

## OJSC "PHARMACY CHAIN 36.6" REPORTS FY2010 AUDITED IFRS RESULTS

**May 26, 2011, MOSCOW** – OJSC Pharmacy Chain 36.6 [RTS:APTK;MICEX:RU14APTK1007] - the leading Russian pharmaceutical retailer announces audited FY 2010 and unaudited Q4 2010 financial results prepared in accordance with the International Financial Reporting Standards (IFRS).

### GROUP HIGHLIGHTS:

- Consolidated EBITDA from ongoing operations in 2010 reached RUR 1 738.5 mln compared with 1 421.6 mln in 2009, a 22.3% growth; consolidated EBITDA from ongoing operations in Q4 2010 grew by 51.2% and reached RUR 677.5 mln compared with 448 mln in Q4 2009.
- Group revenue from ongoing operations decreased by 3.2% in 2010 to RUR 20 061.5 mln as compared with RUR 21 061.5 in FY2009;
- Group revenue from ongoing operations in Q4 2010 reached RUR 5 764.2 mln versus RUR 5 025.6 mln in Q4 2009, a 14.7% increase y-o-y;
- Gross profit from ongoing operations for 12M 2010 increased by 1.3% to RUR 8 407.2 mln and gross profit from ongoing operations in Q4 2010 increased by 16.6% to RUR 2 457.4 mln compared to the relative periods of 2009;
- Gross profit margin in 2010 increased by 1.8% up to 41.2% as a percentage of consolidated sales compared to 39.4% in FY 2009.
- Group underlying Net loss from ongoing operations before minority interest (excluding gain on minority interest restructuring in consortium of investors in 2009) decreased by 18.6% from RUR 531.2 mln in 2009 to RUR 432.6 mln in 2010.
- The retail unit organically opened 15 stores and closed 45 stores in 2010, thus operating 989 stores by the end of 2010. The Company as well opened 6 ELC stores within 2010.

### Group consolidated financial results

	period ends					
	Q4, mln RUR			FY, mln RUR		
	2010	2009	ch, %	2010	2009	ch, %
<b>Revenue</b>	<b>5 764,2</b>	<b>5 025,6</b>	<b>+14,7%</b>	<b>20 381,1</b>	<b>21 061,5</b>	<b>-3,2%</b>
<i>Retail<sup>1</sup></i>	4 069,4	3 618,4	+12,5%	14 207,5	15 984,8	-11,1%
<i>Corporate Center</i>	0,0	0,0		0,0	0,0	
<i>Veropharm</i>	1 461,1	1 179,9	+23,8%	5 395,1	4 395,2	22,7%
<i>other<sup>2</sup></i>	233,7	227,3	+2,8%	778,4	681,5	14,2%
<b>Gross profit</b>	<b>2 457,4</b>	<b>2 107,9</b>	<b>+16,6%</b>	<b>8 407,2</b>	<b>8 301,5</b>	<b>1,3%</b>
<i>Retail</i>	1 380,6	1 205,7	+14,5%	4 420,5	5 122,9	-13,7%
<i>% of sales</i>	33,9%	33,3%		31,1%	32,0%	
<i>Corporate Center</i>	0,0	0,0		0,0	0,0	
<i>Veropharm</i>	971,8	816,4	+19,0%	3 700,3	2 951,6	25,4%
<i>% of sales</i>	66,5%	69,2%		68,6%	67,2%	
<i>other</i>	105,0	85,8	+22,3%	286,4	227,0	26,2%
<b>EBITDA</b>	<b>677,5</b>	<b>448,0</b>	<b>+51,2%</b>	<b>1 738,5</b>	<b>1 421,6</b>	<b>22,3%</b>
<i>Retail &amp; Corporate Center</i>	<b>150,4</b>	<b>22,5</b>	<b>568,4%</b>	<b>70,2</b>	<b>42,6</b>	<b>64,8%</b>

<sup>1</sup> Hereinafter in the press- release the retail unit financial results are presented separately from the financial results of the Corporate Center and are compared with the relative results of the previous periods.

<sup>2</sup> «Other» revenue equals to non- core business revenue eliminated by the transfer sales within the Company units, which are as follows: in Q4 2009 – RUR 22.4 mln; in Q3 2010 – RUR 25.9 mln.; in FY 2009 – RUR 105.4 mln.; in FY 2010 – RUR 49.6 mln.

<i>% of sales</i>	<b>2,6%</b>	<b>0,5%</b>		<b>0,3%</b>	<b>0,2%</b>	
<i>Retail<sup>3</sup></i>	112,2	24,8	353,2%	115,9	138,5	-16,3%
<i>Corporate Center</i>	38,2	-2,3		-45,7	-95,9	52,3%
<i>Veropharm</i>	461,4	415,8	+10,9%	1 601,1	1 389,0	15,3%
<i>% of sales</i>	<b>31,6%</b>	<b>35,2%</b>		<b>29,7%</b>	<b>31,6%</b>	
<i>other</i>	65,7	9,8	+570,4%	67,1	-10,0	-771,0%
<b>Net profit<sup>4</sup></b>	<b>-12,2</b>	<b>-17,8</b>	<b>-31,5%</b>	<b>-432,6</b>	<b>-531,2</b>	<b>-18,6%</b>
Profit/loss on minority interest restructuring in 2009	<b>0</b>	<b>556,9</b>		<b>0</b>	<b>556,9</b>	
<b>Net profit<sup>5</sup></b>	<b>-12,2</b>	<b>539,1</b>		<b>-432,6</b>	<b>25,7</b>	
<i>Retail</i>	-383,7	-360,8	+6,3%	-1 347,4	-1 324,6	-1,7%
<i>Corporate Center</i>	-59,7	519,0	-111,5%	-342,2	264,7	-229,3%
<i>Veropharm</i>	373,1	377,3	-1,1%	1 206,7	1 107,6	8,9%
<i>other</i>	58,1	3,6	+1513,9%	50,3	-22,0	328,6%
<b>Profit/loss, attributable to:</b>						
<i>Equity holders of the parent</i>	-153,6	471,4		-929,6	-359,4	
<i>Minority interest</i>	141,4	67,7		497,0	385,1	

## RETAIL UNIT:

### REVENUE

As compared to the relative period the year before, in 2010 sales of the Retail unit decreased by 11.1% in ruble terms from RUR 15 984.8 mln to RUR 14 207.5 mln driven by the closure of non-performing stores in 2009- first half of 2010. In Q4 2010 versus Q4 2009 sales of the Retail unit increased by 12.5% from RUR 3 618.4 mln to RUR 4 069.4 mln. The sales in Q4 2010 compared to Q3 2010 also grew - by 19.2%.

Like-for-like sales<sup>6</sup> in 2010 versus 2009 decreased by 3.9% in ruble terms driven by the continuing customer traffic decline in the first half of 2010 as a consequence of 2009 economic crisis; meanwhile 2010 demonstrated a progressive tendency of a gradual rehabilitation of the number of purchases (number of receipts) in L-F-L stores compared to 2009. The traffic growth in December 2010 versus the same period of 2009 was the most optimistic within a year of 2010. (+1.9%)<sup>7</sup>. This positive dynamics of retail sales growth and rehabilitation of the number of receipts in the chain was a result of the properly chosen strategy for 2010 intended for the Company's profitability and the business operational efficiency. The Company's strategy aimed at the customers' return by means of the sound pricing and marketing policy as well as by the progressive increase of the private label goods share in the total turnover.

An average check in 2010 compared with 2009 increased by 6.7% in ruble terms. In Q4 2010 versus Q4 2009 L-F-L sales increased by 11.5% in ruble terms, average check increased by 15.7% in ruble terms.

### GROSS MARGIN

In 2009 gross margin in the Retail unit reached 31.1% versus 32 % in 2009. The gross margin drop was primarily due to the new governmental price regulation rules on essential medicine came into effect since 1<sup>st</sup> of April, 2010, and also to the Company's pricing policy revision directed to reduction of medicines prices.. Thus decline in 2010 gross margin was partially compensated by purchasing terms improvement (products entry prices decrease) and increase of non-medicine (parapharmaceutical products) and private label goods share in total sales turnover.

In Q4 2010 gross margin totaled 33,9% demonstrating a 0.6% growth versus Q4 2009 as well as a 4.7% improvement compared to Q3 2010. The growth was achieved by the sales centers (pharmacies) operational efficiency improvement.

<sup>3</sup> There was a transfer of income between Retail and Corporate units in 2010. (primarily due to closed- end investment fund income payment, consolidated in Retail segment). As a result the Retail unit expenses increased by RUR 86.2 mln. Corporate segment expenses increased by the same amount.

<sup>4</sup> Group underlying Net profit/loss from ongoing operations before minority interest (excluding gain on minority interest restructuring to a liability, the profit of which equaled to RUR 556.9 mln.).

<sup>5</sup> Net profit from ongoing operations before minority interest.

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

- opened or acquired 24 months prior to the current reporting period, and
- not closed in the current reporting period.

<sup>7</sup> For the detailed information please address Pharmacy Chain 36.6 press- release on preliminary Q4 2010 results of 18<sup>th</sup> of April – [www.pharmacychain366.ru](http://www.pharmacychain366.ru)

	Retail Unit					
	Q4, mln RUR			Year, mln RUR		
	2010	2009	ch, %	2010	2009	ch, %
<i>Sales</i>	4 069,4	3 618,4	+12,5%	14 207,5	15 984,8	-11,1%
<i>Gross profit</i>	1 380,6	1 205,7	+14,5%	4 420,5	5 122,9	-13,7%
<i>% of sales</i>	33,9%	33,3%		31,1%	32,0%	

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses dropped by 13.2% in ruble terms from RUR 5 342.4 mln in 2009 to RUR 4 639.1 mln in 2010. As a percentage to sales SG&A decreased by 0.7% in 2010 compared to 2009. The essential SG&A reduction reflected continuous implementation of the cost optimization programme realized by the Company. Particularly, within 2010 the logistics, tele- and mobile communication expenses as well as IT outsourcing costs were significantly reduced. Moreover within the reporting period administrative costs were optimized, including regional offices and headquarters staff reduction and the company's structure upgrading. Besides a number of actions were taken to improve the stores operational efficiency.

In Q4 2010, selling, general and administrative expenses increased by 8.3% to RUR 1 380.1 from RUR 1 274.8 mln. in Q4 2009, while their share in overall sales decreased by 1.3% .

	Retail Unit					
	Q4 2010, mln RUR			FY 2010, mln RUR		
	2010	2009	change, %	2010	2009	change, %
<i>Selling, general and administrative costs (including amortization)</i>	1 380,1	1 274,8	+8,3%	4 639,1	5 342,4	-13,2%
<i>% of sales</i>	33,9%	35,2%	-1,3%			
<b>Amortization</b>	111,7	93,8		334,5	358,0	-0,7%
<i>Selling, general and administrative costs (excluding amortization)</i>	1 268,4	1 181,0		4 304,6	4 984,4	
<i>% of sales</i>	31,2%	32,6%	-1,4%	30,3%	31,2%	-0,9%

FY 2010 store level performance of like-for-like stores demonstrated the following results:

<i>RUR, mln</i>	FY 2010			FY 2009			ch, %		
	Moscow	Regions	Total	Moscow	Regions	Total	Moscow	Regions	Total
<b>Net Sales</b>	<b>5 758,8</b>	<b>7 720,8</b>	<b>13 479,6</b>	<b>5 796,3</b>	<b>8 265,6</b>	<b>14 061,8</b>	-0,6%	-6,6%	-4,1%
<b>Gross Profit</b>	<b>2 046,4</b>	<b>2 114,2</b>	<b>4 160,6</b>	<b>2 123,4</b>	<b>2 400,5</b>	<b>4 523,9</b>	-3,6%	-11,9%	-8,0%
<i>% of net sales</i>	36,4%	28,9%	31,9%	36,6%	29,0%	32,2%			
<b>Store level expenses</b>	<b>1 485,3</b>	<b>1 433,2</b>	<b>2 918,6</b>	<b>1 397,6</b>	<b>1 370,6</b>	<b>2 768,2</b>	6,3%	4,6%	5,4%
<i>% of net sales</i>	25,8%	18,6%	21,7%	24,1%	16,6%	19,7%			
Rent	602,4	522,9	1 125,3	628,4	528,9	1 157,3	-4,1%	-16,8%	-2,8%
Personnel	686,7	686,4	1 373,1	528,7	592,4	1 121,1	29,8%	15,9%	22,5%
Other	196,2	223,9	420,2	240,5	249,3	498,8	-18,4%	-10,2%	-15,8%
<b>Store level Operating profit</b>	<b>561,1</b>	<b>681,0</b>	<b>1 242,1</b>	<b>725,8</b>	<b>1 029,9</b>	<b>1 755,7</b>	-22,7%	-33,9%	-29,3%
<i>% of net sales</i>	9,7%	8,8%	9,2%	12,6%	13,3%	13,0%			
<i>Number of comparable stores</i>	217	640	857	217	640	857			

Q4 2010 store level performance of like-for-like stores demonstrated the following results:

RUR, mln	Q4 2010			Q4 2009			ch, %		
	Moscow	Regions	Total	Moscow	Regions	Total	Moscow	Regions	Total
<b>Net Sales</b>	<b>1 654,6</b>	<b>2 188,2</b>	<b>3 842,8</b>	<b>1 452,9</b>	<b>1 998,4</b>	<b>3 451,4</b>	13,9%	9,5%	11,3%
<b>Gross Profit</b>	599,4	599,0	1 198,5	532,3	586,6	1 118,9	12,6%	2,1%	7,1%
<i>% of net sales</i>	36,2%	27,4%	31,2%	36,6%	29,4%	32,4%			
<b>Store level expenses</b>	<b>379,2</b>	<b>393,0</b>	<b>772,2</b>	<b>351,0</b>	<b>325,2</b>	<b>676,2</b>	8,0%	20,8%	14,2%
<i>% of net sales</i>	22,9%	18,0%	20,0%	24,2%	16,3%	19,6%			
Rent	154,0	134,5	288,2	150,3	127,9	278,2	2,5%	5,2%	3,6%
Personnel	175,9	201,5	377,4	141,2	137,5	278,7	24,5%	46,5%	35,4%
Other	49,3	57,0	106,3	59,5	59,8	119,3	-17,1%	-4,7%	-10,9%
<b>Store level Operating profit</b>	<b>220,3</b>	<b>206,1</b>	<b>426,4</b>	<b>181,3</b>	<b>261,5</b>	<b>442,8</b>	21,5%	-21,2%	-3,7%
<i>% of net sales</i>	13,3%	9,4%	11,1%	12,5%	13,1%	12,8%			
<i>Number of comparable stores</i>	217	640	857	217	640	857			

## TRADE ACCOUNTS PAYABLE

Compared with 2009, trade accounts payable decreased by 16.5% from RUR 3 498.6 mln to RUR 2 921.5 mln in 2009 thanks to the partial indebtedness repayment to the suppliers in 2010.

## INVENTORY

Average days of turnover increased from 75 days at the end of Q4 2009 to 76 days as of the end of Q4 2010. Compared with Q3 2010 as at the end of Q4 2010 average days of turnover increased from 71 days to 76 days due to the scaled-up seasonal purchases.

In absolute terms, inventory was reduced by 12.8% to RUR 2 634.2 mln as of the end of Q4 2010 compared with RUR 2 335.8 mln as of the end of Q4 2009.

## OTHER BUSINESSES

### Veropharm

For the latest update on FY 2009 performance please refer to the official press-release of the company as of May 19<sup>th</sup>, 2010 at [www.pahrmacychain366.ru](http://www.pahrmacychain366.ru).

### ELC

Early Learning Center revenue consolidated by the Group (which is 50% of the total revenue) reached RUR 222.3 mln, a 33.8% growth in FY 2010 versus FY 2009 (RUR 166.2 mln) driven primarily by an increase in L-f-L sales and opening of 6 new stores within 2010. In Q4 2010 Early Learning Center revenue consolidated by the Group (which is 50% of the total revenue) grew by 37.2% and reached RUR 89.7 mln versus versus RUR 65.4 mln in Q4 2009.

ELC Net Profit equaled to RUR 17.4 mln in 12M 2010, a 177.6% improvement versus FY 2009. In Q4 2010 ELC Net Profit increased by 54.3% and reached RUR 17.9 mln compared to RUR 11.6 mln in the relative period of 2009.

In FY 2010 EBITDA consolidated by the Group more than tripled (by 221.2%) up to RUR 31.8 mln in ruble terms versus RUR 9.9 mln in 2009.

As of the end of 2010, the unit operated 19 stores, 2 of which were opened in Q4 2010.

## GROUP FINANCIAL DEBT

Group Financial Debt at the end of 2010 increased by 25.4% to RUR 9 334.9 mln from RUR 7 441.1 mln at the end of 2009. Group Financial Net Debt (after deduction of monetary funds remains in the

accounts) stood at RUR 8 498.7 mln at the end of Q4 2010. The additionally attracted bank loans were directed to the indebtedness repayment to the suppliers and Company's current assets supplement (purchase amounts increase aimed at stock-out reduction in the pharmacies for better customer demand satisfaction)

A share of foreign currency loans (in USD) decreased from 63% as of 31<sup>st</sup> December 2009 down to 42% as of the end of 2010.

As of 31<sup>st</sup> December 2009 the Retail and Corporate units debt equaled to RUR 8 918.7 mln, including 43% of the debt denominated in dollars; Veropharm debt stood at RUR 416.5 mln with no debt denominated in dollars. 61.9 % of the Group debt is long-term.

## GROUP FINANCIAL COSTS

In 2010 versus 2009 consolidated financial costs grew by 7.5% to RUR 1 261.6 mln from RUR 1 174.0 mln.

## INVESTMENTS

In 12M 2010 the Group invested in fixed and intangible assets RUR 391.6 mln, out of which retail investments equaled to RUR 164.3 mln, investments on ELC store level were RUR 9.8 mln and Veropharm investments reached RUR 211.9 mln.

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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 25<sup>th</sup> May 2011 totaled USD 300.300.000 (according to RTS). Pharmacy Chain 36.6 operates 989 stores in 29 regions and 90 cities in Russia as of 31<sup>st</sup> of December, 2010.*

*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 25<sup>th</sup> May 2011 totaled 385.000.000 USD (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.*

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**OAo PHARMACY CHAIN 36.6 AND SUBSIDIARIES****CONSOLIDATED PROFIT AND LOSS STATEMENT  
Q4 2009 ENDING 31 DECEMBER 2010 (mln. rubles)**

	<b>Q4 2010</b>	<b>Q4 2009</b>
<b>Revenue</b>	<b>5 764,2</b>	<b>5 025,6</b>
Cost of sales	(3 306,8)	(2 917,7)
<b>Gross profit</b>	<b>2 457,4</b>	<b>2 107,9</b>
Selling, general and administrative expenses	(1 932,5)	(1 774,2)
Impairment of goodwill	-	(60,4)
<b>Operating income/loss</b>	<b>524,8</b>	<b>273,3</b>
Finance costs	(387,3)	(286,3)
Foreign currency exchange gain (loss)	(3,7)	17,9
Gain on minority interest restructuring	-	556,9
Other income (loss)	14,0	(51,0)
<b>Income/(loss) before tax and investment activity</b>	<b>147,8</b>	<b>510,8</b>
Disposal of discounted operations	-	-
Income tax expense	(160,0)	28,2
<b>Loss for the period</b>	<b>(12,2)</b>	<b>539,1</b>
<b>Attributable to:</b>		
Equity holders of the parent	(153,6)	471,4
Minority interest	141,4	67,7
<b>Profit/(loss) for the period excluding gain on minority interest restructuring in 2009</b>	<b>(12,2)</b>	<b>(17,8)</b>

**OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES****CONSOLIDATED PROFIT AND LOSS STATEMENT  
FY 2010 ENDING 31 DECEMBER 2010 (mln. rubles)**

	<b>FY 2010</b>	<b>FY 2009</b>
<b>Revenue</b>	<b>20 381,1</b>	<b>21 061,5</b>
Cost of sales	(11 973,9)	(12 760,0)
<b>Gross profit</b>	<b>8 407,2</b>	<b>8 301,5</b>
Selling, general and administrative expenses	(7 145,8)	(7 361,0)
Impairment of goodwill	-	(60,4)
<b>Operating income/loss</b>	<b>1 261,4</b>	<b>880,1</b>
Finance costs	(1 261,6)	(1 174,0)
Foreign currency exchange gain (loss)	(54,1)	(34,6)
Gain on minority interest restructuring	-	556,9
Other income (loss)	15,2	(73,5)
<b>Income/(loss) before tax and investment activity</b>	<b>(39,1)</b>	<b>154,9</b>
Disposal of discounted operations	-	-
Income tax expense	(393,4)	(129,3)
<b>Loss for the period</b>	<b>(432,6)</b>	<b>25,6</b>
<b>Attributable to:</b>		
Equity holders of the parent	(929,6)	(359,4)
Minority interest	497,0	385,1
<b>Profit/(loss) for the period excluding gain on minority interest restructuring in 2009</b>	<b>(432,2)</b>	<b>(531,2)</b>

**OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**AT 31 DECEMBER 2010 (mln. rubles)**

	<b>FY 2010</b>	<b>FY 2009</b>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS:</b>		
Property, plant & equipment	2 858,6	3 009,1
Goodwill	4 875,5	4 875,5
Intangible assets	319,2	285,6
Other assets	21,2	28,7
Total non-current assets	<b>8 270,7</b>	<b>8 377,4</b>
<b>CURRENT ASSETS:</b>		
Inventories	4 008,9	3 454,9
Accounts receivable	3 863,8	3 176,0
Other receivables and prepaid expenses	1 614,5	1 271,7
Cash and bank balances	1 021,2	737,6
Total current assets	<b>10 508,4</b>	<b>8 890,3</b>
<b>TOTAL ASSETS</b>	<b>18 779,1</b>	<b>17 267,7</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital	6,7	6,1
Additional paid-in capital	6 260,0	5 339,6
Translation reserve	-	-
Retained earnings	(4 168,1)	(3 169,3)
<b>Total shareholders' equity</b>	<b>2 159,0</b>	<b>2 231,1</b>
Equity of the parent	2 159,0	2 231,1
MINORITY INTERESTS IN EQUITY OF SUBSIDIARIES	2 657,6	2 308,0
<b>LONG-TERM LIABILITIES:</b>		
Borrowings	5 780,7	4 631,7
Deferred tax liabilities	192,6	147,5
Long-term lease payable	8,6	17,1
Total long-term liabilities	<b>5 982,0</b>	<b>4 796,2</b>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	3 313,2	3 838,6
Borrowings	3 554,2	2 809,5
Other payables and accrued expenses	664,1	866,6
Taxes payable	436,1	402,0
Current portion of share-based payments liability	13,0	15,8
Current portion of lease payable	3 313,2	3 838,6
Total current liabilities	<b>7 980,6</b>	<b>7 932,4</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>18 779,1</b>	<b>17 267,7</b>



**OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR Q4 ENDING 31 DECEMBER 2010 (mln. rubles)**

	<b>Q4 2010</b>	<b>Q4 2009</b>
<b>OPERATING ACTIVITIES:</b>		
<b>Income/(loss) before taxation and minority interest</b>	<b>147</b>	<b>511</b>
Gain sale of investment	0	0
Depreciation and amortization	153	114
Loss on sale of securities	-	-
Loss on disposal of property, plant and equipment and unrealized investments	-	-
Profit on disposal of subsidiary	-	-
Gain on restructuring of arrangement with consortium of investors	-	(557)
Impairment recognized (reversed) on accounts receivables	(198)	(141)
Unused vacation provision	-	-
Inventory provision and write-off	130	123
Other non-cash operations	(6)	24
Impairment of goodwill	-	60
Share-based payments expenses	-	-
Foreign exchange loss/(gain) on financing and investing activities	4	(18)
Finance costs	387	286
<b>Operating cash flow before working capital changes</b>	<b>616</b>	<b>402</b>
Increase in inventories	(378)	(547)
Increase in accounts receivable	(53)	627
Increase in other receivables and prepaids	455	137
Increase in accounts payable	(47)	(1 783)
Increase in other payables and accruals	(144)	(49)
Cash flows from operations	450	(1 213)
Income taxes paid	(157)	(121)
Finance cost paid	(95)	(363)
<b>Net cash outflow operating activities</b>	<b>198</b>	<b>(1 697)</b>
<b>INVESTING ACTIVITIES:</b>		
Net cash outflow on acquisition of subsidiaries	-	-
Purchase of property, plant, equipment	(176)	(40)
Purchase of intangible assets	(27)	(30)
Proceed on disposal of property, plant, equipment	24	42
Purchase of short-term investments	(185)	(200)
Net cash inflow on disposal of discontinued operation	-	-
Net cash inflow on sale of investment	50	-
Loans to related parties	-	-
<b>Net cash outflow from investing activities</b>	<b>(314)</b>	<b>(228)</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from new borrowings, net	(23)	(201)
Repayments of borrowings	-	-
Distributions paid to minority shareholders	(135)	(17)
Proceeds from SPO, net	(896)	2 330
Acquisition of non- controlling interests	(316)	-
Net cash inflow from financing activities	(159)	2 112
Effect of translation to presentation currency	-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(275)</b>	<b>188</b>
CASH, beginning of year	1 111	550
<b>CASH, end of year</b>	<b>836</b>	<b>738</b>

**OAO PHARMACY CHAIN 36.6 AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR FY 2009 ENDING 31 DECEMBER 2009 (mln. rubles)**

	FY 2010	FY 2009
<b>OPERATING ACTIVITIES:</b>		
<b>Income/(loss) before taxation and minority interest</b>	<b>(40)</b>	<b>155</b>
Gain sale of investment	-	-
Depreciation and amortization	477	481
Loss on sale of securities	-	-
Loss on disposal of property, plant and equipment and unrealized investments	-	-
Profit on disposal of subsidiary	-	-
Gain on restructuring of arrangement with consortium of investors	-	(557)
Impairment recognized (reversed) on accounts receivables	(195)	(11)
Unused vacation provision	-	-
Inventory provision and write-off	86	139
Other non-cash operations	(15)	31
Impairment of goodwill	-	60
Share-based payments expenses	-	-
Gain on disposal of subsidiaries	-	-
Gain on partial disposal of subsidiaries	-	-
Foreign exchange loss/(gain) on financing and investing activities	54	35
Finance costs	1 262	1 174
<b>Operating cash flow before working capital changes</b>	<b>1 629</b>	<b>1 507</b>
Increase in inventories	(640)	(281)
Increase in accounts receivable	(688)	(161)
Increase in other receivables and prepaids	(166)	125
Increase in accounts payable	(531)	(2 264)
Increase in other payables and accruals	(204)	(263)
Cash flows from operations	(600)	(1 337)
Income taxes paid	(341)	(197)
Finance cost paid	(988)	(843)
<b>Net cash outflow operating activities</b>	<b>(1 929)</b>	<b>(2 377)</b>
<b>INVESTING ACTIVITIES:</b>		
Net cash outflow on acquisition of subsidiaries	-	-
Purchase of property, plant, equipment	(304)	(156)
Purchase of intangible assets	(87)	(53)
Proceed on disposal of property, plant, equipment	24	42
Purchase of short-term investments	(185)	(200)
Net cash inflow on disposal of discontinued operation	-	-
Net cash inflow on sale of investment	250	-
Loans to related parties	-	-
<b>Net cash outflow from investing activities</b>	<b>(302)</b>	<b>(367)</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from new borrowings, net	6 510	1 932
Repayments of borrowings	(4 900)	(1 465)
Proceeds from SPO, net	926	2 330
Distributions paid to minority shareholders	(135)	(17)
Acquisition of non-controlling interests	(71)	-
<b>Net cash inflow from financing activities</b>	<b>2 330</b>	<b>2 780</b>
Effect of translation to presentation currency	-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>99</b>	<b>36</b>
CASH, beginning of year	738	702
<b>CASH, end of year</b>	<b>836</b>	<b>738</b>