

Moscow, June 28, 2007

Annual Report of OAO Pharmacy Chain 36.6, Proposed for Discussion at the General Meeting of Company's Shareholders

**(Address of the Company's General Manager
to the Annual General Meeting of Shareholders)**

Dear Shareholders,

I would like to welcome you today at the Fifth Annual Meeting of Shareholders of OAO Pharmacy Chain 36.6.

The Company greatly strengthened its positions on the Russian pharmaceutical retail market in 2006. Consolidated sales grew by 73% in 2006 compared to 2005 and reached USD 528.9 million;¹ sales in 36.6 pharmacies were about USD 386 million.

Pharmacy Chain 36.6 has greatly expanded the geography of its retail network operations. In 2006, the Company purchased 18 regional pharmacy chains with 352 pharmacies, and increased its total number of outlets to 838 pharmacies located in 80 cities and 26 regions around Russia. The strategic goal of Pharmacy Chain 36.6 is to take about 10-15% of the market in the key regions and also to secure retail sales of some USD 1 billion.

Successful operations on the retail market enabled the Company to start a series of new projects: opening of Early Learning Center (ELC) stores, and creation of a new pharmacy format (Mila). In addition, in 2006 we acquired the European Medical Center – one of the best private medical clinics of Russia.

Providing sufficient funds for the Company's development has become an urgent task. During 2006, Pharmacy Chain 36.6 fully restructured its credit portfolio and placed a first issue of ruble bonds. An IPO by Veropharm, our drug manufacturing subsidiary, was an important event for Russia's pharmaceutical market in 2006.

This Report covers performance in 2006 by OAO Pharmacy Chain 36.6 in detail, including performance of its subsidiaries.

I. Company Position in the Industry

OAO Pharmacy Chain 36.6 is the national leader in retail trade of health and beauty products. We offer our customers a variety of high quality goods at affordable prices in convenient and attractive stores.

OAO Pharmacy Chain 36.6 is also Russia's first public company in its sector. The Company's shares are listed on Russia's two main share trading systems – the RTS (in the B quotation list, using the ticker APTK) and the MICEX (using the ticker RU14ARTC1007). The Company almost doubled its market capitalization to USD 448 million in 2006.² The Company's shares are among those used for calculation of the RTS-2 Index (the Index of second-tier shares) and the RTS-Consumer Goods and Retail Trade Index (RTScr).

Key Indicators of Company Performance in 2006

¹ In this Annual Report, data from audited consolidated IFRS statements are used, unless otherwise indicated.

² According to RTS data.

- Aggregate sales in 2006 were USD 528.9 million, including USD 386.2 million from retail business, representing increases of 73% and 90% respectively, compared to 2005. Sales of OAO Veropharm were USD 100.5 million, representing an increase of 27% from 2005.
- EBITDA in 2006 was USD 25.5 million, which is 9% higher y-o-y (year-on-year)
- The Company's aggregate net profit was USD 34.5 million
- Company investments in 2006 totaled USD 164.1 million
- 75 new pharmacies were opened in 2006 via organic growth, 50 pharmacies were re-branded, and 34 pharmacies were closed.
- Pharmacy Chain 36.6 acquired 18 pharmacy chains containing 352 pharmacies in 2006
- As of the end of 2006, the Company owned 838 pharmacies.

Retail Pharmacy Market Description

- The retail pharmacy market includes the market for drugs, parapharmaceuticals, beauty and hygiene products as well as associated daily-use products, whose sale in pharmacies is permitted.
- Aggressive regional development by the major pharmacy chains has increased sales concentration on the pharmacy market. Aggregate market share of the Top-10 pharmacy chains was 20% in 2006 (up from 5% in 2002). It is expected that by 2010, as a result of consolidation, the 4-5 biggest pharmacy chains will control up to 50% of the national market.³
- Russia's pharmaceutical market was worth USD 10.7 billion in 2006, representing an increase of 27% y-o-y. Drug consumption per capita was about USD 75 (RUB 2,000), which is equal to 2% of average personal income (for comparison: this indicator is 7% in Europe and 9% in the USA).
- In 2006 the Russian Government subsidized 40% of the total market, or some USD 4.3 billion, via various compensation programs, mainly the Additional Drug Procurement program (DLO in the Russian acronym). The market share of budget-funded subsidization programs grew by 5 percentage points y-o-y. Drugs allocated to those with entitlement under the DLO program were worth USD 2.5 billion in 2006, an increase by more than 78% on 2005.
- The commercial sector represents the largest share of the pharmaceutical market (63%). The sector expanded by 20% in 2006, due mainly to rapid growth of personal incomes. The commercial sector is experiencing strong development and asset consolidation.
- The compulsory pharmaceutical insurance (OFS) program should be an additional spur to pharmaceutical market development in 2007-2008. The program aims to improve health and prevent disease among the able-bodied population, and its implementation will boost pharmaceutical market volumes.
- As regards to competitors of 36.6 on local markets: there is significant competition from major regional pharmacy chains in cities with population over one million and in the most developed economic regions of the country, while state-owned municipal pharmacy chains are the main competitors in smaller cities.
- At the national level, we compete with the Rigla and Natur Product pharmacy chains.

36.6 Pharmacy Chain OAO owns the pharmaceutical production company, OAO Veropharm, which has production sites in Voronezh, Belgorod and Pokrov (Vladimir Region).

Veropharm is a leading Russian manufacturer of modern generics, cancer drugs, vitamins and medical adhesive bandages.

³ Here and hereinafter, data on the market and industry position are based on findings of DSM Market Research and Pharmexpert research agencies.

Veropharm was No. 4 among Russian pharmaceutical manufacturers by production volume in 2006. Veropharm produces a large number of different types of pharmaceuticals and its product portfolio contains more than 300 items.

Veropharm was the first Russian drug manufacturer to become a public company. Its shares are included in the B quotation list on the RTS (under the VRPH ticker) and they are also traded on the MICEX (VFRM ticker). As of December 29, 2006, the Company's market capitalization stood at USD 315 million. Veropharm shares are used for calculation of RTS-2 Index (for second-tier shares) and the RTS-Consumer Goods and Retail Trade Index (RTScr) indices.

II. Business Priorities

The Company's main business priorities in 2006 were as follows:

1. Regional expansion of Pharmacy Chain 36.6
2. Acquisition and integration of regional pharmacy chains
3. Development of promising new lines of business
4. Ensuring sufficient funding for Company's development
5. Improvement of the business strategy and strengthening of the market technologies
6. Making financial and management reports more transparent

III. Report of the Board of Directors on Achievement of Business Priorities

1. Regional expansion of Pharmacy Chain 36.6

The Company's five-year strategic development plan targets the increase of annual retail sales to USD 1 billion by 2008.

To achieve this goal, the Company is implementing aggressive organic growth (opening of new pharmacies) and acquiring leading regional pharmacy chains in target regions.

By the end of 2006 the Company owned 838 pharmacies in 26 regions and 80 cities. That is nearly twice more than 445 pharmacies in 2005. The company pursued energetic regional expansion in 2006.

The following acquisitions took place in 2006:

- POS Holding pharmacy chain (72 pharmacies in Moscow and St. Petersburg; sales of some USD 28.8 million in 2006)
- Pharmatsiya pharmacy chain (50 pharmacies in Perm; sales of some USD 16.1 million in 2006)
- Vita+ pharmacy chain (44 pharmacies in Orenburg; sales of some USD 23.1 million in 2006)
- Atoll Pharm pharmacy chain (43 pharmacies in Yekaterinburg and Tyumen; sales of some USD 21.3 million in 2006)
- TriPharma pharmacy chain (31 pharmacies in Rostov Region; sales of some USD 42.8 million in 2006)
- Diagnosticheskie Systemy pharmacy chain (18 pharmacies in Nizhny Novgorod; sales of some USD 13.2 million in 2006)
- Meditech pharmacy chain (17 pharmacies in Kirov; sales of some USD 9.1 million in 2006)
- Ofitsina pharmacy chain (15 pharmacies in Millerovo, Rostov Region; sales of some USD 1.4 million in 2006)
- Pharmacom pharmacy chain (13 pharmacies in Omsk; sales of some USD 4.2 million in 2006)

- Novaya Apteka-Spasatel and SPAS pharmacy chains (14 pharmacies in Krasnodar; sales of some USD 1.5 million in 2006)
- MEGG pharmacy chain (10 pharmacies in Sochi; sales of some USD 3 million in 2006)
- STPK pharmacy chain (7 pharmacies in Novosibirsk; sales of some USD 9.5 million in 2006)
- InterLek pharmacy chain (6 pharmacies in Samara; sales of some US 1.6 million in 2006)
- Pskovskaya pharmacy chain (5 pharmacies in Astrakhan; sales of some USD 3.9 million in 2006)
- PharmaMedica pharmacy chain (3 pharmacies in Novosibirsk; sales of some USD 1 million in 2006)
- SAP pharmacy chain (3 pharmacies in Voronezh; sales of some USD 0.6 million in 2006)
- Verbena pharmacy chain (3 pharmacies in Voronezh; sales of some USD 1 million in 2006)
- Variant NSK pharmacy chain (2 pharmacies in Novosibirsk; sales of some USD 0.6 million in 2006)

2. Strengthening of the Company's Competitive Advantages, including:

- Increase of sales and market share
- Development of retail trade technologies that ensure aggressive organic growth and integration of acquired companies
- Implementation of goods category management
- Creation of cosmetic and parapharmaceutical products under the 36.6 brand
- Implementation of the Malina customer loyalty program (together with other Russian retail companies)
- Improvement of purchase/sales management structure in pharmacies
- Refining operating costs in pharmacies, procurement departments and head office and establishment of a productivity control and management system

3. Development of Promising New Lines of Business

- 36.6 Pharmacy Chain has completed a deal to purchase one of the best private clinics – European Medical Center (EMC)
- In 2006-2007, the Company plans to use EMC expertise to create its own chain of medical institutions and also to implement synergies between retail and medical business
- In December 2006, the first toy stores under the Early Learning Center (ELC) brand were launched in Moscow. The stores are being opened on a franchising basis. Part of their range of toys is also offered in 36.6 pharmacies

4. Ensuring Sufficient Funding for Company Development

- The Company's credit portfolio grew to USD 253.1 million in 2006, which is 2.3 times more than in 2005
- Key lending institutions are Vneshtorgbank, Sberbank, Bank of Moscow, Petrokommertz
- In April 2006, the company made a public offering of shares in OAO Veropharm, which raised USD 53 million
- The Company placed its first ruble bond issue in 2006, helping to optimize the credit portfolio. Placement volume was RUB 3 billion and the coupon rate was set at 9.89%

5. Improvement of Business Strategy and Consolidation of Market Technologies

- The company's key business processes were streamlined, standardized and refined
- In Nizhny Novgorod Region, the Company began openings of Mila stores, which combine discount pharmacy with sales of daily-use products

- A medical directorate was created in order to improve operational management and obtain better purchasing conditions
- 36.6 added a number of exclusive products to its range as part of a strategy to differentiate itself from other pharmacy chains
- A portfolio development directorate was set up with responsibility for manufacturing of products under 36.6's private label
- The first 36.6 concept store was opened, combining an innovative approach to design with the maximum range of products and services for customers

6. Making Financial and Management Reports More Transparent

- Reorganizing and increasing efficiency of the financial service that consolidates financial and management statements and ensures budgeting, planning and financial control over Company business
- Issue of IFRS financial statements on a quarterly basis, in accordance with methods developed by the Company
- Reducing the time needed for drafting statements; consolidating financial data and audit

IV. Key Financial Indicators of Company Development in 2006

The text of the Auditor's Report on consolidated financial statements of OAO Pharmacy Chain 36.6, including financial tables and comments, is appended to the text of this Annual Report. The auditor's report is drafted in English. The text of the Auditor's Report in Russian has been drafted by OAO Pharmacy Chain 36.6 following completion of the audit.

Net sales

<i>'000 USD</i>	Consolidated	Retail	Veropharm
2006	528,878	386,243	100,462
2005	305,215	203,180	79,367
<i>Change y-o-y</i>	73.3%	90.1%	26.6%

Sales of OAO Pharmacy Chain 36.6 were up by more than 63% in 2006, reaching USD 528.9 million. Significant growth was due, first and foremost, to aggressive development of the Company's retail segment where sales surged by more than 90%. Sales in the production segment expanded by 27%, with launch of new prescription drugs. Recorded sales of EMC (purchased in 2006) were USD 10.6 million.

	Number of pharmacies, 2006	Share in sales, 2006*	Share in sales, 2005*
Moscow business unit	273	53.50%	71%
Urals business unit	224	17.80%	12%
Volga business unit	170	14.20%	11%
South business unit	100	8.30%	1%
North West business unit	39	4.20%	5%
West Siberia business unit	32	2.00%	0.4%
<i>Total for the chain:</i>	838		

* According to management statements

The share of sales in pharmacies located in Moscow declined from 71% to 53% during 2006, when regional pharmacies accounted for nearly half of sales in the Company's retail segment. Pharmacy Chain 36.6 rapidly increased sales in its new business units – South and West Siberia, – which were set up in 2006.

	Number of pharmacies	Share in sales*	Average check* (USD)
Pharmacies opened before January 1, 2005	218	50.8%	7.9
Pharmacies opened after January 1, 2005	620	49.2%	5.0
<i>Total for the chain:</i>	838		6.1

* According to management statements

Sales in 'old' pharmacies (opened before 2005) exceeded 50% of total sales by the Pharmacy Chain in 2006 and showed very strong operating results. Pharmacies, which were opened or acquired by us during 2006, are still at an early stage of development and had negative effect on financial indicators. The Company's sales growth rate will gradually decline to the average increment of sales in 'old' pharmacies as new pharmacies achieve target indicators and as re-branding of old pharmacies is completed.

Gross Profit

	2006	2005	Change
Gross profit ('000 USD)	183,438	117,827	55.7%
Retail segment	112,204	67,196	67%
Production	60,078	46,957	28%
Medical services	5,704	-	-

Consolidated gross profit increased by 56% in 2006. Gross profit increase was largely due to energetic regional development in the retail segment. Increase of gross profit in the retail segment was 67%, and growth in the production segment was 28%.

General and Administrative Costs

	2006	2005	Change
General and administrative costs ('000 USD)	170,908	104,062	64%

General and administrative costs rose by 64% in 2006. Higher administrative costs were due to the lower USD exchange rate, which led to increase of ruble-denominated costs, particularly salary payment to Company employees and administrative personnel.

EBITDA

	2006	2005	Change
EBITDA ('000 USD)	25,514	23,329	9.4%
Retail segment	-1,212	2,920	-141%
Production	29,250	25,077	17%
Medical services	2,731	-	-

Consolidated EBITDA rose by 9% to USD 25.5 million. Veropharm's EBITDA increased by 17% during the year, but near doubling of pharmacy numbers (including via organic growth) caused EBITDA to fall by 141% in the retail segment. Indicators for EMC (acquired in 2006) had impact on consolidated EBITDA.

Net Profit

	2006	2005	Change
Net profit ('000 USD)	34,498	8,296	316%

The Company's net profit increased by four times to USD 34.5 million in 2006. Significant increase in net profit was due to sale of 30% of shares in OAO Veropharm to investors in April 2006.

Debt

	2006	2005	Change
Debt ('000 USD)	253,055	109,851	130%

Indebtedness of Pharmacy Chain 36.6 more than doubled in 2006 to USD 253 million. Debt funding was mainly used for purchase of regional pharmacy chains.

V. Company Development Prospects

Our goal is to become the retail health & beauty provider of choice in Russian cities and the market leader in key categories of drugs, parapharmaceuticals, cosmetics and hygiene in priority regions of the country.

We plan to focus on aggressive development of the retail sector. Offering of shares in OAO Veropharm to a wide range of investors in the first half of 2006 was intended to help finance retail chain development and to support further growth at other pharmaceutical production facilities.

Retail Business

Two factors are crucial for our retail business at its current development stage. On one hand, large-scale retail is still a very young business in Russia, and therefore it develops rapidly, primarily in major cities. On the other hand, there are signs of growing competition on the retail pharmaceutical market.

When Pharmacy Chain 36.6 was first established, our primary focus was on achievement of market share and sales increase. Pursuant to market trends in the retail business, our top priorities in the future will continue to include growth of market share and sales volume, but we will also devote much attention to enhancing efficiency of our transactions.

Enhancing Efficiency

We are implementing a series of projects, which are intended to make our business more efficient.

Our competitive edge in the retail business is derived from our competence in retail marketing. In 2006, we continued to introduce new technologies for planning, pricing, product presentation and promotion. We have greatly expanded the range and volume of sales of goods under the 36.6 brand. We took a major role in development of the sophisticated Malina customer

loyalty program, which was launched in Moscow in spring 2006. These projects will help to strengthen our competitive advantage in retail sales technology, preparing us for the threat of increased competition, ensuring higher standards of goods and service provision to our customers, and increasing customer loyalty to the 36.6 brand.

Further Increase of Market Share

We continued our regional expansion in 2006, both by acquiring retail chains in other regions and by organic growth. We plan to open and acquire a further 600 pharmacies in 2007. The company will work hard to expand its presence in the Moscow region and in the Urals via organic opening of pharmacies, and presence in Russian regions will be reinforced by acquisition of regional pharmacy chains.

Production Business

We are confident that the main driver for rapid development of the Russian pharmaceutical market will be the segment of modern brand generics. Our strategy in this segment, now as previously, is to develop those projects and manufacture modern drugs, which have the greatest marketing and profit potential, emphasizing diversification of Company's drug portfolio.

We will further develop our competitive advantages in order to strengthen the leading positions of our production business. Veropharm's development strategy envisages 20-30% annual increase of sales, rise of profitability and strengthening of leading positions on the market.

- We will continue to be the first Company releasing generics on the Russian market of promising drugs, which are withdrawn from patent protection. Last year the Company marketed more than 80 commodity positions under its brand, and more than 200 positions are under development and in the stage of preparation for marketing. Our capacity in this area is determined by high production competence, which ensures rapid development of new drugs.
- We will continue developing our network of medical representatives in order to enhance efficiency of their communication with physicians and medical staff who make decisions on purchase of drugs and on inclusion of drugs in approved courses of treatment.

VI. Report on Payment of Declared/Accrued Dividends on Company Shares

Dividends on shares (annual and for shorter periods) were neither declared nor accrued nor paid for 2006, in accordance with the Company's dividend policy as determined in the Investment Memo as of January 30, 2003. According to these principles, the Company will accumulate income in order to ensure the Company's financial growth and development. The Company did not pay dividends for 2002, 2003, 2004 and 2005 for the same reasons. This year, the Board of Directors also recommended that dividends for 2006 should not be paid (Minutes No. 60 dated May 17, 2007)

VII. Description of Key Risk Factors Related to the Company's Business

Systemic Risks

Emerging markets, including Russia, are associated with higher levels of risk than developed markets, including in certain cases significant legal, economic and political risks. We

describe risks and uncertainties, which management judges to be important. But we may be confronted with other risks and uncertainties in the course of our business. Additional risks and uncertainties, including those we are not currently aware of or regard as minor, may also lead to reduction in revenues, increase in costs or other events that may influence the Company's business and value.

The Company operates on the Russian market and targets mainly Russian consumers. The Russian consumer market is still fairly small, poorly organized and exposed to major supply-and-demand fluctuations. Its potential is significant, but the time and speed of realization of this potential depends on a number of factors. The national consumer market is at an early stage of development, its infrastructure is still fairly rudimentary, and it may experience significant volatility in the future.

The Russian economy continued to stabilize in 2006 with positive impact on real personal income, purchasing power and consumer spending levels. However, growth of the national economy is not yet on a completely sure footing, and destabilization periods are possible in the near future. It should also be noted that very drastic reduction in inflation rates, ruble appreciation and even GDP growth may in some cases have adverse effect on the economic situation in general and the consumer sector in particular.

Imperfections of Russian law and changes in legislation represent significant risks for the business. In particular, inadequacies and ambiguity in privatization law may be used against title to privatized assets and, if an owner is unable to defend his or its legal rights or due to bias of the judicial system, illegal actions by the authorities may deprive the owner of assets, which may seriously affect monetary receipts, production level, market share or operating results. Destabilization of normal operations of companies by exploitation of legal loopholes, and through actions of inspecting and control agencies have recently become a tool for exerting pressure on businesses.

Moreover, differences in laws across different subjects (administrative regions) of the Russian Federation also have considerable influence on business of companies, which are represented in more than one region.

Risks Related to Company Structure and Business

Actions and omissions of the Company itself may also significantly impair the Company's transactions and financial standing, also in connection with the following:

- limited managerial, operating and financial resources
- growth rate of the Company itself
- growing competition on the Moscow market and other regional markets
- limited options for finding real estate and using it for trading purposes
- change in rental conditions in existing pharmacies and on the entire lease market
- integration of acquired assets and, in particular, other companies
- recruitment and retention of qualified personnel, in particular pharmacists
- violation of the Company's rights to trademarks
- failures or faults in operation of information systems
- failures in supply of raw materials and goods for resale
- investment of significant resources in obtaining permits to manufacture products, without any guarantees of the permits being obtained
- protection of rights to assets, including intellectual property

- successful market entry with new products
- renewal of agreements with trading units
- limited control over receipt of budget funds owed as payment for the Company's products
- changes in governmental purchases or allocation of funds from the state budget
- responsibility for potential environmental damage consequent upon handling of dangerous materials
- actions by competitors aimed at destabilizing Company's business
- actions by representatives of government bodies in the interests of third parties
- absence of insurance coverage (typical for scope and type of the Company's business on developed markets) for a significant occurrence
- failure to fulfill specific governmental regulations, procedures, requirements
- absence or insufficiency of specific regulation of the Company's transactions
- selective application of applicable official regulations
- introduction of additional license conditions or standards
- claims relating to our provision of pharmaceutical and medical services, which we might not have adequate resources to meet
- inclusion in Company's structure of firms, financial audit of which was not conducted during past periods.

In connection with a high level of indebtedness, the Company's business may incur material damage if claims are made for early repayment of Company's liabilities to banks and third parties

Inflation may push up our costs and reduce our operating profit.

VIII. List of Deals Entered into by the Company in the Accounting Year and Recognized, in Accordance with Federal Law No. 208-FZ dated December 26, 1995, On Joint Stock Companies, as Major Deals, Indicating Material Conditions of Each Deal and the Company's Management Body That Resolved to Approve of the Same

1) On April 24, 2006, a major deal (several related deals) was approved for placement of Three Million (3,000,000) series 01 non-convertible interest-bearing documentary bearer bonds of the Company subject to mandatory centralized storage, with nominal value of One Thousand (1,000) rubles each (hereinafter referred to as the "Bonds"), with total nominal value of Three Billion (3,000,000,000) rubles.

The deal price in monetary terms is Three Billion (3,000,000,000) rubles.

The Bonds represent more than 100% of the book value of the issuer's assets as of the expiry date of the last completed accounting period immediately preceding the deal conclusion date.

Liability performance period:

Repayment commencement date:

One Thousand Ninety Second (1,092nd) day from the Bond placement commencement date

Repayment cut-off date:

Commencement and cut-off dates of repayment of the Bonds coincide

Bond repayment form:

Payment of the par value of the Bonds at their repayment shall be made in Russian rubles, via clearing.

The procedure for and date of payment of interest (coupon) on the Bonds, including the payment date of each coupon:

Coupon (interest) period		Period (date) of the coupon payment	Date of drafting the list of Bond holders for the coupon payment
Commencement date	Cut-off date		

1. Coupon: 1

Bond placement commencement date	182 nd day from the placement commencement date for the Bonds	182 nd day from the placement commencement date for the Bonds	Payment of income on the Bonds is carried out for the benefit of Bondholders being such as of the end of the working day of the National Depository Center, preceding the third business day before the cut-off date for the first coupon period
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Coupon payment procedure:

If the coupon payment date falls on a non-working day, whether it is a national holiday or a non-working day for settlement transactions, the proper amount is paid on the first business day immediately following the non-working day. The Bondholder has no right to require that interest be accrued or any reimbursement be paid for such payment delay.

Coupon on Bonds is paid in Russian rubles via clearing.

Coupon is paid as follows:

Payment is effected in Russian currency by clearing for the benefit of Bondholders being such holders as of the end of the working day of the National Depository Center, preceding the third (3rd) business day before the date of coupon payment on the Bonds (hereinafter referred to as the "Date of Drafting the List of Holders and/or Nominal Holders of Bonds for Coupon Payment").

It is presumed that nominee holders who are depositors of the National Depository Center are authorized to receive funds when the coupon on the Bonds is paid. Depositors of the National Depository Center, being nominee holders and not authorized by their customers to receive funds in payment of the coupon on the Bonds shall, on or before 12:00 a.m. (Moscow time) on the day preceding the second (2nd) business day before the date of the coupon payment on the Bonds, transfer the list of Bondholders to the National Depository Center (NDC). The list should contain all details specified below in the List of Holders and/or nominal holders of the Bonds for the coupon payment.

A Bondholder, if he/she/it is not a depositor of the National Depository Center, may authorize a nominee holder of bonds who is the NDC depositor to receive proceeds from the coupon payment on the Bonds.

If rights of a holder to the Bonds are accounted for by the nominal holder of Bonds, and the nominee holder of Bonds is authorized to receive the coupon on Bonds, then the nominal holder of Bonds shall be meant by the person authorized to receive coupon on the Bonds. If rights of a holder to the Bonds are not accounted for by the nominee holder of the Bonds or the nominal holder of the Bonds is not authorized by the holder to receive the amounts of coupon, then the person authorized to receive coupon on the Bonds shall be understood to be the Bond

holder.

On the basis of data available and/or provided by depositors, the NDC drafts the List of Holders and/or nominal holders of Bonds for the coupon payment, which is provided to the Issuer and/or the Payment Agent on or before the second (2) business day before the date of income payment on the Bonds. The List of holders and/or nominal holders of Bonds for payment of the coupon yield includes the following data:

- a) full name (name, patronymic and family name for individuals) of the person authorized to receive coupon on the Bonds
- b) the quantity of Bonds accounted for on the deposit account of the person authorized to receive coupon on the Bonds
- c) location and mailing address of the person authorized by the holder to receive coupon on the Bonds
- d) details of the bank account of the person authorized by holder to receive coupon on Bonds, namely:
 - number of the bank account
 - name of the bank (indicating city) where the account is opened
 - correspondent account of the bank where the account is opened
 - bank identification code of the bank where the account is opened
- e) tax identification number (INN) of the person authorized to receive coupon on Bonds
- f) tax status of the person authorized to receive coupon on the Bonds (resident, non-resident with permanent representation in the Russian Federation, non-resident without permanent representation in the Russian Federation, etc.)

Bondholders, their authorized persons, including depositors of the NDC, shall independently track completeness and updates of details of the bank account, which were communicated by them to NDC. If the said persons fail to communicate or to timely communicate the said details to NDC, performance of such obligations shall be to the person that asserted a claim for performance of obligations and that is a Bondholder as of the date when the claim was made. In this case, the Issuer's performance of obligations on the Bonds shall be effected on the basis of NDC data; in which case, the Issuer's obligations shall be deemed to have been fully and properly discharged. If bank account details provided by the holder or nominee holder or available in the Depository or any other information required for the Issuer's performance of obligations with respect to the Bonds does not allow the Payment Agent to timely remit funds, then such delay shall not be regarded as delay with performance of obligations with respect to the Bonds, and the Bondholder shall not be entitled to require that interest or any other compensation be accrued for such payment delay.

The Issuer shall remit the necessary funds to the Payment Agent's account no later than on the second (2nd) business day prior to the date of coupon payment on the Bonds.

The Payment Agent shall calculate amounts of funds to be paid to each of the persons authorized to receive coupon on the Bonds based on the List of Holders and/or nominee Holders of Bonds for payment of coupon, as provided by the Depository.

On the date of coupon payment on the Bonds, the Payment Agent shall remit the necessary funds to the accounts of persons authorized to receive coupon on the Bonds, for the benefit of the Bondholders.

If one person is authorized to receive coupon on the Bonds due to several Bondholders, the total amount shall be remitted to such person, without breakdown by each of the Bondholders.

Performance of obligations with respect to the Bonds concerning a person included in the List of Holders and/or nominee holders of the Bonds for payment of the coupon shall be deemed proper, in particular, if the Bonds are disposed of after the date of drafting of the said List.

Coupon on non-placed Bonds shall be neither accrued nor paid.

The Issuer's obligations to pay coupon shall be deemed to have been discharged from the time

when the appropriate sums of money were credited to the correspondent account of the beneficiary bank.

2. Coupon: 2

182 nd day from the placement commencement date for Bonds of the issue	364 th day from the placement commencement date for Bonds of the issue	364 th day from the placement commencement date for Bonds of the issue	Payment of coupon on Bonds is carried out for the benefit of Bondholders being such as of the end of the operating day of the National Depository Center, preceding the third business day before the cut-off date for the second coupon period
<p>Coupon payment procedure: The procedure for coupon payment on the second coupon is similar to that for the first coupon.</p>			

3. Coupon: 3

364 th day from the placement commencement date for Bonds of the issue	546 th day from the placement commencement date for Bonds of the issue	546 th day from the placement commencement date for Bonds of the issue	Payment of coupon on Bonds is carried out for the benefit of Bondholders being such as of the end of the operating day of the National Depository Center, preceding the third business day before the cut-off date for the third coupon period
<p>Coupon payment procedure: The procedure for coupon payment on the third coupon is similar to that for the first coupon.</p>			

4. Coupon: 4

546 th day from the placement commencement date for Bonds of the issue	728 th day from the placement commencement date for Bonds of the issue	728 th day from the placement commencement date for Bonds of the issue	Payment of coupon on Bonds is carried out for the benefit of Bondholders being such as of the end of the operating day of the National Depository Center, preceding the third business day before the cut-off date for the fourth coupon period
<p>Coupon payment procedure: The procedure for coupon payment on the fourth coupon is similar to that for the first</p>			

coupon.

5. Coupon: 5

728 th day from the placement commencement date for the Bonds	910 th day from the placement commencement date for the Bonds	910 th day from the placement commencement date for the Bonds	Payment of coupon on the Bonds is carried out for the benefit of Bondholders being such as of the end of the working day of the National Depository Center preceding the third business day before the cut-off date for the fifth coupon period
Coupon payment procedure: The procedure for coupon payment on the fifth coupon is similar to that for the first coupon.			

6. Coupon: 6

910 th day from the placement commencement date for the Bonds	1092 nd day from the placement commencement date for the Bonds	1092 nd day from the placement commencement date for the Bonds	Payment of coupon on the Bonds is carried out for the benefit of Bondholders being such as of the end of the working day of the National Depository Center preceding the third business day before the cut-off date for the sixth coupon period
Coupon payment procedure: The procedure for coupon payment on the sixth coupon is similar to that for the first coupon. The sixth coupon is paid simultaneously with repayment of the Bonds.			

Information on fulfillment of the said obligations: as of December 31, 2006, these obligations have not become due.

Any other information on this deal:

The Bond issue is secured by a guarantee of OAO Pharmacy Chain 36.6 .

2) On September 11, 2006, a Credit Line Agreement was concluded between OAO Pharmacy Chain 36.6 (hereinafter referred to as the “Borrower”) and Amsterdam Trading Bank N.V. (hereinafter referred to as the “Lender”), whereby the Borrower is entitled to receive loans from the Lender for the total of Thirty Million (30,000,000) 00/100 Euros (disbursement limit)

Deal price in monetary terms: One Hundred and Forty Million 00/100 (30,000,000) Euros (disbursement limit)

The obligations represent 40.2% of book value of the Issuer's assets as of the expiry date of the last completed accounting period immediately preceding the Agreement:

Obligations discharge date: September 11, 2008

Information on fulfillment of these obligations: the obligations have not yet become due; there is no delay in performance.

Any other information on this Agreement:

- the loan period under the Credit Line Agreement should at least be equal to Twelve (12) months
- interest rate on loans provided under the Agreement is fixed according to terms of Amsterdam Trading Bank N.V. on the basis of one-month EURIBOR + 3.75% p.a.
- penalties: Zero point One (0.1) percent of the amount of outstanding indebtedness for each day of delay
- fee for arrangement of the credit line: One (1) percent on the disbursement under the Agreement before provision of the first loan.

IX. List of Transactions Entered into by the Company in the Accounting Year and Recognized as Interested Party Deals, with Indication of the Interested Party (Parties), Material Conditions and the Management Body of the Company that Resolved to Approve such Deals

There were no interest party deals in the accounting period.

X. Composition of the Board of Directors, Including Information on Changes in the Composition of the Board of Directors that Took Place in the Accounting Year and Information on Members of the Board of Directors, Including Brief CV's and Holding of Shares in the Company during the Accounting Year

The Board of Directors is elected by cumulative voting by the General Meeting of Shareholders; the Board of Directors consists of 5 members.

The **Board of Directors** is in charge of overall management of the Company's business, including determination of top priority lines of the Company's business.

The Board of Directors meets at least quarterly. Special sessions for resolution of strategic issues are held when necessary.

The Board of Directors approves annual budgets and the system of remuneration for top management, and makes critical strategic and investment decisions. It also reviews quarterly and annual financial reports, tracking progress towards achievement of purposes approved of in the Company's Strategic Plan.

Composition of the Board of Directors

1. **Mr. Sergey Anatolievich KRIVOSHEEV, Chairman of the Board of Directors**
2. **Mr. Artem Albertovich BEKTEMIROV**
3. **Mr. Michael OBERMAYER**
4. **Mr. Vasiliy Adrianovich RUDOMINO**
5. **Mr. Vladimir Viktorovich STOLIN**

Mr. Sergey Anatolievich Krivosheev (Chairman of the Board of Directors): co-founder of the Company Vremya in 1991 and Chairman of the Board of Directors of Vremya since 1996. Education: higher economic, Ph.D. in Pharmaceuticals, Sechenov Moscow Medical Academy.

Mr. Artem Albertovich Bektmirov (CEO): Co-founder of Vremya in 1991; CEO of Vremya in 1996-2002; member of the Board of Directors since 1998. Education: higher economic, international economic relations, Moscow State Institute of International Relations.

Mr. Vasilij Adrianovich Rudomino is a founder and partner of ALRUD law firm (Moscow, Russia). Mr. Rudomino has been a top manager of the firm for 12 years; attorney-at-law, Chairman of the ALRUD Bar. He is member of the International Bar Association, member of the Board of IAG International. Mr. Rudomino is also a Board member of the International Lawyers Group in Moscow, member of the Guardianship Board of the M.I. Rudomino All-Russian National Library for Foreign Literature. Education: higher legal education, international business law, Moscow State Institute of International Relations.

Mr. Michael Obermayer – since 2004, Director Emeritus of McKinsey & Company, advisor to General Managers on Strategic Issues and member of Boards of Directors at a number of European companies. In the past, he held leading managerial positions with McKinsey & Company, including the position of Director of the Norwegian Branch, Chairman for the East European Region and Director and Senior Partner of the Company. Education: Master of Science in Chemical Engineering, Royal Institute of Technology, Stockholm; Candidate of Science in Biochemistry at the Biochemistry Institute of the Max Plank and Munich University, and MBA from INSEAD Business School.

Mr. Vladimir Viktorovich Stolin is Chairman of the Board of Directors at Ecopsy Consulting JSC (consulting company), which he founded and headed since 1989. Mr. Stolin has higher education, a Ph.D. in Psychology, and a Professorship.

Shareholdings of BoD Members in OAO Pharmacy Chain 36.6: Mr. S.A. Krivosheev and A.A. Bektmirov jointly own 66.9% of the company as of December 31, 2006.

XI. Information on the Company's CEO and Members of the Management Board, including Brief CV's and Holdings of Company Shares during the Accounting Year
The CEO manages day-to-day business and is a member of the Board of Directors.

Mr. Artem Albertovich Bektmirov is the Company's CEO. He was a co-founder of Vremya in 1991 and CEO of Vremya in 1996-2002; he has been a member of the BoD since 1998. Education: higher economic, international economic relations, Moscow State Institute of International Relations.

According to the Company's Articles of Association, the Management Board is a collegial executive body of the company that comprises 7 persons.

The Company's Management Board was elected at the Board of Directors' meeting on August 16, 2002, for two years. The term of office of the Management Board expired on August 16, 2004.

The Management Board is not established at the present time.

XII. Criteria for Determining the Nature and Amount of Remuneration (Reimbursement for Costs) of the CEO, Each Member of the Management Board and Each Member of the

Board of Directors of the Company or Total Remuneration (Reimbursement for Costs) of All These Persons or Paid for the Accounting Year

No additional remuneration (reimbursements), besides salary, is envisaged for the Company's CEO. Pursuant to resolution of the annual General Meeting of Shareholders dated June 26, 2006, remuneration in the equivalent of USD 20,000 at the CBR exchange rate in rubles is paid to members of the Board of Directors who perform their functions in accordance with the Articles of Association and Regulations of the Board of Directors of OAO Pharmacy Chain 36.6.

XIII. Information on the Company's Compliance with the Corporate Conduct Code

We respect rights and legal interests of all participants in the Company's corporate governance and strive to ensure that the Company's corporate management system meets all legal requirements, is based on the best global and Russian practice of corporate conduct, and promotes appreciation of Company value and well-being of all stakeholders.

In creating, operating and improving our corporate conduct system, we are governed by the Corporate Conduct Code of the FCFM (Federal Commission for the Securities Market), entailing the following priorities:

- Providing shareholders with real opportunity to exercise their rights to participate in the Company and guarantee of equal treatment of shareholders holding equal number of shares of one category
- Execution by the Board of Directors of strategic management of the Company's business and efficient control over operations of the Company's executive bodies, including engagement of and assistance from an independent auditor
- Timely, comprehensive and reliable disclosures on the Company's business and communication of such information to all stakeholders and participants in corporate governance.