



PRESS-RELEASE

FOR IMMEDIATE RELEASE

17 AUGUST 2005

**PHARMACY CHAIN 36.6 REPORTS
2005 SEMIANNUAL RESULTS**

17 AUGUST 2005, Moscow – OAO Pharmacy Chain 36.6 [MICEX: RU14APTK1007; RTS: APTK] released today its unaudited 2005 semiannual financial results prepared in accordance with International Financial Reporting Standards (IFRS).

In the first half of the year, Pharmacy Chain 36.6 expanded further into the regions, boosting retail sales by 52.9% while experiencing a net loss of USD 2.5 million. During this period, the Company opened 47 pharmacies and rebranded 9 pharmacies in both established markets as well as in new markets such as Samara, Yekaterinburg, Novosibirsk, Perm and Kazan.

Sales

- Consolidated 1H2005 sales at Pharmacy Chain 36.6 were USD 135 million, a 41.4% y-o-y increase.
- Sales at pharmacies amounted to USD 92.4 million, an increase of 52.9% on the previous year. This increase can be attributed primarily to new pharmacies opened in 2004. These new 69 pharmacies accounted for USD 24.8 million, or approximately 78% of total sales growth.
- In 1H2005, net sales reached USD 33.7 million at Veropharm, the Company's generic pharmaceuticals subsidiary. This is a 22.4% increase from 1H2004. A government reimbursement programme continued in 2Q2005, when the first payments were received for previous shipments.

Profits

- While the retail margin of 32.1% was slightly lower than the previous year due to the expansion of regional operations, Veropharm's margin continued to grow, reaching 60.1%. The overall consolidated gross profit grew to 35%.
- Further store openings brought retail EBITDA margin down to 2.5%.
- Veropharm's EBITDA was up by 33.6% to USD 9.5 million.
- Consolidated net income fell to USD -2.5 million.

2005 Investment and Other Results

- Pharmacy Chain 36.6 made investments of USD 11.6 million, including the purchase of real estate in Moscow and other regions, the acquisition of a pharmacy chain in Novosibirsk, and the new marketing programme investments.
- The Company's expansion was further financed by debt. Total debt reached USD 97.6 million by the end of 1H2005.

Comments:

Artem Bektemirov, Chief Executive Officer:

"This is not the first time that we have experienced a net loss in our interim results. Our strategy calls for ambitious, rapid growth in the initial stages. This is rarely possible without some short-term downturns, but we will see the benefits in the long term. At the same time, we are taking measures to improve the performance of existing stores. It is important to note that the pharmacies which we opened in 2004 accounted for about 78% of total sales growth in the first half of this year. We look forward to operating more than 400 pharmacies by the end of 2005. In 1H2005 we expanded into a number of important markets in central Russia, the Urals and the Volga region. 36.6 pharmacies were opened in Yekaterinburg, Samara, Kazan, Perm and other cities."

Svein Aage Olsen, Chief Finance Officer:

"During 1H2005 we gradually ramped up our pharmacies that were purchased and opened this year, though the resulting increase in sales was lower than expected. We do not expect significant growth in our total credit portfolio in 2H2005. Pharmacy Chain 36.6, together with The Bank of Moscow, is organising a syndicated loan, which will allow us to extend our debt maturities and decrease our debt service expenses."

Semiannual 2005

\$mln.	CONSOLIDATED			RETAIL			VEROPHARM		
	6m2005	6m2004	change	6m2005	6m2004	change	6m2005	6m2004	change
Net sales	135,2	95,6	41,4%	92,4	60,4	52,9%	33,7	27,5	22,4%
Gross profit	51,2	37,9	35,0%	29,6	20,8	42,8%	20,3	16	27,0%
<i>Margin</i>	37,9%	39,7%		32,1%	34,4%		60,1%	58,0%	
EBITDA	9,1	9,7	-6,1%	2,3	4,9	-52,9%	9,5	7,1	33,6%
<i>Margin</i>	6,7%	10,2%		2,5%	8,1%		28,2%	25,8%	
Net income	-2,5	2,1	-222,0%						
	6m2005	FY2004	change						
Total Assets	189,5	172,3	17,2						
Equity	39,6	43,5	-3,9						
Bank Debt	97,6	80,4	17,2						

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Notes to the Editor:

Pharmacy Chain 36.6 is the first public national health and beauty retailer listed both on MICEX (ticker: RU14APTK1007) and RTS (ticker: APTK). Market capitalisation as of 01.06.05 was approximately USD 164 million based on RTS share prices.

The Company currently operates over 300 stores in 14 regions and 45 cities in Russia.

Veropharm, the Company's generics subsidiary, is one of Russia's top five manufacturers.

Pharmacy Chain 36.6 is one of the founding members of the Russian Association of Pharmacy Chains (RAPC).

Pharmacy Chain 36.6 employs over 6,000 people.

Some of the information contained in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Pharmacy Chain 36.6 OJSC, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We wish to caution you that these statements are only predictions and, those actual events or results may differ materially. We do not intend to update these statements to conform them to actual results. We refer you to the documents Pharmacy Chain 36.6 OJSC files from time to time with the Russian Federal Securities Commission. These documents contain and identify important factors. These factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, potential fluctuations in quarterly results, and risks associated with our competitive environment, acquisition strategy, ability to develop new products or maintain market share, brand and company image, operating in Russia, volatility of stock price, financial risk management, and future growth.

OAD PHARMACY CHAIN 36.6 AND SUBSIDIARIES**CONSOLIDATED INCOME STATEMENT****AS OF JUNE 30, 2005***(in US dollars and in thousands, with the exception of income per share data)*

	<u>6m2005</u>	<u>6m2004</u>
Net sales	135 171	95 589
Cost of sales	-83 969	-57 646
Gross profit	<u>51 202</u>	<u>37 943</u>
Selling, general and administrative expenses	-45 799	-31 989
Other operating income, net	<u>0</u>	<u>647</u>
Operating income	5 403	6 601
Interest expense	-5 452	-3 588
Non-operating expenses (net)	-937	-78
Foreign currency exchange loss/gain	-27	106
Income before taxation and minority interest	<u>-1 012</u>	<u>3 041</u>
Income tax expense	-1 486	-940
Minority interest	-19	-38
Net income	<u><u>-2 518</u></u>	<u><u>2 063</u></u>
Earnings per share:		
Net income per share	USD -0,31	0,26
Weighted average number of shares (in thousands)	8 000	8 000

OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2005
(in US dollars and in thousands)

	6m2005	3m2005	FY2004
ASSETS			
NON-CURRENT ASSETS:			
Intangible assets, net	24 218	25 031	24 905
Property, plant & equipment, net	79 055	76 527	74 816
Other long-term assets	1 141	0	36
Total non-current assets	104 414	101 558	99 757
CURRENT ASSETS:			
Inventories	31 897	31 353	30 283
Accounts receivable (net of bad debt provision)	29 582	25 835	23 848
Other receivables and prepaid expenses	21 028	17 266	16 727
Cash&Cash equivalents	2 553	4 341	1 662
Total current assets	85 061	78 795	72 520
TOTAL ASSETS	189 475	180 353	172 277
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY:			
Share capital	181	184	185
Additional paid-in capital	15 010	15 469	15 512
Other reserves	3	0	0
Retained earnings	24 380	26 753	27 765
Total shareholders' equity	39 574	42 406	43 462
MINORITY INTEREST	2 430	2 527	2 492
LONG-TERM LIABILITIES:			
Long-term debt	8 022	11 737	7 208
Deferred taxation	7 326	7 736	8 318
Long-term portion of the finance leases payable	39	0	28
Total long-term liabilities	15 387	19 473	15 554
CURRENT LIABILITIES:			
Accounts payable	34 324	32 176	29 551
Other payables and accrued expenses	8 106	8 957	7 926
Current portion of long-term debt	89 570	74 728	73 215
Current portion of lease payable	84	87	77
Total current liabilities	132 084	115 947	110 769
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	189 475	180 353	172 277

OA0 PHARMACY CHAIN 36.6 AND SUBSIDIARIES
CONSOLIDATED STATEMENT CASH FLOWS
AS OF JUNE 30, 2005
(in US dollars and in thousands)

	6m2005	3m2005	FY2004
OPERATING ACTIVITIES:			
Income before taxation and minority interests	-990	-906	3 545
Adjustments to reconcile income before taxation and minority interest to net cash used in operating activities:			
Effect of depreciation and amortization	3 707	1 794	7 008
Effect of loss on disposal of property, plant and equipment	99	60	157
Effect of loss on disposal of other receivables	946	0	0
Effect of provision for doubtful receivables	54	0	852
Effect of gain on disposal of debt	-108	0	0
Foreign exchange (gain) loss on financing and investing activities	27	-3	-149
Interest expense	5 464	2 591	7 968
Operating cash flow before working capital changes	9 198	-1 646	19 381
Changes in operating assets and liabilities			
Accounts receivable	-5 684	-2 211	-3 946
Other receivables and prepaids	-5 404	-646	-3 130
Accounts payable	4 770	2 616	7 683
Other payables and accruals	-693	4 354	966
Inventories	-1 615	-1 070	-4 928
Cash flow from operations	572	1 398	16 026
Income taxes paid	-1 342	-282	-1 669
Interest paid	-5 477	-2 292	-8 392
Net cash outflow from operating activities	-6 247	-1 176	5 965
INVESTING ACTIVITIES:			
Acquisitions of businesses, net of cash acquired	-842	0	-27 625
Purchase of property, plant, equipment	-9 753	-2 764	-12 767
Proceeds on disposal of property, plant, equipment	0	0	99
Purchase of equity interest in subsidiaries	-1 007	0	-236
Net cash outflow from investing activities	-11 602	-2 764	-40 529
FINANCING ACTIVITIES:			
Proceeds from borrowings, net	19 891	6 266	32 857
Net cash inflow from financing activities	19 891	6 266	32 857
Effect of translation on cash flows	-1 164	353	1 647
Net increase (decrease) on cash flows	891	2 678	-60
CASH, beginning of period	1 662	1 662	1 722
CASH, end of period	2 553	4 341	1 662