



PRESS-RELEASE

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26TH AUGUST 2009

**OJSC "VEROPHARM" ANNOUNCES FINANCIAL RESULTS
FOR THE FIRST HALF OF 2009 YEAR (UNAUDITED)**

AUGUST 26, 2009, MOSCOW – OJSC «VEROPHARM» [RTS:VRPH, MICEX:VFRM] announces its unaudited financial results for the 1st Half 2009 in accordance with the International Financial Reporting Standards (IFRS).

SALES

- Consolidated sales in H1 2009 reached USD 69.6 mln., a 19.5% decrease as compared to the same period in 2008 (in RUR sales increased by 11.0% and amounted to 2 300.0 million).
- The share of Rx drugs sales in H1 2009 increased to 69% as compared to 65% in H1 2008. The share of OTC drugs increased from 8% to 9% in H1 2009. The share of Adhesive bandages in finished goods decreased from 20% to 19% in H1 2009. Portfolio of traditional drug sales as before demonstrated tendency for a decrease of share in sales – the decrease from 7% to 3%.
- Veropharm sales as part of Federal Reimbursement Program (FRP) came to USD 2.0 mln. in H1 2009, accounting for 2.9% of the Company's total finished goods sales. By the results of H1 2008, FRP sales were USD 3.3 mln., or 3.8% of the Company's total finished goods sales.
- Sales within the Russian Federation accounted for 98% of the Company's total finished goods sales in H1 2009.

PROFIT

- In H1 2009 the Gross profit of Veropharm reached USD 47.9 mln., a 18.4% decrease as compared to the same period in 2008 (in RUR gross profit totaled 1 582.4 million, a 12.5% increase as compared to the same period in 2008). Gross margin increased to 68.8% in comparison with 67.9% in H1 2008.
- In the product segments gross margin has the following values: Rx drugs – 73.7%; OTC drugs – 68.2%; adhesive bandages – 58.6%; traditional products – 16.8%.
- In H1 2009 EBITDA decreased by 19.6% as compared to H1 2008 and reached USD 23.0 mln. which makes 33.0% of Company's total sales (in RUR gross profit totaled 759.2 million, a 10.9% increase as compared to the same period in 2008).
- In H1 2009 Net profit decreased by 6.7% to USD 18.1 mln. which makes 26.0% of Company's total sales, an increase of 3,6 % in comparison with H1 2008 (in RUR gross profit totaled 598.8 million, a 29.0% increase as compared to the same period in 2008).



DEBT

- As of the end of H1 2009 the debt of OJSC “Veropharm” amounted to USD 27.6 mln. that represents less than 25% of Company’s net assets.

KEY FINANCIAL INDICATORS FOR THE 1ST HALF OF 2009 YEAR

		1H 2009	1H 2008	% growth
Revenue		69.6	86.5	-19.5%
Gross Profit		47.9	58.7	-18.4%
	<i>Gross margin</i>	68.8%	67.9%	
Selling, general and administrative expenses		26.8	32.4	-17.3%
	<i>% of Revenue</i>	38.5%	37.5%	
EBITDA		23.0	28.6	-19.6%
	<i>Ebitda margin</i>	33.0%	33.0%	
Net income		18.1	19.4	-6.7%
	<i>Net income margin</i>	26.0%	22.4%	

		1H 2009	1H 2008	% growth
Revenue		2 300.0	2 072.2	11.0%
Gross Profit		1 582.4	1 406.2	12.5%
	<i>Gross margin</i>	68.8%	67.9%	
Selling, general and administrative expenses		887.4	775.2	14.5%
	<i>% of Revenue</i>	38.6%	37.4%	
EBITDA		759.2	684.5	10.9%
	<i>Ebitda margin</i>	33.0%	33.0%	
Net income		598.8	464.3	29.0%
	<i>Net income margin</i>	26.0%	22.4%	

For further information please call OJSC “Veropharm”:

Maksutova Nadiya,
Chief Financial Officer

maksutova.nadiya@veropharm.ru
tel. (+7495) 792 53 30

Or web-site of the Company

www.veropharm.ru



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 August 25, 2009 totaled \$230 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 2,000 people.

According to CMR "Pharmexpert", as of the end of 1H2009 Veropharm moved to 3 position among Russian pharmaceutical producers in production volume terms.

According to IMS Health, as of the end of 1 half 2009 compared to 1 half 2008 Veropharm ranked 4th position in overall ranking of pharmaceutical market in sales volume.

According to DSM Group, as of the end of 1 half 2009 Veropharm ranked 2th position in overall ranking of pharmaceutical market in sales volume.

According to IMS Health, as of the end of 1 half 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 THE YEAR ENDED 30 JUNE 2009

(in US Dollars and in thousands)

	<u>1H 2009</u>	<u>1H 2008</u>
REVENUE	69 560	86 544
COST OF SALES	(21 703)	(27 817)
GROSS PROFIT	<u>47 857</u>	<u>58 727</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(26 837)	(32 374)
OPERATING INCOME	<u>21 020</u>	<u>26 353</u>
Interest expense	(953)	(1 235)
Foreign currency exchange gain/(loss)	(814)	273
PROFIT BEFORE INCOME TAX EXPENSE	<u>19 253</u>	<u>25 391</u>
Income tax expense	(1 144)	(6 002)
NET PROFIT	<u>18 109</u>	<u>19 389</u>



OJSC “VEROPHARM”

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

(in thousands of rubles)

	1H 2009	1H 2008
REVENUE	2 300 060	2 072 215
COST OF SALES	(717 629)	(666 050)
GROSS PROFIT	1 582 431	1 406 165
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(887 399)	(775 178)
OPERATING INCOME	695 032	630 987
Interest expense	(31 507)	(29 560)
Foreign currency exchange gain/(loss)	(26 926)	6 540
PROFIT BEFORE INCOME TAX EXPENSE	636 599	607 967
Income tax expense	(37 817)	(143 717)
NET PROFIT	598 782	464 250



OJSC “VEROPHARM”

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2009

(in US Dollars and in thousands)

	<u>30.06.2009</u>	<u>31.12.2008</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	25 238	27 405
Goodwill	9 182	9 779
Intangible assets	1 574	1 792
Other long-term assets	-	-
Total non-current assets	<u>35 994</u>	<u>38 976</u>
CURRENT ASSETS:		
Inventories	19 712	19 289
Trade receivables	146 381	118 717
Loans receivables	3 421	4 708
Other receivables and prepaid expenses	4 225	6 519
Cash	1 185	49
Total current assets	<u>174 924</u>	<u>149 282</u>
TOTAL ASSETS	<u><u>210 918</u></u>	<u><u>188 258</u></u>
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	365	365
Other reserves	(18 265)	(11 126)
Retained earnings	162 682	144 574
Total equity	<u>144 782</u>	<u>133 813</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	3 621	1 850
Deferred tax liabilities	1 679	3 031
Long-term portion of finance lease payable	255	226
Total non-current liabilities	<u>5 555</u>	<u>5 107</u>
CURRENT LIABILITIES:		
Short-term borrowings	23 945	22 637
Accounts payable	20 639	9 874
Other payables and accrued expenses	15 710	16 068
Current portion of finance lease payable	287	759
Total current liabilities	<u>60 581</u>	<u>49 338</u>
TOTAL LIABILITIES	<u><u>66 136</u></u>	<u><u>54 445</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>210 918</u></u>	<u><u>188 258</u></u>



OJSC “VEROPHARM”

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2009

(in thousands of rubles)

	<u>30.06.2009</u>	<u>31.12.2008</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	789 718	805 180
Goodwill	287 311	287 311
Intangible assets	49 225	52 644
Other long-term assets	2	2
Total non-current assets	<u>1 126 256</u>	<u>1 145 137</u>
CURRENT ASSETS:		
Inventories	616 809	566 711
Trade receivables	4 580 309	3 487 964
Loans receivables	107 060	138 319
Other receivables and prepaid expenses	132 211	191 530
Cash	37 056	1 445
Total current assets	<u>5 473 445</u>	<u>4 385 969</u>
TOTAL ASSETS	<u>6 599 701</u>	<u>5 531 106</u>
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	10 002	10 000
Other reserves	500	500
Retained earnings	4 519 773	3 920 991
Total equity	<u>4 530 275</u>	<u>3 931 491</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	113 316	54 354
Deferred tax liabilities	52 548	89 041
Long-term portion of finance lease payable	7 969	6 662
Total non-current liabilities	<u>173 833</u>	<u>150 057</u>
CURRENT LIABILITIES:		
Short-term borrowings	749 261	665 093
Accounts payable	645 788	290 108
Other payables and accrued expenses	491 576	472 053
Current portion of finance lease payable	8 968	22 304
Total current liabilities	<u>1 895 593</u>	<u>1 449 558</u>
TOTAL LIABILITIES	<u>2 069 426</u>	<u>1 599 615</u>
TOTAL EQUITY AND LIABILITIES	<u>6 599 701</u>	<u>5 531 106</u>



OJSC "VEROPHARM"

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2009

(in US Dollars and in thousands)

	<u>1H 2009</u>	<u>1H 2008</u>
OPERATING ACTIVITIES:		
Profit before income tax expense	18 109	19 389
Adjustments for		
Income tax	1 144	6 002
Finance costs, net	953	1 235
Depreciation and amortization	1 939	2 235
Effect of loss on disposal of IA	-	-
Effect of loss on disposal of FA	(1)	5
Provision for doubtful receivables	351	(283)
Effect of obsolescence allowance	141	(492)
Foreign currency exchange loss/(gain), net	814	(273)
Profit before movements in working capital	23 450	27 818
Movements in working capital:		
Inventories	(1 648)	(3 982)
Trade receivables	(33 386)	(13 431)
Other receivables and prepaid expenses	2 739	431
Account payable	10 757	2 726
Other payables and accruals	(2 175)	993
Cash generated from operations	(263)	14 555
Income taxes paid	151	(6 505)
Interest paid	(1 765)	(1 173)
Net cash generated by operating activities	(1 877)	6 877
INVESTING ACTIVITIES:		
Purchases of property, plant, equipment	(1 273)	(3 467)
Purchase of intangible assets	(95)	(291)
Proceeds from sale of FA	-	40
Net cash used in investing activities	(1 368)	(3 718)
FINANCING ACTIVITIES:		
Proceeds from the increase of Other reserves	-	(9)
Proceeds from borrowings	19 535	20 005
Repayment of borrowings	(15 206)	(22 903)
Net cash generated by financing activities	4 329	2 777
Effect of translation to presentation currency	51	34
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1 084	416
CASH AND CASH EQUIVALENTS, beginning of period	49	562
CASH AND CASH EQUIVALENTS, end of period	1 185	978



OJSC “VEROPHARM”

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

(in thousands of rubles)

	<u>1H 2009</u>	<u>1H 2008</u>
OPERATING ACTIVITIES:		
Profit before income tax expense	598 782	464 250
Adjustments for		
Income tax	37 817	143 717
Finance costs, net	31 507	29 560
Depreciation and amortization	64 125	53 509
Effect of loss on disposal of IA	-	(3)
Effect of loss on disposal of FA	(25)	119
Provision for doubtful receivables	11 604	(6 768)
Effect of obsolescence allowance	4 404	(11 765)
Foreign currency exchange loss/(gain), net	26 925	(6 540)
Profit before movements in working capital	775 139	666 079
Movements in working capital:		
Inventories	(54 502)	(95 342)
Trade receivables	(1 103 949)	(321 594)
Other receivables and prepaid expenses	90 579	10 310
Account payable	355 680	65 280
Other payables and accruals	(71 896)	23 774
Cash generated from operations	(8 949)	348 507
Income taxes paid	4 992	(155 755)
Interest paid	(58 346)	(28 099)
Net cash generated by operating activities	(62 303)	164 653
INVESTING ACTIVITIES:		
Purchases of property, plant, equipment	(42 108)	(83 008)
Purchase of intangible assets	(3 111)	(6 964)
Proceeds from sale of FA	-	958
Net cash used in investing activities	(45 219)	(89 014)
FINANCING ACTIVITIES:		
Proceeds from the increase of Other reserves	-	(215)
Proceeds from borrowings	645 934	478 994
Repayment of borrowings	(502 803)	(548 377)
Net cash generated by financing activities	143 131	(66 500)
Effect of translation to presentation currency	2	(15)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	35 608	9 125
CASH AND CASH EQUIVALENTS, beginning of period	1 446	13 795
CASH AND CASH EQUIVALENTS, end of period	37 056	22 920