

**OJSC "PHARMACY CHAIN 36.6" REPORTS Q12011 UNAUDITED IFRS RESULTS:  
GROUP NET PROFIT UP TO MORE THAN 200 MLN RUR WITH THE CONSIDERABLE GROWTH  
OF THE KEY FINANCIAL INDICATORS**

**July 07, 2011, MOSCOW** – OJSC Pharmacy Chain 36.6 [RTS:APTK;MICEX:RU14APTK1007] - the leading Russian pharmaceutical retailer announces unaudited Q1 2011 financial results prepared in accordance with the International Financial Reporting Standards (IFRS).

**Q1 2011 GROUP HIGHLIGHTS:**

- Consolidated EBITDA from ongoing operations increased more than twice compared to the relative period of 2010 and reached RUR 443.4 mln.
- Group revenue from ongoing operations increased by 16.6% to RUR 5 291.9 mln as compared with RUR 4 537.1 in Q1 2010;
- Gross profit from ongoing operations increased by 19.5% to RUR 2 210.4 mln to RUR 1 849.4 mln in Q1 2010;
- Gross profit margin from ongoing operations in 3M 2011 increased by 1.0% up to 41.8% as a percentage of consolidated sales compared to 40.8% in 3M 2010;
- Group underlying Net profit from ongoing operations before minority interest reached RUR 205.9 mln compared to the net loss of RUR 122.6 mln in Q1 2010;
- The retail unit organically opened 6 stores and closed 5 stores in Q1 2010, thus operating 990 stores by the end of the reporting period.

**Group consolidated financial results**

	period ends		
	Q1, mln RUR		
	2011	2010	change, %
<b>Revenue</b>	<b>5 291.9</b>	<b>4 537.1</b>	<b>16.6%</b>
<i>Retail<sup>1</sup></i>	3 713.1	3 416.1	8.7%
<i>Corporate Center</i>	0.0	0.0	
<i>Veropharm</i>	1 382.9	962.9	43.6%
<i>other<sup>2</sup></i>	195.9	158.1	23.9%
<b>Gross profit</b>	<b>2 210.4</b>	<b>1 849.0</b>	<b>19.5%</b>
<i>Retail</i>	1 173.2	1 101.6	6.5%
<i>% of sales</i>	31.6%	32.2%	
<i>Corporate Center</i>	0.0	0.0	
<i>Veropharm</i>	959.4	701.8	36.7%
<i>% of sales</i>	69.4%	72.9%	
<i>other</i>	77.8	45.6	70.6%
<b>EBITDA</b>	<b>443.4</b>	<b>213.7</b>	<b>107.5%</b>
<i>Retail</i>	48.2	44.6	8.0%
<i>% of sales</i>	1.3%	1.3%	
<i>Corporate Center</i>	-27.5	-21.3	
<i>Veropharm</i>	415.5	198.7	109.1%

<sup>1</sup> Hereinafter in the press- release the retail unit financial results are presented separately from the financial results of the Corporate Center and are compared with the relative results of the previous periods.

<sup>2</sup> «Other» revenue equals to non- core business revenue eliminated by the transfer sales within the Company units, which are as follows: in Q1 2010 – RUR 12.5 mln; in Q1 2011 – RUR 9.5 mln.

	<i>% of sales</i>	30.04%	20.6%	
	<i>other</i>	7.2	-8.2	189.0%
<b>Net profit<sup>3</sup></b>		<b>205.9</b>	<b>-122.6</b>	<b>267.9%</b>
	<i>Retail</i>	-256.7	-259.4	1%
	<i>Corporate Center</i>	120.2	27.0	345%
	<i>Veropharm</i>	338.3	121.2	179.1%
	<i>other</i>	4.0	-11.4	135.1%
<b>Profit/loss, attributable to:</b>				
	<i>Equity holders of the parent</i>	59.6	-162.0	
	<i>Minority interest</i>	146.4	39.5	

## RETAIL UNIT:

### REVENUE

As compared to the relative period the year before, in Q1 2011 net sales of the Retail unit increased by 8.7% in ruble terms from RUR 3 416.1 mln to RUR 3 713.1 mln.<sup>4</sup> Gross sales of the Retail Unit (including VAT) grew by 15.8% in Q1 2011 versus Q1 2010.

Like-for-like gross sales<sup>5</sup> in Q1 2011 increased by 19.3% in ruble terms compared to the relative period of 2010 and an average check (including VAT) in like-for-like stores increased by 22% from 245 RUR in 3M 2010 up to 299 RUR in 3M 2011.

### GROSS PROFIT AND GROSS MARGIN

Gross profit in the Retail unit increased by 6.5% from RUR 1 101.6 mln in Q1 2010 to RUR 1 173.2 mln in Q1 2011. Gross margin reached 31.6% versus 32.2 % in Q1 2010. The gross margin drop was primarily due to the governmental price regulation rules on essential medicine came into effect since 1<sup>st</sup> of April, 2010, and also to the Company`s pricing policy revision in 2010 (reduction of the majority of the medicines prices), directed to the customers` traffic growth. Gross margin decline in 2010 was partially compensated by purchasing terms improvement (additional purchasing tenders) and increase of high-marginal products (parapharmaceutical and private label goods) share in the total turnover.

	Retail Unit		
	Q1, mln RUR		
	2011	2010	change, %
<i>Sales</i>	3 713.1	3 416.1	8.7%
<i>Gross profit</i>	1 173.2	1 101.6	6.5%
<i>% of sales</i>	31.6%	32.2%	

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

Selling, general and administrative expenses grew by 5.9% in ruble terms from RUR 1 135.1 mln in Q1 2010 to RUR 1 202.5 mln in Q1 2011. SG&A growth in absolute values reflected a considerable tax pressure boost on wage fund in Q1 2011 (an increase of social tax rates since 2011).

SG&A expenses as a percentage to sales decreased by 0.8% from 33.2% in Q1 2010 to 32.4% in Q1 2011 driven by transaction costs and administration expenses reduction within 2010.

<sup>3</sup> Net profit from ongoing operations before minority interest.

<sup>4</sup> Due to the restrictions of special tax regime application for pharmacies since 1<sup>st</sup> of January 2011, the regional retail units of Pharmacy Chain 36.6 Group were all transferred to the basic tax system with VAT exclusion from the revenue.

<sup>5</sup> The L-F-L reporting is executed for a selection of comparable stores, which are:

- opened or acquired 24 months prior to the current reporting period, and
- not closed in the current reporting period.

The L-F-L stores equaled to 843 units as of the end of Q1 2011.

	Retail Unit		
	Q1 2011, mln RUR		
	2011	2010	change, %
<i>Selling, general and administrative costs (including amortization)</i>	<b>1 202.5</b>	<b>1 135.1</b>	5.9%
<i>% of sales</i>	32.4%	33.2%	-0.8%
<b>Amortization</b>	<b>77.4</b>	<b>78.1</b>	-0.9%
<i>Selling, general and administrative costs (excluding amortization)</i>	<b>1125.1</b>	<b>1057.0</b>	6.4%
<i>% of sales</i>	30,3%	30.9%	-0.6%

### Q1 2011 store level performance of like-for-like stores demonstrated the following results:

RUR, mln	Q1 2011			Q1 2010			change, %		
	Moscow	Regions	Total	Moscow	Regions	Total	Moscow	Regions	Total
<b>Net Sales</b>	<b>1 600.4</b>	<b>1 940.7</b>	<b>3 541.1</b>	<b>1 354.4</b>	<b>1 825.7</b>	<b>3 180.1</b>	18.2%	6.3%	11.4%
<b>Gross Profit</b>	589.5	542.9	1 132.4	487.0	528.9	1 015.9	21.1%	2.6%	11.5%
<i>% of net sales</i>	36.8%	28%	32 %	36%	29%	31.9%			
<b>Store level expenses</b>	<b>412.0</b>	<b>420.9</b>	<b>832.9</b>	<b>372.1</b>	<b>336.2</b>	<b>708.3</b>	10.7%	25.2%	17.6%
<i>% of net sales</i>	25.7%	21.7%	23.5%	27.5%	18.4%	22.3%			
Rent	157.2	131.5	288.7	150.8	126.4	277.2	4.2%	4.0%	4.1%
Personnel	212.1	233.1	445.1	176.2	152.4	328.6	20.4%	53.0%	35.5%
Other	42.7	56.3	99.1	45.1	57.4	102.5	-5.3%	-1.9%	-3.3%
<b>Store level Operating profit</b>	<b>177.5</b>	<b>122.1</b>	<b>299.5</b>	<b>114.9</b>	<b>192.7</b>	<b>307.6</b>	54.4%	-36.6%	-2.6%
<i>% of net sales</i>	11.1%	6.3%	8.5%	8.5%	10.6%	9.7%			
<i>Number of comparable stores</i>	213	630	843	213	630	843			

### TRADE ACCOUNTS PAYABLE

Trade accounts payable decreased by 7.2% from RUR 3 048.1 mln in Q1 2010 to RUR 2 828.4 mln in Q1 2011. Compared with those as of 1<sup>st</sup> of January, 2011, trade accounts payable also decreased - by 3.2% from RUR 2 921.5 mln.

### INVENTORY

Inventory average days of turnover increased from 73 days at the end of Q1 2010 to 77 days as of the end of Q1 2011. The inventory upgrowth in day terms is caused primarily by scheduled inventory turnover increase in pharmacies from 60 days in Q1 2010 to 63 days in Q1 2011 aimed at the maximum utilization of pharmacies' shelf space and the range of goods expansion to meet the customers' demand to the best advantage.

In absolute terms, inventory increased by 11.3% to RUR 2 457.0 mln compared with RUR 2 207.3 mln as of the end of Q1 2010. Versus Q4 2010 inventory in absolute terms as of the end of Q1 2011 decreased by 6.7% from RUR 2 634.2 mln.

### OTHER BUSINESSES

#### Veropharm

For the latest update on Q1 2011 performance please refer to the official press-release of the company as of June 16<sup>th</sup>, 2011 at [www.paharmacychain366.ru](http://www.paharmacychain366.ru).

## **ELC**

Early Learning Center revenue consolidated by the Group (which is 50% of the total revenue) reached RUR 52.9 mln, a 55.8% growth in Q1 2011 versus Q1 2010 (RUR 33.9 mln) driven primarily by an increase in L-f-L sales and opening of 7 new stores within 2010.

ELC Net loss decreased by 4.2% and equaled to RUR 4.4 mln in 3M 2011, compared to RUR 4.6 mln in 3M 2010.

As of the end of Q1 2011, the unit operated 19 stores.

## **GROUP FINANCIAL DEBT**

Group Financial Debt at the end of Q1 2011 increased by 2.7% to RUR 9 587.3 mln from RUR 9 334.9 mln as of the end of Q4 2010. Group Financial Net Debt (after deduction of monetary funds remains in the accounts) stood at RUR 8 681.0 mln at the end of Q1 2011.

As of 31<sup>st</sup> March 2011 the Retail and Corporate units debt equaled to RUR 9 196.0 mln, including 39% of the debt denominated in US dollars; Veropharm debt stood at RUR 391.1 mln with no debt denominated in US dollars.

## **GROUP FINANCIAL COSTS**

In Q1 2011 versus Q1 2010 consolidated financial costs grew by 13.7% to RUR 317.6 mln from RUR 279.4 mln due to the Group's financial debt increase within the year of 2010.

## **INVESTMENTS**

In 3M 2011 the Group invested RUR 77.0 mln in fixed and intangible assets, out of which retail investments equaled to RUR 27.6 mln compared to RUR 13.8 mln in 3M 2010.

Veropharm investments reached RUR 48.8 mln.

## **GROUP NET PROFIT**

Group underlying Net profit from ongoing operations before minority interest reached RUR 205.9 mln in Q1 2011 compared to the net loss of RUR 122.6 mln in Q1 2010.

Group underlying Net profit from ongoing operations attributable to equity holders of the parent equaled to RUR 59.6 mln in Q1 2011 compared to the net loss of RUR 162.0 mln in Q1 2010.

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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 06<sup>th</sup> July 2011 totaled USD 351.750.000 (according to RTS). Pharmacy Chain 36.6 operates 990 stores in 29 regions and 90 cities in Russia as of 1<sup>st</sup> of April, 2011.

OAO Veropharm, the company's generics subsidiary, is one of Russia's top five pharmaceutical 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 06<sup>th</sup> July 2011 totaled 449.054.900 USD (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.

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**OA0 PHARMACY CHAIN 36.6 AND SUBSIDIARIES****CONSOLIDATED PROFIT AND LOSS STATEMENT  
Q1 2011 ENDING 31 MARCH 2011 (mln. rubles)**

	<b>Q1 2011</b>	<b>Q1 2010</b>
<b>Revenue</b>	<b>5 291.9</b>	<b>4 537.1</b>
Cost of sales	(3 081.5)	(2 688.1)
<b>Gross profit</b>	<b>2 210.4</b>	<b>1 849.0</b>
Selling, general and administrative expenses	(1 886.4)	(1 743.9)
Impairment of goodwill	-	-
<b>Operating income/loss</b>	<b>324.0</b>	<b>105.1</b>
Finance costs	(317.6)	(279.4)
Other income (loss)	0.8	(3.7)
Foreign currency exchange gain (loss)	239.5	105.6
<b>Income/(loss) before tax and investment activity</b>	<b>246.6</b>	<b>(72.4)</b>
Disposal of discounted operations	-	-
Income tax expense	(40.7)	(50.2)
<b>Loss for the period</b>	<b>205.9</b>	<b>(122.6)</b>
<b>Attributable to:</b>		
Equity holders of the parent	59.6	(162.0)
Minority interest	146.4	39.5

**OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**AT 31 MARCH 2011 (mln. rubles)**

	<b>Q1 2011</b>	<b>Q1 2010</b>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS:</b>		
Property, plant & equipment	2 809.9	2 925.9
Goodwill	4 875.5	4 875.5
Other intangible assets	327.3	283.7
Other assets	242.1	203.6
<b>Total non-current assets</b>	<b>8 254.7</b>	<b>8 289</b>
<b>CURRENT ASSETS:</b>		
Inventories	3 924.8	3 472.4
Accounts receivable	4 200.6	3 475.2
Other receivables and prepaid expenses	2 077.3	1 627.6
Cash and bank balances	906.3	612.8
<b>Total current assets</b>	<b>11 109.0</b>	<b>9 188.1</b>
<b>TOTAL ASSETS</b>	<b>19 363.8</b>	<b>17 476.8</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital	67.1	60.7
Additional paid-in capital	6 260.0	5 339.6
Translation reserve	-	-
Retained earnings	(4 108.5)	(3 331.3)
Equity of the parent	<b>2 218.6</b>	<b>2 069.0</b>
Minority interest in equity of subsidiaries	2 803.9	2 347.5
<b>Total shareholders' equity</b>	<b>5 022.5</b>	<b>4 416.5</b>
<b>LONG-TERM LIABILITIES:</b>		
Borrowings	3 079.4	4 470.0
Deferred tax liabilities	92.2	132.2
Long-term lease payable	7.3	14.5
<b>Total long-term liabilities</b>	<b>3 178.9</b>	<b>4 616.7</b>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	3 288.9	3 620.9
Borrowings	6 507.9	3 677.4
Other payables and accrued expenses	760.0	752.7
Taxes payable	593.6	379.3
Current portion of lease payable	12.0	13.4
<b>Total current liabilities</b>	<b>11 162.3</b>	<b>8 443.7</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>19 363.8</b>	<b>17 476.8</b>

**OAo PHARMACY CHAIN 36.6 AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR Q1 ENDING 31 MARCH 2011 (mln. rubles)**

	<b>Q1 2011</b>	<b>Q1 2010</b>
<b>OPERATING ACTIVITIES:</b>		
<b>Income/(loss) before taxation and minority interest</b>	<b>246.6</b>	<b>(72.4)</b>
Gain sale of investment	-	-
Depreciation and amortization	119.4	108.6
Loss on sale of securities	-	-
Loss on disposal of property, plant and equipment and unrealized investments	-	-
Gain on restructuring of arrangement with consortium of investors	-	-
Impairment recognized (reversed) on accounts receivables	5.3	(13.0)
Inventory provision and write-off	21.7	(10.3)
Other non-cash operations	3.5	13.8
Impairment of goodwill	-	-
Share-based payments expenses	-	-
Foreign exchange loss/(gain) on financing and investing activities	(239.5)	(105.6)
Finance costs	317.6	279.4
	-	-
<b>Operating cash flow before working capital changes</b>	<b>474.6</b>	<b>200.4</b>
Increase in inventories	62.4	(7.2)
Increase in accounts receivable	(342.1)	(286.2)
Increase in other receivables and prepaids	(277.8)	(155.9)
Increase in accounts payable	(24.3)	(217.6)
Increase in other payables and accruals	164.8	(140.8)
Cash flows from operations	57.6	(607.4)
Income taxes paid	(97.8)	(26.4)
Interest paid	(308.4)	(257.4)
<b>Net cash outflow operating activities</b>	<b>(348.6)</b>	<b>(891.0)</b>
<b>INVESTING ACTIVITIES:</b>		
Net cash outflow on acquisition of subsidiaries	-	-
Purchase of property, plant, equipment	(55.9)	(21.5)
Purchase of intangible assets	(21.1)	(8.4)
Purchase of shares in subsidiaries	-	-
Purchase of short-term investments	-	-
Proceed on disposal of property, plant, equipment	820	-
Net cash inflow on sale of investment	-	-
Loans to related parties	-	-
<b>Net cash outflow from investing activities</b>	<b>(76.2)</b>	<b>(29.9)</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from new borrowings, net	494.8	796.1
Repayments of borrowings	-	-
Distributions paid to minority shareholders	-	-
Proceeds from SPO, net	-	-
Acquisition of non- controlling interests	-	-
<b>Net cash inflow from financing activities</b>	<b>494.8</b>	<b>796.1</b>
Effect of translation to presentation currency	-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>70.1</b>	<b>(124.8)</b>
CASH, beginning of year	836.2	737.7
<b>CASH, end of year</b>	<b>906.3</b>	<b>612.8</b>

