



**OFFICIAL COMMENTS ON PHARMACY CHAIN 36.6
Q3 and 9M 2008 IFRS RESULTS**

by

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CEO at Pharmacy Chain 36.6**

Hello Everyone,

Thank you for joining us today.

For the first 9 months of this year, the task of our management team has been rectifying the difficult challenges facing 36.6 in regards to improving the performance of the retail segment and addressing the Company's liquidity. Although there have been some notable achievements manifesting themselves in our Q3 financial results, the world wide economic crises has created a very difficult environment as we look forward.

Today I'd like to briefly touch upon the year to date achievements and operational indicators as well as address some of the more pronounced issues facing our Company as we work to weather this economic storm.

As you can see from our press release published earlier today, our year over year top line growth reached 38% over the same period last year as our retail and manufacturing units remain the key drivers to the Group's consolidated results.

Veropharm

In the third quarter, Veropharm continued to demonstrate strong financial performance increasing its Net Profit by 44% over the prior year period. Veropharm's management remains focused on further product introductions and transforming and optimizing production facilities while continuing to focus on working capital.

Non-core

In regard to our non-core businesses in the third quarter and as previously guided we sold a part of our closed-end real estate fund generating \$37 million in net cash proceeds. Working with our fund management Company, Renaissance Capital, we sold approximately 43% of the fund in the third quarter and prior to the economic down turn that has seen prices for real estate and other assets drop considerably.

Our 50% owned Early Learning Center project continued to exhibit solid performance at the store level and increased its revenues by 46% versus the third quarter last year. The Company's 10 stores in Moscow are gearing up for the new year's season, however management has reported some 'softer' numbers in October and November and is therefore preparing contingency plans to deal with any possible drop in demand for their goods. The project has no external financial debt and has sufficient cash to grow, perhaps using the recent downturn to maximize any potential opportunities.

And now focusing on our Retail unit:

We are very pleased to announce a positive EBITDA result for the third quarter in the retail unit. In the first 9 months of this year, we can point to a number of noteworthy achievements, but as I've already mentioned, the current business environment creates a number of key challenges with the main one being keeping our stores properly stocked.

The current crisis is having a dramatic effect on bank lending, having all but closed the ability to raise and refinance debt. In addition, the rising strength of the US dollar against the ruble and the uncertain economic outlook will likely result in a more cautious approach from consumers in the coming months. Moving into these difficult times requires that a Company better prioritize its spend and investment, continues to improve its operational efficiency, and sharpens its focus on its core business. The management team at 36.6 has been doing just this.

During the first 9 months of 2008, we closed 125 stores reducing our net number of pharmacies in operation to 1 168. Moving forward into this more difficult economic environment, we will continue to focus on improving or weeding out non-performing stores. Likewise, until we have adequately resolved the issues with liquidity, we have virtually suspended investments into new store openings and will therefore continue to see a declining store count through the end of this year and the beginning of next.

We continued to reduce our SG&A and have reduced expenses in absolute terms for the second quarter in a row. This has resulted in an improved SG&A to revenue number over last year in the third quarter by 4.4 percentage points. Our headcount in the retail segment at the end of nine months was 1,107 less than at the beginning of the year with more than 50% of these reductions coming from the administrative level. Going forward, we will continue to rigorously reduce expenses through further optimizations of our logistics infrastructure, automating acquired stores, consolidating more activity at our Voronezh shared services center as well as further streamlining our regional and functional organizations as we integrate the previous years' acquisitions.

In the third quarter we have seen a significantly improved gross margin. It is due to a recovery of gross profit in the Moscow business unit, significant penetration of our private label goods and better Q3 pricing and credits from suppliers.

As you know, we do have some challenges with key distributors; we are working to resolve those issues as soon as possible.

Moving forward into this tough global economic environment we expect to see some downward pressure on margins due to rising input prices and more aggressive promotional activity. We expect to see gross margins in the 27-29 percent range in the coming months.

Other notable achievements of our third quarter were the exceptionally strong improvements over last year in the Moscow Business Unit, the complete transfer and outsourcing of our National Distribution Center to a professional pharmaceutical logistics service provider and growing our private label assortment to 585 SKU's.

Allow me now to address the Group's debt situation. As of the end of September, our Group debt stood at \$193.8 million dollars, or 34% less than the beginning of the year. The bulk of our debt is in the retail business and as we previously announced, refinancing this debt was a key priority for 2008 while we worked with the Board to find a long-term solution.

Due to the very difficult refinancing environment, we have decreased our debt through the sale of non-core assets and our operating cash flows. This reduction has helped to reduce our quarterly financing costs over last year by \$2.4 million dollars, however, our accounts payable, particularly in the retail segment, has grown as we have stretched payables in order to meet our various financial obligations. This is having a negative impact on our current operations primarily causing stock outs to increase.

We continue to work closely with our partners and vendors to improve the commercial and credit terms for our purchased goods and we continue to extract cash from current stocks while simultaneously optimizing our assortment plan.

It is our key priority to secure a long term funding solution for our retail business and the management and Board of Directors continue to pursue all available options in this regard.

And now let's have Dimitry run through the financial details of our Q3 and 9M results:

- Detailed financials and trends
- Cash Flow
- Government support for the pharmaceutical sector – tax treatment, backing of key officials.

We recently received a favorable tax ruling which postponed system which was to come into effect on January 1 2009. As a result of our through the Russian Association of Pharmaceutical Retailers and as a part of the governmental anti-crises plan, the cancellation of the ENVD as it pertains to pharmaceutical retailers was postponed until January, 2011. The primary impact of this development is that our stores will not need to raise prices in order to account for VAT, which would have been a potentially uncompetitive situation, and we will not be subject to increased social taxes on our payroll.

Thank you Dimitry

In conclusion I'd like to say that Pharmacy Chain 36.6, its management and Board of Directors, are taking all possible steps to improve the overall health of our Company and find a funding solution. As we move further into this global economic crises, our focus will remain towards optimizing current operations, rigorously attacking costs, and providing our customers with the products and services they need.

Maksim, we would like to open the call for questions.