

IN Q1 2009 OJSC "PHARMACY CHAIN 36.6" REPORTS CONSOLIDATED EBITDA OF 212 MILLION RUBLES ON BACK OF IMPROVED RETAIL UNIT RESULTS

JULY 2, 2009, MOSCOW – OJSC Pharmacy Chain 36.6 [RTS:APTK; MICEX:RU14APTK1007] the leading Russian pharmaceutical retailer announces unaudited Q1 2009 financial results prepared in accordance with the International Financial Reporting Standards (IFRS).

GROUP HIGHLIGHTS OF Q1 2009:

- Retail unit EBITDA improved by more than 300 million rubles versus Q1 2008;
- Group revenue from ongoing operations¹ decreased by 10.9% to RUR 5 864.0 mln;
- Gross profit from ongoing operations¹ increased by 5.4% to RUR 2 080.7 mln, 35.5 % of consolidated revenues;
- Consolidated EBITDA from ongoing operations¹ reached RUR 211.8 mln from RUR -59.1 mln in Q1 2008;
- Underlying Net loss from ongoing operations¹ (excluding foreign exchange effect) decreased from RUR 614.2 mln in Q1 2008 to RUR 320.3 mln in Q1 2009, a 47.9% improvement;
- The retail unit organically opened 7 and closed 50 stores in Q1 2009.

Group consolidated financial results

	period ends					
	Q1, mln RUR			Q1, mln USD		
	2009	2008	ch, %	2009	2008	ch, %
Revenue	5 864.0	6 744.4²	-13.1%	172.8	278.0²	-37.8%
<i>Retail</i>	4 792.5	5 582.6	-14.2%	141.2	230.1	-38.6%
<i>Veropharm</i>	912.8	842.4	8.4%	26.9	34.7	-22.5%
<i>other</i>	158.7	319.4	-50.3 ³ %	4.7	13.2	-64.4%
Gross profit	2 080.7	2 058.2²	1.1%	61.3	84.8²	-27.7%
<i>Retail</i>	1 450.5	1 409.8	2.9%	42.7	58.1	-26.5%
<i>% of sales</i>	30.3%	25.3%	19.8%	30.2%	25.2%	19.8%
<i>Veropharm</i>	590.3	529.6	11.5%	17.4	21.8	-20.2%
<i>% of sales</i>	64.7%	62.9%	2.9%	64.7%	62.8%	3.0%
<i>other</i>	39.9	118.8	-66.4 ³ %	1.2	4.9	-75.5%
EBITDA	211.8	-19.5²	-1186.2%	6.2	-0.8²	-875.0%
<i>Retail</i>	38.3	-270.6	-114.2%	1.1	-11.2	-109.8%
<i>% of sales</i>	0.8%	-4.8%	-116.5%	0.8%	-4.9%	-116.0%
<i>Veropharm</i>	196.1	222.1	-11.7%	5.8	9.2	-37.0%
<i>% of sales</i>	21.5%	26.4%	-18.5%	21.6%	26.5%	-18.7%
<i>other</i>	-22.6	29.0	-177.9 ³ %	-0.7	1.2	-158.3%
Net profit	-648.5	-588.3²	10.2%	-19.1	-24.2²	-21.1%
<i>Retail</i>	-756.3 ⁴	-761.5 ⁵	-0.7%	-22.3	-31.4	-29.0%
<i>Veropharm</i>	130.6	153.4	-14.9%	3.8	6.3	-39.7%
<i>other</i>	-22.8	19.8	-215.2 ³ %	-0.6	0.9	-166.7%

¹ Ongoing operations results exclude operating results of EMC which was sold in May 2008.

² Including operating results of EMC

³ Significant worsening of Other Revenue, Other Gross Profit, Other EBITDA and Other Net profit by 50.3%, 66.4%, 177.9% and 215.2% accordingly in Q1 2009 versus Q1 2008 is mainly due to the fact that the Company no longer consolidates the operation of the European Medical Center.

⁴ Including RUR 100.8 mln minority interest in Veropharm.

⁵ Including RUR 73.6 mln minority interest in Veropharm.

Commenting on Q1 2009 results Jere Calmes, President of OAO Pharmacy Chain 36.6 and CEO of the Management Company, said:

"Our Q1 2009 results underscore the operational improvements made across the Group's pharmaceutical retail chain, especially in the Moscow-Central Business Unit, and the solid performance of our manufacturing unit, Veropharm. Nevertheless, our current operating environment remains severely strained and we continue to work with our Board of Directors to raise the required funding to complete our turnaround."

RETAIL UNIT:

REVENUE

As compared to the relative period the year before, in Q1 2009 sales of the retail unit decreased by 14.2% in ruble terms from RUR 5 582.6 mln to RUR 4 792.5 mln driven by the closure of non-performing stores and a drop in like for like sales.

Like-for-like sales⁶ in Q1 2009 versus Q1 2008 decreased by 8% in ruble terms (by 35% in dollar terms) driven by partial stock outs and a decline in customer traffic. L-f-L average check in Q1 2009 compared with Q1 2008 increased by 17% in ruble terms (decreased by 17% in dollar terms); traffic decreased by 21%.

GROSS MARGIN

The retail operations posted a gross margin increase from 25.3% in Q1 2008 to 30.3% in Q1 2009 due to the continuing improvements in private label penetration, centralized purchasing and pricing management.

	RETAIL UNIT					
	Q1, mln RUR			Q1, mln USD		
	2009	2008	ch. %	2009	2008	ch. %
<i>Sales</i>	4 792.5	5 582.6	-14.2%	141.2	230.1	-38.6%
<i>Gross profit</i>	1 450.5	1 409.8	2.9%	42.7	58.1	-26.5%
<i>% of sales</i>	30.3%	25.3%		30.3%	25.3%	

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses dropped by 16.1% in ruble terms from RUR 1 794.5 mln in Q1 2008 to RUR 1 507.9 mln in Q1 2009 due to closure of non-performing stores, reduced headcount and decreased expenses for logistics.

As a percentage of sales, SG&A decreased from 32.1% in Q1 2008 to 31.5% in Q1 2009.

	RETAIL UNIT					
	Q1, mln RUR			Q1, mln USD		
	2009	2008	ch. %	2009	2008	ch. %
<i>SG&A</i>	1 507.9	1 794.5	-16.0%	44.4	74.0	-40.0%
<i>% of sales</i>	31.5%	32.1%		31.5%	32.1%	

Q1 2009 store level performance of like-for-like stores demonstrated the following results:

⁶ The L-F-L reporting is executed for a selection of comparable stores, which are:

- opened or acquired 24 months from the current reporting period, and
- neither rebranded nor reformatted or somehow significantly changed during last 24 months, and
- not closed in the current reporting period.

As of the end of Q1 2009 the company operates 619 comparable stores which make 66% of sales and 62% of traffic in the retail unit.

<i>RUR, mln</i>	Q1 2009			Q1 2008			ch, %		
	Moscow	Regions	Total	Moscow	Regions	Total	Moscow	Regions	Total
Net Sales	1 404.5	1 748.8	3 153.3	1 419.2	2 025.8	3 444.9	-1.0%	-13.7%	-8.5%
Gross profit	485.2	458.6	943.8	431.0	488.7	919.7	12.6%	-6.2%	2.6%
%	34.6%	26.2%	29.9%	30.4%	24.1%	26.7%			
Store level expenses	340.8	257.4	598.2	354.7	273.8	628.5	-3.9%	-6.0%	-4.8%
%	24.3%	14.7%	19.0%	25.0%	13.5%	18.2%			
Rent	151.7	89.2	240.9	138.1	82.4	220.5	9.8%	8.3%	9.3%
Personnel	150.8	133.0	283.8	144.5	138.7	283.2	4.4%	-4.1%	0.2%
Other	38.3	35.2	73.5	72.1	52.7	124.8	-46.9%	-33.2%	41.1%
Store level Operating profit	144.4	201.2	345.6	76.3	214.9	291.2	89.3%	-6.4%	18.7%
%	10.3%	11.5%	11.0%	5.4%	10.6%	8.5%			
<i>Nr comparable stores</i>	<i>189</i>	<i>430</i>	<i>619</i>	<i>189</i>	<i>430</i>	<i>619</i>			

Store level operating profit in Like-for-like stores increased by 18.7% from RUR 291.2 mln in Q1 2008 to RUR 345.6 mln in Q1 2009 due primarily to the recovery of the Moscow – Central Business unit.

TRADE ACCOUNTS PAYABLE

At the end of Q1 2009 trade accounts payable reached RUR 5 645.7 mln (USD 166.0 mln) as compared with RUR 4 969.8 mln (USD 211.3 mln) in the similar period last year and RUR 5 667.2 mln (USD 192.9 mln) at the end of 2008 as extended payment terms from manufacturers and suppliers were negotiated and working capital was used to meet financial debt obligations.

INVENTORY

Inventory average days turnover decreased to 57 days at the end of Q1 2009 from 70 days at the end of Q1 2008. Inventory has been reduced by 30.9% to RUR 2 319.4 mln (USD 68.2 mln) at the end of Q1 2009 compared with RUR 3 357.2 mln (USD 142.8 mln) at the end of Q1 2008. The reduction resulted primarily from a dedicated program aimed at reducing slow-moving goods in the Company's assortment.

OTHER BUSINESSES

Veropharm

For the latest update on Q1 2009 performance please refer to the official press-release of the company as of May 27th, 2009.

ELC

Early Learning Center revenue consolidated by the Group (which is 50% of the total revenue) reached RUR 28.8 mln (USD 0.8 mln), a 31% growth in Q1 2009 versus Q1 2008 in ruble terms driven primarily by organic store openings and a 21.9% increase in L-f-L sales.

As of the end of Q1 2009, the unit operated 9 stores.

GROUP FINANCIAL DEBT

Group Financial Debt in rubles at the end of Q1 2009 increased to RUR 4 838.3 mln (USD 142.2 mln) from RUR 4 389.2 mln (USD 149.4 mln) at the end of 2008 due to a drop in ruble exchange rate to the

dollar and increased debt of Veropharm by RUR 142.2 mln (USD 4.2 mln). At the end of Q1 2009 the Retail unit debt stood at RUR 4 068.3 mln (USD 119.6 mln) with 44.8% denominated in dollars and Veropharm debt stood at RUR 770.0 mln (USD 22.6 mln) with 28.1% denominated in dollars. 98.8% of the Group's debt is short-term.

GROUP FINANCIAL COSTS AND FOREIGN EXCHANGE REVALUATION

Despite a significant decrease of the Group's financial debt in 2008, in Q1 2009 financial costs grew by 12.5% and reached RUR 301.1 mln driven by a drop in the ruble dollar exchange rate, dollar-based costs associated with the Group's Glazar JV, and increased interest rates. In dollar terms, the Group's financial costs decreased by 19.1 % to USD 8.9 mln. Group Q1 2009 foreign currency exchange loss amounted to RUR 328.3 mln (USD 9.7 mln) compared with RUR 2.8 mln (USD 0.1 mln) gain in Q1 2008.

INVESTMENTS

In Q1 2009 the Group reduced total investments to RUR 24.8 mln in order to conserve cash.

GROUP NET PROFIT

Net loss from ongoing operations⁷ increased by 4.1% from RUR 623.0 mln (USD 25.7 mln) in Q1 2008 to RUR 648.5 mln (USD 19.1 mln) in Q1 2009.

Underlying Net loss from ongoing operations¹ (excluding foreign exchange effect) decreased from RUR 614.2 mln in Q1 2008 to RUR 320.3 mln in Q1 2009, a 47.9% improvement.

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For further information please refer to:

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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 1, 2009 totaled USD 85.5 mln (according to RTS). Pharmacy Chain 36.6 operates more than 1000 stores in 29 regions and 90 cities in Russia.

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 July 1, 2009 was USD 200 mln (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. The

⁷ Ongoing operations results exclude operating results of EMC which was sold in May 2008.

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OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS STATEMENT
Q1 2009 ending 31 March 2009 (mln. rubles)

	Q1 2009	Q1 2008
Revenue	5 864.0	6 744.4
Cost of sales	(3 783.3)	(4 686.1)
Gross profit	2 080.7	2 058.2
Selling, general and administrative expenses	(2 001.1)	(2 230.3)
Impairment of goodwill	-	-
Operating income/loss	79.6	(172.0)
Finance costs	(301.1)	(267.5)
Other income (loss)	(8.4)	(2.0)
Foreign currency exchange gain (loss)	(328.3)	2.8
Income/(loss) before tax and investment activity	(558.1)	(438.8)
Gain on sale of investment	-	-
Income tax expense	10.4	(75.8)
Loss for the period	(648.5)	(588.3)
Attributable to:		
Minority interest	(100.8)	(73.6)

OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
At 31 March 2009 (mln. rubles)

	Q1 2009	Q1 2008
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment	3 215.4	4 498.5
Goodwill	4 935.9	6 086.7
Intangible assets	280.4	297.3
Other assets	54.9	43.9
Total non-current assets	8 487	10 926
CURRENT ASSETS:		
Inventories	3 053.0	4 095.0
Accounts receivable	3 177.7	2 530.0
Other receivables and prepaid expenses	1 662.4	1 200.9
Cash and bank balances	766.4	804.6
Total current assets	8 659.6	8 630.5
TOTAL ASSETS	17 146.2	19 556.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	6.0	6.0
Additional paid-in capital	2 796.1	2 796.1
Translation reserve	-	-
Retained earnings	(3 192.4)	(1 495.4)
Total shareholders' equity	(390.4)	1 306.7
MINORITY INTERESTS IN EQUITY OF SUBSIDIARIES		
LONG-TERM LIABILITIES:		
Borrowings	58.5	494.2
Share-based payment liability	-	23.6
Deferred tax liabilities	(4.8)	42.0
Long term lease payable	7.1	12.7
Total long-term liabilities	60.7	572.6
CURRENT LIABILITIES:		
Accounts payable	6 120.6	5 543.2
Borrowings	4 779.8	6 261.5
Other payables and accrued expenses	1 273.3	1 390.3
Taxes payable	527.8	613.7
Current portion of share-based payments liability	(0)	32.5
Current portion of lease payable	32.0	47.4
Total current liabilities	12 733.4	13 888.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	17 146.2	19 556.9

OA0 PHARMACY CHAIN 36.6 AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
At 31 March 2009 (mln. rubles)

	Q1 2009	Q1 2008
OPERATING ACTIVITIES		
Income/loss before taxation and minority interest	(558.1)	(438.8)
Gain on sale of investment	-	-
Depreciation and amortization	132.1	152.6
Loss on sale of securities	-	-
Loss on disposal of property, plan and equipment and unrealized investments	-	-
Profit on disposal of subsidiary	-	-
Impairment recognized (reversed) on accounts receivable	(1.1)	(27.9)
Unused vacation provision	23.4	27.0
Inventory provision and write-off	44.8	49.9
Other	-	-
Impairment of goodwill	-	-
Share based payments expenses	-	3.0
Foreign exchange loss/(gain)	328.3	(2.8)
Finance costs	301.1	267.5
Operating cash flow before working capital changes	270.5	30.5
Increase in inventories	(210.6)	(82.4)
Increase in accounts receivable	127.6	(26.3)
Increase in other receivables and prepaid expenses	86.7	4.5
Increase in accounts payable	50.2	805.2
Increase in other payables and accruals	(241.4)	(36.6)
Cash generated from operations	83.0	694.9
Income taxes paid	(87.9)	(67.1)
Finance costs paid	(177.1)	(94.5)
Net cash generated by (used in) operating activities	(181.9)	533.4
INVESTING ACTIVITIES		
Net cash outflow on acquisition of subsidiaries	-	(100.1)
Purchase of property, plant and equipment	(21.4)	(36.2)
Purchase of intangible assets	(3.4)	7.7
Proceeds from sale of property, plant and equipment	-	-
Proceeds from partial disposal of subsidiary	-	-
Proceeds from disposal of subsidiaries, net of cash disposed	-	-
Net cash generated by (used in) investing activities	(24.8)	(128.6)
FINANCING ACTIVITIES		
Proceeds from borrowings	270.7	(411.4)
Repayments of borrowings	-	-
Proceeds from issuance of ordinary shares, net	-	-
Proceeds from consortium of investors	-	-
Distributions paid to minority shareholders	-	-
Net cash (used in) generated by financing activities	270.7	(411.4)
Effect of translation to presentation currency	-	-
Net (decrease) increase in cash and cash equivalents	63.9	(6.5)
Cash and cash equivalents at beginning of the period	702.4	807.2
Cash and cash equivalents at end of the period	766.4	800.7