) and off-list on the MICEX. The Company's market capitalization as of July 10, 2008 totaled USD 371 million (according to RTS). Pharmacy Chain 36.6 operats more than 1200 stores in 29 regions and 90 cities in Russia.
OAO Veropharm, the company's generics subsidiary, is one of Russia's top five manufacturers (according to Pharmexpert research). Veropharm's shares are traded in the "B" list on the RTS (ticker: VRPH) and off-list on MICEX (ticker: VRFM). OAO Veropharm's market capitalization as of July 10, 2008 was USD 530 million (according to RTS).
ZAO Apteki 36.6 is one of the founding members of the Russian Association of Pharmacy Chains (RAPC). Pharmacy Chain 36.6 is a participating member of the international retailers' organizations - NRF and NACDS. Pharmacy Chain 36.6 and its subsidiaries employ over 12,000 people.

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OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
AS OF DECEMBER 31, 2007
(in US dollars and in thousands)

	2007	**2006**
Revenue	871 081	528 878
Cost of sales	-593 603	-345 440
Gross profit	277 478	183 438
SGA	-302 695	-170 363
Operating profit	-29 105	12 530
Finance costs	-36 888	-16 856
Other income / (loss)	-3 782	1 910
Foreign currency exchange gain (loss)	-4 258	1 808
Income before tax and investment activity	-74 033	-609
Share of loss of associate	-	-816
Gain on sale of investment	-	53 045
Income tax expense	-12 122	-9 796
Minority interest	-13 203	-7 327
Profit	-99 358	34 498

OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2007
(in US dollars and in thousands)

	2007	**2006**
NON-CURRENT ASSETS:		
Property, plant & equipment	187 894	116 249
Goodwill	246 839	162 065
Intangible assets	12 111	8 305
Other assets	1 752	-
Investment in associate	-	-
Total non-current assets	448 596	286 618
CURRENT ASSETS:		
Inventories	175 639	112 985
Accounts receivable	105 319	73 750
Other receivables and prepaid expenses	69 812	39 014
Cash and bank balances	32 887	12 969
Total current assets	383 657	238 718
TOTAL ASSETS	832 253	525 337
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY:		
Issued capital	198	159
Additional paid-in capital	120 103	13 514
Translation reserve	12 298	9 260
Retained earnings	- 33 934	65 424
Total shareholders' equity	98 665	88 357
MINORITY INTERESTS IN EQUITY OF SUBSIDIARIES	150 712	44 046
NON-CURRENT LIABILITIES		
Borrowings	20 604	186 696
Share-based payment liability	963	-
Deferred taxation liabilities	5 946	8 118
Long term lease payable	982	-
Total long-term liabilities	28 495	194 814
COMMITMENTS AND CONTINGENCIES	277 872	327 217
CURRENT LIABILITIES:		
Accounts payable	200 887	112 211
Borrowings	271 381	66 359
Other payables and accrued expenses	49 583	8 479
Taxes payable	29 460	11 072
Current portion of share-based payments liability	1 313	-
Current portion of lease payable	1 757	-
Total current liabilities	554 381	198 120
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	832 253	525 336

OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES
CONSOLIDATED STATEMENT CASH FLOWS
AS OF DECEMBER 31, 2007
(in US dollars and in thousands)

	2007	2006
OPERATING ACTIVITIES:		
Income/(loss) before taxation and minority interest	-74 033	51 621
Adjustments to reconcile net income to net cash used in operating activities:		
Gain sale of investment	-	-53 045
Depreciation and amortization	20 369	12 932
Loss on sale of securities	775	-
Loss on disposal of property, plant and equipment	1 165	-1 968
Profit on disposal of subsidiary	-32	-
Impairment recognized (reversed) on accounts receivables	849	2 195
Unused vacation provision	4 669	369
Inventory provision	4 917	107
Loss of associates	-	816
Impairment of goodwill	1 704	-
Share based payments expenses	2 184	-
Foreign exchange loss/(gain) on financing and investing activities	4 258	-1 808
Finance costs	36 888	16 856
Operating cash flow before working capital changes	3 713	28 075
Increase in inventories	-47 937	-46 700
Increase in accounts receivable	-29 961	-30 660
Increase in other receivables and prepaids	-22 206	-10 555
Increase in accounts payable	73 829	37 350
Increase in other payables and accruals	22 597	1 113
Cash flows from operations	9 044	-21 377
Income taxes paid	-11 436	-6 071
Finance cost paid	-30 572	-16 315
Net cash outflow operating activities	-32 964	-43 763
INVESTING ACTIVITIES:		
Net cash outflow on acquisition of subsidiaries	-87 630	-127 499
Purchase of property, plant, equipment	-33 566	-31 113
Purchase of intangible assets	-6 076	-5 458
Proceed on disposal of property, plant, equipment	694	6 529
Proceeds from sale of investment, net	-	72 775
Net cash outflow from investing activities	-126 578	-84 766
FINANCING ACTIVITIES:		
Proceeds from new borrowings	281 948	500 843
Repayments of borrowings	-295 521	-372 582
Proceeds from SPO, net	106 628	
Proceeds from subsidiary (consortium of investors)	85 000	-
Net cash inflow from financing activities	178 055	128 261
Effect of translation to presentation currency	1 404	5 374
NET INCREASE (DEACREASE) IN CASH	19 917	5 106
CASH, beginning of year	12 969	7 863
CASH, end of year	32 886	12 969