



PRESS-RELEASE

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**OJSC “VEROPHARM” ANNOUNCES FINANCIAL RESULTS
FOR THE FIRST NINE MONTHS OF 2009 YEAR (UNAUDITED)**

APRIL 07, 2010, MOSCOW – OJSC «VEROPHARM» [RTS:VRPH, MICEX:VFRM] announces its unaudited financial results for the first nine months of 2009 year in accordance with the International Financial Reporting Standards (IFRS).

SALES

- Consolidated sales in 9M 2009 grew by 4,5% and reached RUR 3 215,3 mln. in comparison with RUR 3 076,7 mln. in 9M 2008.
- The share of Rx drugs sales in 9M 2009 increased to 70% as compared to 64% in 9M 2008. The share of adhesive bandages decreased to 17% as compared to 19% the same period in year before. The share of OTC drugs increased to 11% as compared to 9% in 9M 2008. Portfolio of traditional drug sales as before demonstrate tendency for a decrease of share in sales – the decrease from 8% to 2%.
- Veropharm sales as part of Federal Reimbursement Program (FRP) came to RUR 45,8 mln. in 9M 2009, accounting for 1,5% of the Company's total sales. By the results of 9M 2008, FRP sales were RUR 84,4 mln., or 2,7% of the Company's total sales.
- Sales within the Russian Federation accounted for 97% of the Company's total finished goods sales in 9M 2009 against 96% as the same period in year before.

PROFIT

- In 9M 2009 the Gross Profit of Veropharm increased by 6,1% and reached RUR 2 135,2 mln. compared to RUR 2 012,8 mln in 9M 2008. Gross margin increased to 66,4% as compared to 65,4% in 9M 2008.
- The increase of the Gross Margin materialized in the following product segments: Rx drugs - from 73,4% to 73,7%; OTC drugs – from 64,4% to 64,7%. The gross margin decreased in the following segments: the traditional products from 25,6% to 21,3%, adhesive bandages – from 55,7% to 49,8%.
- In 9M 2009 EBITDA increased by 2,7% as compared to 9M 2008 and reached RUR 973,2 mln. which makes 30,3% of Company's total sales.
- The 9M 2009 Net Profit grew by 15,0% to RUR 730,3 mln. which makes 22,7 % of Company's total sales (an increase of 2,1 % in comparison with 9M 2008).



DEBT

- As of the end of 9M 2009 the debt of OJSC “Veropharm” amounted to RUR 775,0 mln. that represents less than 20% of Company’s net assets.

KEY FINANCIAL INDICATORS FOR THE FIRST NINE MONTHS OF 2009 YEAR

in millions of rubles

| | 9M2009 | 9M2008 | growth, % | |
|--------------|--------------------------|---------|-----------|-------|
| Revenue | 3 215,3 | 3 076,7 | 4,5% | |
| Gross profit | 2 135,2 | 2 012,8 | 6,1% | |
| | <i>Gross Margin</i> | 66,4% | 65,4% | 1,0% |
| SG&A | 1 256,9 | 1 147,9 | 9,5% | |
| | <i>% of Revenue</i> | 39,1% | 37,3% | 1,8% |
| EBITDA | 973,2 | 947,8 | 2,7% | |
| | <i>EBITDA Margin</i> | 30,3% | 30,8% | -0,5% |
| Net profit | 730,3 | 635,2 | 15,0% | |
| | <i>Net profit Margin</i> | 22,7% | 20,6% | 2,1% |

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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 April 06, 2010 totaled \$382 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 400 items. VEROPHARM employs over 2000 people.

According to CMR "Pharmexpert", as of the end of 9 months 2009 Veropharm ranked 3th among Russian pharmaceutical producers in production volume terms.

According to IMS Health, as of the end of 9 months 2009 Veropharm ranked 4th position in overall ranking of pharmaceutical market in sales volume.

According to IMS Health, as of the end of 9 months 2009 Veropharm ranked 8th 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 PERIOD ENDING 30 SEPTEMBER, 2009
(in thousands of rubles)

| | <u>9M2009</u> | <u>9M2008</u> |
|--|------------------|------------------|
| REVENUE | 3 215 276 | 3 076 747 |
| COST OF SALES | (1 080 078) | (1 063 929) |
| GROSS PROFIT | <u>2 135 198</u> | <u>2 012 818</u> |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | (1 256 877) | (1 147 853) |
| OPERATING INCOME | <u>878 321</u> | <u>864 965</u> |
| INTEREST EXPENSE | (49 927) | (44 520) |
| FOREIGN CURRENCY EXCHANGE GAIN/(LOSS) | <u>(28 593)</u> | <u>(14 099)</u> |
| PROFIT BEFORE INCOME TAX EXPENSE | 799 801 | 806 346 |
| INCOME TAX EXPENSE | (69 469) | (171 102) |
| NET PROFIT | <u>730 332</u> | <u>635 244</u> |



OJSC “VEROPHARM”

CONSOLIDATED BALANCE SHEET

AT SEPTEMBER 30, 2009

(in thousands of rubles)

| | <u>9M2009</u> | <u>2 008</u> |
|--|-------------------------|-------------------------|
| ASSETS | | |
| NON-CURRENT ASSETS: | | |
| Property, plant & equipment, net | 770 706 | 805 180 |
| Goodwill | 287 311 | 287 311 |
| Intangible assets | 50 462 | 52 644 |
| Other long-term assets | 2 | 2 |
| Total non-current assets | <u>1 108 481</u> | <u>1 145 137</u> |
| CURRENT ASSETS: | | |
| Inventories | 629 812 | 566 711 |
| Trade receivables | 4 174 807 | 3 487 964 |
| Other receivables and prepaid expenses | 370 509 | 191 530 |
| Cash | 16 026 | 1 446 |
| Loans receivables | 102 960 | 138 318 |
| Total current assets | <u>5 294 114</u> | <u>4 385 969</u> |
| TOTAL ASSETS | <u><u>6 402 595</u></u> | <u><u>5 531 106</u></u> |
| EQUITY AND LIABILITIES | | |
| EQUITY: | | |
| Share capital | 10 000 | 10 000 |
| Other reserves | 500 | 500 |
| Retained earnings | 4 651 323 | 3 920 991 |
| Total equity | <u>4 661 823</u> | <u>3 931 491</u> |
| NON-CURRENT LIABILITIES: | | |
| Long-term borrowings | 113 980 | 54 354 |
| Deferred tax liability | 36 360 | 89 041 |
| Long-term portion of finance lease payable | 7 969 | 6 662 |
| Total non-current liabilities | <u>158 309</u> | <u>150 057</u> |
| CURRENT LIABILITIES: | | |
| Short-term borrowings | 661 046 | 665 093 |
| Current portion of finance lease payable | 8 725 | 22 304 |
| Trade payables | 360 626 | 290 108 |
| Other payables | 276 865 | 285 177 |
| Tax payable | 275 201 | 186 876 |
| Total current liabilities | <u>1 582 463</u> | <u>1 449 558</u> |
| | - | - |
| TOTAL LIABILITIES | <u><u>1 740 772</u></u> | <u><u>1 599 615</u></u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>6 402 595</u></u> | <u><u>5 531 106</u></u> |



OJSC "VEROPHARM"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDING 30 SEPTEMBER, 2009
(in thousands of rubles)

| | <u>9M2009</u> | <u>9M2008</u> |
|---|-----------------|------------------|
| OPERATING ACTIVITIES: | | |
| Net Profit | 730 332 | 635 244 |
| Adjustments for | | |
| Income tax | | |
| Interest expense | 49 927 | 44 521 |
| Depreciation and amortization | 94 859 | 82 827 |
| Loss on disposal of IA | 16 | (3) |
| Loss on disposal of FA | | |
| Provision for doubtful receivables | 22 212 | 72 050 |
| Change in inventory obsolescence allowance | (9 522) | 54 590 |
| Foreign exchange (gain) loss | 28 593 | 14 099 |
| Share based payment expense | - | 5 032 |
| Unused employment benefits | - | (616) |
| | - | - |
| Profit before movements in working capital | 987 392 | 1 079 885 |
| Movements in working capital: | | |
| Trade receivables | (709 055) | (529 946) |
| Other receivables and prepaid expenses | (143 620) | (41 368) |
| Trade payables | 70 518 | 117 028 |
| Other payables and accruals | (21 175) | 8 003 |
| Inventories | (49 525) | (147 738) |
| Receivables from related parties | - | (95 979) |
| Cash generated from operations | 134 535 | 389 885 |
| Income taxes paid | | |
| Interest paid | (98 920) | (42 011) |
| Net cash generated by operating activities | 22 780 | 145 738 |
| INVESTING ACTIVITIES: | | |
| Purchase of property, plant, equipment | (56 146) | (100 912) |
| Purchase of intangible assets | (7 634) | (4 885) |
| Proceeds from sale of fixed assets | - | 990 |
| Net cash used in investing activities | (63 780) | (104 807) |
| FINANCING ACTIVITIES: | | |
| Repayment of the increase of other reserves | - | (215) |
| Proceeds from borrowings | 923 690 | 741 177 |
| Repayment of borrowings | (868 111) | (761 130) |
| Repayment of borrowings of related parties | - | (9 220) |
| Proceeds from borrowings of related parties | - | 2 258 |
| Net cash generated from financing activities | 55 579 | (27 130) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 14 580 | 13 794 |
| CASH AND CASH EQUIVALENTS, beginning of period | 1 446 | 13 795 |
| Effect of translation on cash flows | - | (7) |
| CASH AND CASH EQUIVALENTS, end of period | 16 026 | 27 589 |