

15TH JULY 2010

**OJSC “VEROPHARM” ANNOUNCES FINANCIAL RESULTS
FOR THE 1ST QUARTER 2010 (UNAUDITED)**

JULY 15, 2010, MOSCOW – OJSC “VEROPHARM” [RTS:VRPH, MICEX:VFRM] announces its unaudited financial results for the 1st Quarter 2010 in accordance with the International Financial Reporting Standards (IFRS).

SALES

Consolidated sales in 1Q 2010 increased by 5.5% and reached RUR 962.9 million (as compared with 912.8 million in 1Q 2009).

- The Rx drugs sales accounted for 62% of total sales.^[1]
- The share of adhesive bandages in total sales was 21%.
- OTC drugs share in total sales increased to 16% as compared with 11% in 1Q 2009;
- Traditional drug sales decreased to 1% of total sales.

Veropharm sales as part of the Federal Reimbursement Program (FRP) came to RUR 55.5 million in 1Q 2010, accounting for 6% of the Company’s sales. By the results of 1Q 2009, FRP sales were RUR 17.5 million, or 2% of the Company’s total sales^[1].

PROFIT

- In 1Q 2010 the Gross profit of Veropharm increased by 18.9% and reached RUR 701.8 million compared to RUR 590.3 million in 1Q 2009.
- In 1Q 2010 EBITDA increased by 4.1% as compared to 1Q 2009 and reached RUR 198.7 million.
- The 1Q 2010 Net profit decreased by 3.4% as compared to 1Q 2009 and reached RUR 121.2 million.

DEBT

- As of the end of 1Q 2010 the debt of OJSC “Veropharm” amounted to RUR 1 026.5 million that represents less than 20% of Company’s net assets.



KEY FINANCIAL INDICATORS FOR 1ST QUARTER 2010

in thousands of rubles

	1Q 2010	1Q 2009	% growth
Revenue	962,935	912,840	5.5%
Gross Profit	701,797	590,322	18.9%
	<i>Gross margin</i>	<i>72.9%</i>	<i>64.7%</i>
EBITDA	198,665	190,920	4.1%
	<i>EBITDA margin</i>	<i>20.6%</i>	<i>20.9%</i>
Net income	121,168	125,389	-3.4%
	<i>Net income margin</i>	<i>12.6%</i>	<i>13.7%</i>

[1] – % as percentage of finished goods sales

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Notes to the Editor:

VEROPHARM is one of the largest Russian pharmaceutical producers.

Shares of the Company are listed on RTS (ticker: VRPH) and are also traded at MICEX (ticker: VFRM). Market capitalization as of May 24, 2010 totaled \$350 million (according to RTS).

The charter capital of the Company totals 10 million ordinary shares. VEROPHARM is the market leader in Russia for production of plasters and oncological medicines. The Company's production facilities comprise 3 pharmaceutical plants in Belgorod, Voronezh and Pokrov. The Company's product portfolio includes more than 300 items. VEROPHARM employs about 2,000 people.

According to CMR "Pharmexpert", as of the end of 2009 Veropharm ranked 5th position among Russian pharmaceutical producers in production volume terms.

According to IMS Health, as of the end of 1Q2010 compared to 1Q2009 Veropharm ranked 6th position in overall ranking of Russian pharmaceutical market in sales volume.

According to IMS Health, as of the end of 1Q2010 compared to 1Q 2010 Veropharm moved from 7th to 6^d position in overall ranking of oncology drugs producers. As far as oncology drug producers ranking in pack terms concerned, Veropharm maintained its leading position.

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OJSC "VEROPHARM"

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010
(in thousands of rubles)

	<u>1 q 2010</u>	<u>1 q 2009</u>
REVENUE	962,935	912,840
COST OF SALES	(261,138)	(322,518)
GROSS PROFIT	<u>701,797</u>	<u>590,322</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(530,595)	(434,036)
OPERATING INCOME	<u>171,202</u>	<u>156,286</u>
INTEREST EXPENSE	(19,009)	(16,469)
FOREIGN CURRENCY EXCHANGE GAIN/(LOSS)	1,505	(49,168)
PROFIT BEFORE INCOME TAX EXPENSE	<u>153,698</u>	<u>90,649</u>
INCOME TAX EXPENSE	(32,530)	34,740
NET PROFIT	<u>121,168</u>	<u>125,389</u>

**OJSC "VEROPHARM"**

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2010

(in thousands of rubles)

	<u>31.03.2010</u>	<u>31.03.2009</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	789,557	798,077
Goodwill	287,311	287,311
Intangible assets	51,059	54,317
Total non-current assets	<u>1,127,927</u>	<u>1,139,705</u>
CURRENT ASSETS:		
Inventories	1,166,799	1,044,411
Trade receivables	4,142,062	3,930,973
Other receivables and prepaid expenses	226,327	198,826
Cash	22,888	64,814
Loans receivables	22,107	51,415
Short-term investments	200,000	250,002
Total current assets	<u>5,780,183</u>	<u>5,540,441</u>
TOTAL ASSETS	<u><u>6,908,110</u></u>	<u><u>6,680,146</u></u>
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	10,000	10,000
Other reserves	500	500
Retained earnings	5,149,755	5,028,586
Total equity	<u>5,160,255</u>	<u>5,039,086</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	90,100	94,619
Deferred tax liabilities	51,420	57,518
Long-term portion of finance lease payable	12,496	14,457
Total non-current liabilities	<u>154,016</u>	<u>166,594</u>
CURRENT LIABILITIES:		
Short-term borrowings	936,352	886,892
Accounts payable	336,705	202,429
Other payables and accrued expenses	191,704	229,340
Tax payables	121,431	146,808
Current portion of finance lease payable	7,647	8,997
Total current liabilities	<u>1,593,839</u>	<u>1,474,466</u>
TOTAL LIABILITIES	<u><u>1,747,855</u></u>	<u><u>1,641,060</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>6,908,110</u></u>	<u><u>6,680,146</u></u>



OJSC "VEROPHARM"

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2010

(in thousands of rubles)

	<u>1 q 2010</u>	<u>1 q 2009</u>
OPERATING ACTIVITIES:		
Profit before income tax expense	121,168	125,389
Adjustments for		
Income tax	32,530	(34,740)
Interest income	19,009	16,469
Depreciation and amortization	27,464	34,634
Effect of loss on disposal of FA	437	51
Effect of loss on disposal of other receivables	2	-
Provision for doubtful receivables	(14,278)	(1,320)
Effect of obsolescence allowance	49,934	15,553
Foreign currency exchange loss/(gain), net	(1,505)	49,168
Effect of movement in unused employment benefits	6,414	-
Profit before movements in working capital	241,175	205,204
Movements in working capital:		
Inventories	(172,323)	(88,685)
Trade receivables	(196,812)	(105,913)
Other receivables and prepaid expenses	(27,503)	70,856
Account payable	134,276	35,246
Other payables and accruals	(86,377)	(161,879)
Cash generated from operations	(107,564)	(45,171)
Interest paid	(52,743)	(26,717)
Income taxes paid	(4,311)	7,847
Net cash generated by operating activities	(164,618)	(64,041)
INVESTING ACTIVITIES:		
Purchases of property, plant, equipment	(15,982)	(15,077)
Purchase of intangible assets	(140)	(3,196)
Purchase of short-term investments	50,000	-
Loans given to related parties	(22,107)	-
Proceeds from loans given to related parties	51,415	-
Net cash used in investing activities	63,186	(18,273)
FINANCING ACTIVITIES:		
Proceeds from borrowings	314,723	414,022
Repayment of borrowings	(255,221)	(307,493)
Net cash generated by financing activities	59,502	106,529
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(41,929)	24,215
Effect of translation on cash flows	3	5
CASH AND CASH EQUIVALENTS, beginning of period	64,814	1,446
CASH AND CASH EQUIVALENTS, end of period	22,888	25,666