

17TH JUNE 2008

OJSC “VEROPHARM” ANNOUNCES 2007 FINANCIAL RESULTS (AUDITED)

JUNE 17, 2008, MOSCOW – OJSC “VEROPHARM” [RTS:VRPH, MICEX:VFRM] announces 2007 financial results in accordance with the International Financial Reporting Standards (audited).

Sales

- Consolidated sales in 2007 grew by 38,8% and reached USD 139,5 mln in comparison with USD 100,5 mln. in 2006.
- In 2007 sales of finished goods were up by 39.3% in comparison with 2006 USD and amounted USD 137,9 mln.*
- The share of Rx drugs sales in 2007 increased to 60% as compared to 53% in 2006. The share of OTC drugs remained unchanged at 8% as compared to year before. Adhesive bandages sales share in finished goods decreased from 21% to 18% in 2007. Portfolio of traditional drug sales also demonstrate tendency for a decrease of share in sales – the decrease from 17% to 14%.*
- OJSC “Veropharm” sales in the 2007 FRP program amounted to USD 5,8 mln which makes 4% sales of the Company.*

Profit

- In 2007 the gross profit of OJSC “Veropharm” increased by 44,3% and reached USD 86,7 mln compared to USD 60,1 mln in 2006. Gross margin increased to 62,2% as compared to 59,8% in 2006.
- The increase of the gross margin materialized in the following product segments: Rx drugs - from 74,1% to 74,6%; OTC drugs (caused by price increase for the drug “Xylen”) – from 54,3% to 59,1%. The gross margin in the adhesive bandages decreased from 59,6% to 56,3%; in the traditional products – from 37,4% to 37,2%.*
- In 2007 EBITDA increased by 47,3% and reached USD 42,5 mln which makes 30,5% of Company’s sales (in 2006 EBITDA increased by 20,3% and amounted USD 28,9 mln).
- The net profit grew by 51% to USD 27,7 mln which makes 19,9 % of Company’s sales (an increase of 1,6 % in comparison with 2006).



- In 2007 the Company launched the top-management's motivation program which comprises incentive payments linked to changes in OJSC "Veropharm" shares market price and payable up to June 2011. According to this program in 2007 accruals of USD 0,9 mln were made, which affected profit lines of the Company.

Debt

- As of the end of 2007 the debt of OJSC "Veropharm" amounted to USD 20,3 mln that represents less than 20 % of net assets.

* - according to management accounts



KEY FINANCIAL INDICATORS FOR 2007

in US Dollars and in millions

		FY2007	FY2006	growth, %
Revenue		139.5	100.5	38.8%
Gross profit		86.7	60.1	44.3%
	<i>Margin</i>	62.2%	59.8%	
SG&A		46.8	34.3	36.7%
	<i>% of Revenue</i>	33.6%	34.1%	
EBITDA		42.5	28.9	47.3%
	<i>Margin</i>	30.5%	28.7%	
Net income		27.7	18.4	51.0%
	<i>Margin</i>	19.9%	18.3%	

		FY2007	FY2006	change, USD mln.
Non-current Assets		45.7	40.2	5.4
Current Assets		126.3	85.0	41.3
Accounts Receivable		87.0	58.1	29.0
Equity		122.6	87.3	35.3
Bank Debt		20.3	18.7	1.6

For more information please refer to OJSC «Pharmacy Chain 36,6»:

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Or web-site of the Company

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 June 16, 2008 totaled \$535 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 3,000 people.



According to CMR "Pharmexpert", as of the end of 2007 Veropharm ranked 4th among Russian pharmaceutical producers in production volume terms.

According to RMBC, as of the end of 2007 compared to 2006 Veropharm moved from 12th to 6th position in overall ranking of oncology drugs producers, while moving from the 22nd to 20th position in hospital market ranking. As far as oncology drug producers ranking in pack terms concerned, Veropharm maintained its leading position.

According to the research company "Rusj" in October 2007 Veropharm ranked 2nd in the rating "Knowledge of the Russian Pharma producer by the Russian customer" ("Pharmaceutical Bulletin", №41).

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OJSC “VEROPHARM”

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007
(in US Dollars and in thousands)

	<u>2007</u>	<u>2006</u>
REVENUE	139 491	100 462
COST OF SALES	(52 781)	(40 384)
GROSS PROFIT	<u>86 710</u>	<u>60 078</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(46 827)	(34 254)
SHARE BASED PAYMENT EXPENSE	(924)	-
OTHER EXPENSES	(445)	(545)
OPERATING INCOME	<u>38 514</u>	<u>25 279</u>
INTEREST EXPENSE	(2 627)	(2 136)
FOREIGN CURRENCY EXCHANGE GAIN/(LOSS)	812	(215)
PROFIT BEFORE INCOME TAX EXPENSE	<u>36 699</u>	<u>22 928</u>
INCOME TAX EXPENSE	<u>(8 973)</u>	<u>(4 571)</u>
PROFIT FOR THE YEAR	<u>27 726</u>	<u>18 357</u>



OJSC “VEROPHARM”

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2007

(in US Dollars and in thousands)

	<u>2007</u>	<u>2006</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	31 776	27 204
Intangible assets	13 899	13 040
Total non-current assets	<u>45 675</u>	<u>40 244</u>
CURRENT ASSETS:		
Inventories	22 283	17 997
Trade receivables	87 034	58 073
Receivables from related parties	10 503	2 773
Other receivables and prepaid expenses	5 906	5 933
Cash	562	215
Total current assets	<u>126 288</u>	<u>84 991</u>
TOTAL ASSETS	<u><u>171 963</u></u>	<u><u>125 235</u></u>
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	365	365
Other reserves	14 537	7 009
Retained earnings	107 674	79 948
Total equity	<u>122 576</u>	<u>87 322</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	10 292	10 585
Deferred tax liability	3 797	3 373
Finance lease obligations	561	143
Share-based payment liability	963	-
Other payables	1 418	-
Total non-current liabilities	<u>17 031</u>	<u>14 101</u>
CURRENT LIABILITIES:		
Trade payables	9 423	7 502
Short-term borrowings	9 962	8 085
Other payables	8 260	6 050
Finance lease obligations, current maturities	1 123	255
Payables to related parties	3 588	1 920
Total current liabilities	<u>32 356</u>	<u>23 812</u>
TOTAL LIABILITIES	<u><u>49 387</u></u>	<u><u>37 913</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>171 963</u></u>	<u><u>125 235</u></u>



OJSC “VEROPHARM”

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

(in US Dollars and in thousands)

	<u>2007</u>	<u>2006</u>
OPERATING ACTIVITIES:		
Profit before income tax expense	36 699	22 928
Adjustments for		
Depreciation and amortization	3 557	3 038
Loss on disposal of tangible and intangible assets	151	217
Change in allowance for advances to suppliers and other receivables	82	1 559
Change in inventory obsolescence allowance	551	97
Foreign exchange (gain) loss	(812)	215
Loss on write off other receivables	213	187
Share based payment expense	924	-
Interest expense	2 627	2 136
Gain on disposal of intercompany investment	-	(99)
Unused employment benefits	1 874	-
Profit before movements in working capital	<u>45 866</u>	<u>30 278</u>
Movements in working capital:		
Inventories	(3 150)	(3 091)
Trade receivables	(23 823)	(21 437)
Receivables from related parties	(6 104)	1 274
Other receivables and prepaid expenses	1 822	(1 892)
Trade payables	1 320	280
Payables to related parties	218	(457)
Other payables and accruals	168	621
Cash generated from operations	<u>16 317</u>	<u>5 576</u>
Income taxes paid	(7 829)	(3 203)
Interest paid	(2 204)	(1 790)
Net cash generated by operating activities	<u>6 284</u>	<u>583</u>

INVESTING ACTIVITIES:

Purchase of property, plant, equipment	(5 705)	(4 329)
Proceeds from sale of investments	-	99
Purchase of intangible assets	(666)	(481)
Proceeds from sale of fixed assets	59	94
Net cash used in investing activities	<u>(6 312)</u>	<u>(4 617)</u>

FINANCING ACTIVITIES:

Proceeds from the issue of shares	-	380
Proceeds from borrowings	35 793	7 613
Repayment of borrowings	(35 575)	(2 766)
Repayment of borrowings of related parties	(1 158)	(1 565)
Proceeds from borrowings of related parties	1 285	-
Net cash generated from financing activities	<u>345</u>	<u>3 662</u>
Effect of translation to presentation currency	30	273
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	347	(99)
CASH AND CASH EQUIVALENTS, beginning of year	<u>215</u>	<u>314</u>
CASH AND CASH EQUIVALENTS, end of year	<u>562</u>	<u>215</u>