



**OJSC “VEROPHARM”**

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

*(in thousands of rubles)*

|  | <u>1H 2010</u>   | <u>1H 2009</u>   |
|--|------------------|------------------|
| REVENUE                                      | 2,673,162        | 2,300,060        |
| COST OF SALES                                | (713,316)        | (717,629)        |
| <b>GROSS PROFIT</b>                          | <b>1,959,846</b> | <b>1,582,431</b> |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | (1,103,548)      | (887,400)        |
| <b>OPERATING INCOME</b>                      | <b>856,298</b>   | <b>695,031</b>   |
| Interest expense                             | (36,616)         | (31,507)         |
| Foreign currency exchange gain/(loss)        | (1,702)          | (26,926)         |
| <b>PROFIT BEFORE INCOME TAX EXPENSE</b>      | <b>817,980</b>   | <b>636,598</b>   |
| Income tax expense                           | (88,589)         | (66,266)         |
| <b>NET PROFIT</b>                            | <b>729,391</b>   | <b>570,332</b>   |



**OJSC “VEROPHARM”**

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2010

*(in thousands of rubles)*

|  | <u>30.06.2010</u>       | <u>31.12.2009</u>       |
|--|-------------------------|-------------------------|
| <b>ASSETS</b>                              |                         |                         |
| NON-CURRENT ASSETS:                        |                         |                         |
| Property, plant & equipment, net           | 806,463                 | 798,077                 |
| Goodwill                                   | 287,311                 | 287,311                 |
| Intangible assets                          | 62,275                  | 54,317                  |
| Total non-current assets                   | <u>1,156,049</u>        | <u>1,139,705</u>        |
| CURRENT ASSETS:                            |                         |                         |
| Inventories                                | 1,055,904               | 1,044,411               |
| Trade receivables                          | 4,617,007               | 3,930,973               |
| Other receivables and prepaid expenses     | 361,443                 | 198,826                 |
| Cash                                       | 39,752                  | 64,814                  |
| Loans receivables                          | 23,485                  | 51,415                  |
| Short-term investment                      | 2                       | 250,002                 |
| Total current assets                       | <u>6,097,593</u>        | <u>5,540,441</u>        |
| <b>TOTAL ASSETS</b>                        | <u><u>7,253,642</u></u> | <u><u>6,680,146</u></u> |
| <b>EQUITY AND LIABILITIES</b>              |                         |                         |
| EQUITY:                                    |                         |                         |
| Share capital                              | 10,000                  | 10,000                  |
| Other reserves                             | 500                     | 500                     |
| Retained earnings                          | 5,757,978               | 5,028,586               |
| Total equity                               | <u>5,768,478</u>        | <u>5,039,086</u>        |
| NON-CURRENT LIABILITIES:                   |                         |                         |
| Long-term borrowings                       | 88,262                  | 94,619                  |
| Deferred tax liabilities                   | 12,511                  | 57,518                  |
| Long-term portion of finance lease payable | 10,407                  | 14,457                  |
| Total non-current liabilities              | <u>111,180</u>          | <u>166,594</u>          |
| CURRENT LIABILITIES:                       |                         |                         |
| Short-term borrowings                      | 686,402                 | 886,892                 |
| Current portion of finance lease payable   | 7,485                   | 8,997                   |
| Accounts payable                           | 272,471                 | 202,429                 |
| Other payables and accrued expenses        | 225,748                 | 229,340                 |
| Tax payables                               | 181,878                 | 146,808                 |
| Total current liabilities                  | <u>1,373,984</u>        | <u>1,474,466</u>        |
| <b>TOTAL LIABILITIES</b>                   | <u><u>1,485,164</u></u> | <u><u>1,641,060</u></u> |
| <b>TOTAL EQUITY AND LIABILITIES</b>        | <u><u>7,253,642</u></u> | <u><u>6,680,146</u></u> |



**OJSC “VEROPHARM”**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

(in thousands of rubles)

|   | <u>1H 2010</u>   | <u>1H 2009</u>  |
|---|------------------|-----------------|
| <b>OPERATING ACTIVITIES:</b>                                |                  |                 |
| <b>Profit before income tax expense</b>                     | <b>729,391</b>   | <b>570,332</b>  |
| Adjustments for   |                  |                 |
| <i>Income tax</i>   | 88,589           | 66,266          |
| <i>Interest expense</i>                                     | 72,738           | 31,507          |
| <i>Interest income</i>                                      | (36,122)         | -               |
| Depreciation and amortization                               | 61,407           | 64,125          |
| Effect of loss on disposal of FA                            | -                | (25)            |
| Provision for doubtful receivables                          | (11,986)         | 11,604          |
| Foreign currency exchange loss/(gain), net                  | 1,702            | 26,925          |
| Effect of loss on write off other receivables               | 2                | -               |
| Effect of obsolescence allowance                            | 102,263          | 4,405           |
| Effect of movement in unused employment benefits            | 2,062            | -               |
| <b>Profit before movements in working capital</b>           | <b>1,010,046</b> | <b>775,139</b>  |
| Movements in working capital:                               |                  |                 |
| Inventories   | (113,756)        | (54,502)        |
| Trade receivables   | (674,047)        | (1,103,949)     |
| Other receivables and prepaid expenses                      | (112,619)        | 90,579          |
| Account payable   | 70,042           | 355,680         |
| Other payables and accruals                                 | (18,428)         | (71,896)        |
| <b>Cash generated from operations</b>                       | <b>161,238</b>   | <b>(8,949)</b>  |
| Income taxes paid   | (58,977)         | 4,992           |
| Interest paid   | (89,495)         | (58,346)        |
| <b>Net cash generated by operating activities</b>           | <b>12,766</b>    | <b>(62,303)</b> |
| <b>INVESTING ACTIVITIES:</b>                                |                  |                 |
| Purchases of property, plant, equipment                     | (54,201)         | (42,108)        |
| Purchase of intangible assets                               | (23,549)         | (3,111)         |
| Proceeds from sale of investments                           | 200,000          | -               |
| Loans given to related parties                              | 27,929           | -               |
| <b>Net cash used in investing activities</b>                | <b>150,179</b>   | <b>(45,219)</b> |
| <b>FINANCING ACTIVITIES:</b>                                |                  |                 |
| Proceeds from borrowings                                    | 704,056          | 645,934         |
| Repayment of borrowings                                     | (892,064)        | (502,804)       |
| <b>Net cash generated by financing activities</b>           | <b>(188,008)</b> | <b>143,130</b>  |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>(25,063)</b>  | <b>35,608</b>   |
| CASH AND CASH EQUIVALENTS, beginning of period              | 64,814           | 1,446           |
| CASH AND CASH EQUIVALENTS, end of period                    | 39,751           | 37,056          |