



PRESS-RELEASE

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**OJSC “VEROPHARM” ANNOUNCES FINANCIAL RESULTS
FOR THE 1ST QUARTER 2009 (UNAUDITED)**

MAY 27, 2009, MOSCOW – OJSC “VEROPHARM” [RTS:VRPH, MICEX:VFRM] announces its unaudited financial results for the 1st Quarter 2009 in accordance with the International Financial Reporting Standards (IFRS).

SALES

- Consolidated sales in Q1 2009 decreased by 22.5% and reached USD 26.9 mln.
- Rx drugs sales amounted to USD 17.0 mln. in Q1 2009, a 24% decrease in comparison with Q1 2008. The Rx drugs sales accounted for 63% of total sales.^[1]
- In Q1 2009 traditional drugs sales stood at USD 1,4 mln., which represents 51% decrease as compared to Q1 2008, and made up 5% of total sales.
- Adhesive bandages sales came to USD 5.6 mln. in Q1 2009, a 16% decrease as compared to Q1 2008. The share of adhesive bandages in total sales was 21%.
- OTC drugs sales amounted to USD 2.9 mln. in Q1 2008, a 2% decrease in comparison with Q1 2008. The share of OTC drugs makes 11% sales of the Company.
- Veropharm sales as part of Federal Reimbursement Program (FRP) came to USD 0.5 mln. in Q1 2009, accounting for 2.0% of the Company’s total sales.^[1]

PROFIT

- In Q1 2009 the gross profit of Veropharm decreased by 20.3% and reached USD 17.4 mln.
- In Q1 2009 EBITDA decreased by 38.5% as compared to Q1 2008 and reached USD 5.6 mln.
- The Q1 2009 net profit decreased by 41.6% as compared to Q1 2008 and reached USD 3.7 mln.

DEBT

- As of the end of Q1 2009 the debt of OJSC “Veropharm” amounted to USD 24.3 mln that represents less than 20% of Company’s net assets.

KEY FINANCIAL INDICATORS FOR 1ST QUARTER 2009

in US Dollars and in thousands

	1 q 2009	1 q 2008	% growth
Revenue	26 898	34 724	-22,5%
Gross Profit	17 395	21 831	-20,3%
<i>Gross margin</i>	64,7%	62,9%	
Selling, general and administrative expenses	12 790	13 702	-6,7%
<i>% of Revenue</i>	47,6%	39,5%	
EBITDA	5 626	9 154	-38,5%
<i>Ebitda margin</i>	20,9%	26,4%	
Net income	3 695	6 325	-41,6%
<i>Net income margin</i>	13,7%	18,2%	

in thousands of rubles

	1 q 2009	1 q 2008	% growth
Revenue	912 840	842 407	8,4%
Gross Profit	590 322	529 627	11,5%
<i>Gross margin</i>	64,7%	62,9%	
Selling, general and administrative expenses	434 036	332 404	30,6%
<i>% of Revenue</i>	47,5%	39,5%	
EBITDA	190 920	222 073	-14,0%
<i>Ebitda margin</i>	20,9%	26,4%	
Net income	125 389	153 421	-18,3%
<i>Net income margin</i>	13,7%	18,2%	

[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 25, 2009 totaled \$197 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 1 quarter 2009 Veropharm ranked 4th among Russian pharmaceutical producers in production volume terms.

According to IMS Health, as of the end of 1 quarter 2009 compared to 1 quarters 2008 Veropharm moved from 4th to 3th position in overall ranking of pharmaceutical market.

According to IMS Health, as of the end of 1 quarter 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 31 MARCH 2009

(in US Dollars and in thousands)

	<u>1 q 2009</u>	<u>1 q 2008</u>
REVENUE	26 898	34 724
COST OF SALES	(9 503)	(12 893)
GROSS PROFIT	<u>17 395</u>	<u>21 831</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(12 790)	(13 701)
OPERATING INCOME	<u>4 605</u>	<u>8 130</u>
INTEREST EXPENSE	(485)	(618)
FOREIGN CURRENCY EXCHANGE GAIN/(LOSS)	<u>(1 449)</u>	<u>248</u>
PROFIT BEFORE INCOME TAX EXPENSE	2 671	7 760
INCOME TAX EXPENSE	1 024	(1 435)
NET PROFIT	<u>3 695</u>	<u>6 325</u>



OJSC "VEROPHARM"

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009
(in thousands of rubles)

	<u>1 q 2009</u>	<u>1 q 2008</u>
REVENUE	912 840	842 407
COST OF SALES	(322 518)	(312 780)
GROSS PROFIT	<u>590 322</u>	<u>529 627</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(434 036)	(332 404)
OPERATING INCOME	<u>156 286</u>	<u>197 223</u>
INTEREST EXPENSE	(16 469)	(14 990)
FOREIGN CURRENCY EXCHANGE GAIN/(LOSS)	<u>(49 168)</u>	<u>6 011</u>
PROFIT BEFORE INCOME TAX EXPENSE	90 649	188 244
INCOME TAX EXPENSE	34 740	(34 823)
NET PROFIT	<u>125 389</u>	<u>153 421</u>



OJSC “VEROPHARM”

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2008

(in US Dollars and in thousands)

	<u>31.03.2009</u>	<u>31.12.2008</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	23 218	27 405
Goodwill	8 447	9 779
Intangible assets	1 520	1 792
Total non-current assets	<u>33 185</u>	<u>38 976</u>
CURRENT ASSETS:		
Inventories	18 811	19 289
Trade receivables	105 699	118 717
Loans receivables	3 420	4 708
Other receivables and prepaid expenses	4 195	6 519
Cash	755	49
Total current assets	<u>132 880</u>	<u>149 282</u>
TOTAL ASSETS	<u><u>166 065</u></u>	<u><u>188 258</u></u>
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	365	365
Other reserves	(29 361)	(11 126)
Retained earnings	148 269	144 574
Total equity	<u>119 273</u>	<u>133 813</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	1 721	1 850
Deferred tax liabilities	340	3 030
Long-term portion of finance lease payable	145	227
Total non-current liabilities	<u>2 206</u>	<u>5 107</u>
CURRENT LIABILITIES:		
Short-term borrowings	22 563	22 637
Accounts payable	9 565	9 874
Tax payables	4 466	6 361
Other payables and accrued expenses	7 431	9 707
Current portion of finance lease payable	561	759
Total current liabilities	<u>44 586</u>	<u>49 338</u>
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>46 792</u></u>	<u><u>54 445</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>166 065</u></u>	<u><u>188 258</u></u>



OJSC “VEROPHARM”

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2008

(in thousands of rubles)

	<u>31.03.2009</u>	<u>31.12.2008</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	789 736	805 180
Goodwill	287 311	287 311
Intangible assets	51 677	52 644
Other long-term assets	2	2
Total non-current assets	<u>1 128 726</u>	<u>1 145 137</u>
CURRENT ASSETS:		
Inventories	639 842	566 711
Trade receivables	3 595 196	3 487 964
Loans receivables	116 343	138 319
Other receivables and prepaid expenses	142 651	191 530
Cash	25 665	1 446
Total current assets	<u>4 519 697</u>	<u>4 385 970</u>
TOTAL ASSETS	<u><u>5 648 423</u></u>	<u><u>5 531 107</u></u>
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	10 000	10 000
Other reserves	504	500
Retained earnings	4 046 380	3 920 991
Total equity	<u>4 056 884</u>	<u>3 931 491</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	58 520	54 354
Deferred tax liabilities	11 554	89 041
Long-term portion of finance lease payable	4 932	6 663
Total non-current liabilities	<u>75 006</u>	<u>150 058</u>
CURRENT LIABILITIES:		
Short-term borrowings	767 456	665 093
Accounts payable	325 354	290 108
Tax payables	151 894	186 876
Other payables and accrued expenses	252 743	285 177
Current portion of finance lease payable	19 086	22 304
Total current liabilities	<u>1 516 533</u>	<u>1 449 558</u>
TOTAL LIABILITIES	<u><u>1 591 539</u></u>	<u><u>1 599 616</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>5 648 423</u></u>	<u><u>5 531 107</u></u>



OJSC “VEROPHARM”

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2009
(in US Dollars and in thousands)

	<u>1 q 2009</u>	<u>1 q 2008</u>
OPERATING ACTIVITIES:		
Profit before income tax expense	3 695	6 325
Adjustments for		
Income tax	(1 024)	1 435
Finance costs, net	485	618
Depreciation and amortization	1 021	1 024
Effect of loss on disposal of FA	1	3
Provision for doubtful receivables	(39)	(1 300)
Effect of obsolescence allowance	458	-
Foreign currency exchange loss/(gain), net	1 449	(248)
Profit before movements in working capital	6 046	7 857
Movements in working capital:		
Inventories	(2 613)	(3 226)
Trade receivables	(3 121)	1 851
Other receivables and prepaid expenses	2 088	366
Account payable	1 039	536
Other payables and accruals	(4 771)	(379)
Cash generated from operations	(1 332)	7 005
Interest paid	(787)	(515)
Income taxes paid	231	(482)
Net cash generated by operating activities	(1 888)	6 008
INVESTING ACTIVITIES:		
Purchases of property, plant, equipment	(444)	(1 688)
Purchase of intangible assets	(94)	(193)
Proceeds from sale of FA	-	21
Net cash used in investing activities	(538)	(1 860)
FINANCING ACTIVITIES:		
Proceeds from the increase of Other reserves	-	(9)
Proceeds from borrowings	12 200	9 058
Repayment of borrowings	(9 061)	(12 212)
Net cash generated by financing activities	3 139	(3 163)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	713	985
CASH AND CASH EQUIVALENTS, beginning of period	49	562
Effect of translation on cash flows	(7)	55
CASH AND CASH EQUIVALENTS, end of period	755	1 602



OJSC “VEROPHARM”

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2009

(in thousands of rubles)

	<u>1 q 2009</u>	<u>1 q 2008</u>
OPERATING ACTIVITIES:		
Profit before income tax expense	125 389	153 421
Adjustments for		
Income tax	(34 740)	34 824
Finance costs, net	16 469	14 990
Depreciation and amortization	34 634	24 850
Effect of loss on disposal of IA	-	3
Effect of loss on disposal of FA	51	82
Provision for doubtful receivables	(1 320)	(31 541)
Effect of obsolescence allowance	15 553	-
Foreign currency exchange loss/(gain), net	49 168	(6 011)
Profit before movements in working capital	205 204	190 618
Movements in working capital:		
Inventories	(88 685)	(78 260)
Trade receivables	(105 913)	44 890
Other receivables and prepaid expenses	70 856	8 874
Account payable	35 246	13 013
Other payables and accruals	(161 879)	(9 194)
Cash generated from operations	(45 171)	169 941
Interest paid	(26 717)	(12 492)
Income taxes paid	7 847	(11 693)
Net cash generated by operating activities	(64 041)	145 756
INVESTING ACTIVITIES:		
Purchases of property, plant, equipment	(15 077)	(40 930)
Purchase of intangible assets	(3 196)	(4 691)
Proceeds from sale of FA	-	500
Net cash used in investing activities	(18 273)	(45 121)
FINANCING ACTIVITIES:		
Proceeds from the increase of Other reserves	-	(215)
Proceeds from borrowings	414 022	219 746
Repayment of borrowings	(307 493)	(296 263)
Net cash generated by financing activities	106 529	(76 732)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	24 215	23 903
CASH AND CASH EQUIVALENTS, beginning of period	1 446	13 795
Effect of translation on cash flows	4	(18)
CASH AND CASH EQUIVALENTS, end of period	25 665	37 680