



PRESS RELEASE

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**28 NOVEMBER 2007**

## **PHARMACY CHAIN 36.6 ANNOUNCES 9M 2007 FINANCIAL RESULTS**

NOVEMBER 28, 2007, MOSCOW – OAO Pharmacy Chain 36.6 [RTS:APTK; MICEX:RU14APTK1007] announces its non-audited consolidated financial results for nine months of 2007 in accordance with the International Financial Reporting Standards (IFRS).

### **Sales**

- Consolidated sales in 9M 2007 increased by 69.8% year-on-year and reached US\$590.6 million.
- Sales in the retail segment increased by 82.9% year-on-year in 9M 2007 and reached US\$457.5 million. The significant sales growth in the retail segment is primarily a result of the large number of pharmacies acquired in 2006. The sales in pharmacies that have been opened or acquired prior to 1 January 2006 (like-for-like sales, US\$) grew by 28.9%.
- Veropharm's sales reached US\$92.1 million, up 30.2% during 9M 2007, primarily as a result of strong growth in sales of the prescription drugs segment.
- Sales of the European Medical Center (EMC) totaled US\$19.1 million in 9M 2007.

### **Profit**

- Consolidated gross profit in 9M 2007 grew by 60.7% and reached US\$195.7 million. Expansion of the pharmacy chain into the regions led to a decrease in the gross profit margin in the retail segment to 27.7%.
- Consolidated EBITDA increased by 4.0% and reached US\$12.8 million. EBITDA for the production business grew by 29.0% and reached US\$24.5 million. In the retail sector EBITDA decreased to US\$ -12.8 million. EBITDA for EMC totaled US\$4.5 million.
- The Company's net losses in 9M 2007 totaled US\$41.9 million. Net profit of US\$41.5 mln in 9M 2006 was primarily attributed to Veropharm's IPO.
- The decrease in the Company's profit figures is caused by difficulties in ensuring uninterrupted supply of goods to the retail chain, in direct deliveries from manufacturers, connected with temporary problems with the ERP system implementation resulting in decrease of sales and profitability in Moscow and Moscow region.

## Debt

- Net debt as of the end of 9M 2007 amounted to US\$300.6 million.
- As of 12<sup>th</sup> November 2007 net debt decreased to US\$266.4 million.

## KEY FINANCIAL INDICATORS FOR 9M 2007

\$mln.	CONSOLIDATED			RETAIL			VEROPHARM			EMC		
	9M 2007	9M 2006	change	9M 2007	9M 2006	change	9M 2007	9M 2006	change	9M 2007	9M 2006	change
<b>Revenue</b>	590.6	347.9	69.8%	457.5	250.2	82.9%	92.1	70.7	30.2%	19.1	4.2	357.2%
<b>Gross profit</b>	195.7	121.8	60.7%	126.7	74.7	69.7%	55.4	41.6	33.2%	8.9	1.9	372.3%
<i>Margin</i>	33.1%	35.0%		27.7%	29.8%		60.1%	58.8%		46,4%	45,0%	
<b>SG&amp;A</b>	-197.2	-117.9	67.3%	-149.1	-84.4	76.8%	-33.6	-24.5	-36.7%	-6.1	-1.4	330.3%
<i>as % of revenue</i>	33.4%	33.9%		32.6%	33.7%		36.5%	34.8%		31.8%	33.8%	
<b>EBITDA</b>	12.8	12.3	4.0%	-12.8	-3.6	258.9%	24.5	19.0	29.0%	4.5	0.6	656,1%
<i>Margin</i>	2.2%	3.5%		-2.8%	-1.4%		26.7%	26.9%		23.6%	14.3%	
<b>Net income</b>	-41.9	41.5	-200.9%	-28.3	-18.5	52.8%	16.0	12.0	33.4%	2.1	0.5	329.0%
	9M 2007	2006	change									
<b>Total Assets</b>	708.7	525.3	183.4									
<b>Equity</b>	49.8	88.4	-38.6									
<b>Net Debt</b>	300.6	240.1	60.5									

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[www.pharmacychain366.ru](http://www.pharmacychain366.ru)  
[www.oao366.ru](http://www.oao366.ru)

### Notes to the Editor:

Pharmacy Chain 36.6 is the first public national health and beauty retailer listed in the "B"-list on RTS (ticker: APTK) and off-list on MICEX (ticker: RU14APTK1007). Market capitalisation (not counting the additional placement of shares) as of 27.11.07 was USD 703 million based on RTS share prices.

Pharmacy Chain 36.6 operates over 1090 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 RTS (ticker: VRPH) and off-list on MICEX (ticker: VRFM). Market capitalisation as of 27.11.07 was USD 485 million based on RTS share prices.

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 employs 12,000 people.

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**OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**AS OF SEPTEMBER 30, 2007**  
*(in US dollars and in thousands)*

	<u>9M2007</u>	<u>9M2006</u>
Revenue	590 630	347 895
Cost of sales	-394 885	-226 071
Gross profit	<u>195 745</u>	<u>121 824</u>
Selling, general and administrative expenses	-197 176	-117 883
Operating profit	<u>-1 431</u>	<u>3 942</u>
Finance costs	-23 270	-11 573
Other income	266	2 289
Foreign currency exchange gain (loss)	-2 254	3 007
Income before taxation and minority interest	<u>-26 689</u>	<u>-2 335</u>
Share of loss of associate	-	-869
Gain on sale of investment	-	53 267
Income tax expense	-7 468	-4 273
Minority interest	- 7 716	- 4 267
Profit	<u><u>-41 873</u></u>	<u><u>41 522</u></u>

**OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2007**  
*(in US dollars and in thousands)*

	<b>9M2007</b>	<b>2006</b>
<b>ASSETS</b>		
NON-CURRENT ASSETS:		
Intangible assets, net	11 707	8 305
Goodwill	215 840	162 065
Property, plant & equipment, net	132 557	116 249
Other long-term assets	16 217	-
Total non-current assets	<u>376 321</u>	<u>286 619</u>
CURRENT ASSETS:		
Inventories	131 751	112 985
Accounts receivable	100 701	73 750
Other receivables and prepaid expenses	64 637	39 014
Cash&Cash equivalents	35 282	12 969
Total current assets	<u>332 371</u>	<u>238 718</u>
<b>TOTAL ASSETS</b>	<u><u>708 692</u></u>	<u><u>525 337</u></u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
SHAREHOLDERS' EQUITY:		
Share capital	159	159
Additional paid-in capital	13 514	13 514
Other reserves	12 574	9 260
Retained earnings	23 550	65 424
Total shareholders' equity	<u>49 797</u>	<u>88 357</u>
MINORITY INTEREST	142 759	44 046
LONG-TERM LIABILITIES:		
Long-term debt	13 903	186 696
Deferred taxation	7 995	8 118
Long-term portion of the finance leases payable	368	-
Total long-term liabilities	<u>22 266</u>	<u>194 814</u>
CURRENT LIABILITIES:		
Accounts payable	145 684	112 210
Other payables and accrued expenses	27 419	8 479
Current portion of long-term debt	308 654	66 359
Taxes payable	10 917	11 072
Current portion of lease payable	1 196	-
Total current liabilities	<u>493 870</u>	<u>198 120</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<u><u>708 692</u></u>	<u><u>525 337</u></u>

**OA0 PHARMACY CHAIN 36.6 AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT CASH FLOWS**  
**AS OF SEPTEMBER 30, 2007**  
*(in US dollars and in thousands)*

	<b>9M 2007</b>	<b>9M 2006</b>
<b>OPERATING ACTIVITIES:</b>		
Income before taxation and minority interests	-26 691	50 065
Adjustments to reconcile income before taxation and minority interest to net cash used in operating activities:		
Gain on sale of investment	-	-53 267
Depreciation and amortization	14 262	8 384
Effect of loss on disposal of property, plant and equipment	-	-2 327
Effect of (gain) loss of associate	-	869
Effect of provision for doubtful receivables	191	1 387
Foreign exchange loss/(gain) on financing and investing activities	2 254	-3007
Finance costs	23 270	11 151
Operating cash flow before working capital changes	<u>13 286</u>	<u>13 255</u>
Changes in operating assets and liabilities		
Accounts receivable	-27 142	-5 034
Other receivables and prepaids	-25 622	22 537
Accounts payable	33 473	-2 949
Other payables and accruals	2 782	-27 625
Inventories	-18 766	-15 895
Cash flow from operations	-21 989	-15 711
Income taxes paid	-9 868	-3 850
Finance costs paid	-16 749	-8 374
Net cash outflow from operating activities	<u>-48 606</u>	<u>-27 935</u>
<b>INVESTING ACTIVITIES:</b>		
Acquisitions of businesses, net of cash acquired	-38 242	-101 763
Purchase of property, plant, equipment	-27 075	-35 027
Purchase of financial instruments	-	-4 500
Proceeds on disposal of property, plant, equipment	-	6 205
Proceeds from sale of investments, net of transactions amount	-	74 506
Loans to related parties	-7 566	
Net cash outflow from investing activities	<u>-72 883</u>	<u>-60 579</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from borrowings, net	55 486	89 200
Proceeds from subsidiary (consortium of investors)	85 000	-
Net cash inflow from financing activities	<u>140 486</u>	<u>89 200</u>
Effect of translation on cash flows	3 316	804
Net increase (decrease) on cash flows	<u>22 313</u>	<u>1 490</u>
CASH, beginning of period	12 969	7 863
CASH, end of period	35 282	9 353