



PRESS-RELEASE

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OJSC «VEROPHARM» ANNOUNCES 2009 FINANCIAL RESULTS

MAY 13, 2010, MOSCOW – OJSC «VEROPHARM» [RTS:VRPH, MICEX:VFRM] announces its audited financial results for the 2009 in accordance with the International Financial Reporting Standards (IFRS).

Sales

- Sales in 2009 increased by 2% and reached RUR 4,395.2 mln in comparison with RUR 4,301.3 mln in 2008.
 - ✓ The share of product segments in OJSC “Veropharm” sales:
 - The share of Rx drugs sales in 2009 increased to 69% as compared to 66% in 2008;
 - Adhesive bandages sales share slightly decreased and amounted 17% against 18% in 2008;
 - The share of OTC drugs increased in 2009 to 12% as compared to 9% in 2008;
 - Portfolio of traditional drug sales as before demonstrate tendency for a decrease of share in sales – the decrease from 7% to 2%.
 - Veropharm sales as part of the Federal Reimbursement Program (FRP) came to RUR 53.2 million in 2009, accounting for 1.2% of the Company’s total finished goods sales.* By the results in 2008, FRP sales were RUR 105.6 million, or 2.4% of the Company’s total finished goods sales. Sales of Bilumid, Geptor and Paclitaxel through FRP accounted for 54% of the Veropharm total FRP sales in 2009.

Profit

- In 2009 the gross profit of OJSC “Veropharm” increased by 4% and reached RUR 2,936.1 mln compared to RUR 2,836.5 mln in 2008.
- Gross margin in 2009 increased to 66.8% as compared to 65.9% in 2008.



- In 2009 EBITDA increased by 6% and reached RUR 1,389.0 mln which makes 31.6% of Company's sales (an increase of 1.3% in comparison with 2008).
- The net profit increased by 20% to RUR 1,107.6 mln which makes 25.2% of Company's sales (an increase of 3.7 % in comparison with 2008).

Sales structure and Gross profit OJSC "Veropharm":

<i>RUR mln</i>	Segment sales			Segment profit		
	2009	2008	% growth	2009	2008	% growth
Pharmaceutical products	3,630.2	3,533.8	3%	2,483.1	2,372.3	5%
Adhesive bandages	765.0	767.5	0%	453.0	464.2	-2%
Total	4,395.2	4,301.3	2%	2,936.1	2,836.5	4%

Sales structure by segment OJSC "Veropharm":

<i>RUR mln</i>	2009	2008	% growth
Pharmaceutical products			
Prescription drugs	3,013.4	2,822.1	7%
Over-the-counter drugs	526.8	386.6	36%
Tradition drugs	90.0	325.1	-72%
	3,630.2	3,533.8	3%
Adhesive bandages	765.0	767.5	0%
Total	4,395.2	4,301.3	2%

Facilities investments

- In 2009 the modernization and production facilities' upgrade of the Company's core production assets amounted to RUR 79.0 mln.

Debt

- As of the end of 2009 the debt of OJSC "Veropharm" amounted to RUR 981.5 mln that represents less than 20 % of net assets.

*-according to management accounts



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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 12, 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 400 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 2009 compared to 2008 Veropharm ranked 4th position in overall ranking of Russian pharmaceutical market in sales volume.

According to IMS Health, as of the end of 2009 compared to 2008 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 DECEMBER 2009
(in thousands of Russian Roubles)

	<u>2009</u>	<u>2008</u>
REVENUE	4,395,150	4,301,277
COST OF SALES	(1,459,069)	(1,464,812)
GROSS PROFIT	<u>2,936,081</u>	<u>2,836,465</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(1,659,070)	(1,669,856)
SHARE BASED PAYMENTS EXPENSE	-	23,639
OPERATING INCOME	<u>1,277,011</u>	<u>1,190,248</u>
INTEREST INCOME	61,858	7,466
INTEREST EXPENSE	(133,669)	(67,202)
FOREIGN CURRENCY EXCHANGE GAIN/(LOSS)	<u>(32,994)</u>	<u>(62,620)</u>
PROFIT BEFORE INCOME TAX EXPENSE	1,172,206	1,067,892
INCOME TAX EXPENSE	(64,611)	(145,193)
NET PROFIT	<u>1,107,595</u>	<u>922,699</u>



OJSC "VEROPHARM"

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2009

(in thousands of Russian Roubles)

	<u>31.12.2009</u>	<u>31.12.2008</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	798,077	805,180
Goodwill	287,311	287,311
Intangible assets	54,317	52,644
Total non-current assets	<u>1,139,705</u>	<u>1,145,135</u>
CURRENT ASSETS:		
Inventories	1,044,411	566,711
Trade receivables	3,930,973	3,487,964
Other receivables and prepaid expenses	198,826	191,530
Loans receivables	51,415	138,319
Short-term investments	250,000	-
Cash	64,814	1,446
Total current assets	<u>5,540,439</u>	<u>4,385,970</u>
TOTAL ASSETS	<u><u>6,680,144</u></u>	<u><u>5,531,105</u></u>
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	10,000	10,000
Other reserves	500	500
Retained earnings	5,028,584	3,920,989
Total equity	<u>5,039,084</u>	<u>3,931,489</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	94,619	54,354
Deferred tax liabilities	57,518	89,041
Long-term portion of obligations under finance leases	14,457	6,663
Total non-current liabilities	<u>166,594</u>	<u>150,058</u>
CURRENT LIABILITIES:		
Short-term borrowings	886,892	665,093
Trade payables	202,429	290,108
Tax payables	146,808	186,876
Other payables	229,340	285,177
Current portion of obligations under finance leases	8,997	22,304
Total current liabilities	<u>1,474,466</u>	<u>1,449,558</u>
TOTAL LIABILITIES	<u><u>1,641,060</u></u>	<u><u>1,599,616</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>6,680,144</u></u>	<u><u>5,531,105</u></u>



OJSC "VEROPHARM"

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

(in thousands of Russian Roubles)

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES:		
Profit for the year	1,107,595	922,699
Adjustments for		
Income tax		
Interest expense	133,669	67,202
Interest income	(61,858)	(7,466)
Depreciation and amortization	112,004	114,830
(Gain)/Loss on disposal of property, plant and equipment	(118)	4,903
Loss on disposal of other intangible assets	13	65
Change in allowance for doubtful debts	18,754	16,124
Change in inventory obsolescence allowance	65,566	(4,095)
Share based payment expense	-	(23,639)
Foreign currency exchange loss/(gain), net	32,994	62,620
Profit before movements in working capital	1,473,230	1,298,436
Movements in working capital:		
Increase un inventories	(537,522)	(14,300)
Increase in trade receivables	(474,550)	(1,195,535)
Decrease/(increase) in other receivables and prepaid expenses	56,047	(67,268)
(Decrease)/increase trade payables	(122,277)	102,881
(Decrease)/increase other payables and taxes payable (other than income tax payable)	(137,161)	173,439
Cash generated from operations	257,767	297,653
Interest paid	(141,356)	(60,032)
Income taxes paid	(63,130)	(237,186)
NET CASH GENERATED BY OPERATING ACTIVITIES	53,281	435
INVESTING ACTIVITIES:		
Purchases of property, plant, equipment	(78,964)	(126,492)
Proceeds from disposal of property, plant, equipment	2,852	1,490
Purchase of intangible assets	(16,902)	(19,260)
Purchase of short-term investments	(200,000)	-
Loans given to related parties	(51,415)	(16,167)
Proceeds from repayment of loans receivable from related parties	139,029	16,167
NET CASH USED IN INVESTING ACTIVITIES	(205,400)	(144,262)
FINANCING ACTIVITIES:		
Proceeds from borrowings	1,470,612	1,223,717
Repayment of borrowings	(1,255,125)	(1,092,239)
NET CASH GENERATED BY FINANCING ACTIVITIES	215,487	131,478
Net increase/(decrease) in cash and cash equivalents	63,368	(12,349)
Cash and cash equivalents, beginning of period	1,446	13,795
Cash and cash equivalents, end of period	64,814	1,446