



PRESS RELEASE

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VEROPHARM ANNOUNCES FINANCIAL RESULTS FOR H1 2007

SEPTEMBER 3, 2007, MOSCOW – OAO VEROPHARM [RTS:VRPH, MICEX:VRFM] announces its unaudited financial results for H1 2007 in accordance with the International Financial Reporting Standards (IFRS).

Sales

- Sales in H1 2007 were up 31.7% year-on-year and totaled US\$59.5 million.
- The sales volume of finished products in H1 2007 totaled US\$57.6 million.*
- The share of prescription drugs in VEROPHARM's sales increased in H1 2007 to 54.2%, compared to 51.0% in H1 2006. The share of adhesive bandages in total sales decreased to 20.8%, down from 22.7% a year earlier. Non-prescription (OTC) medications decreased their share to 7.9%, down from 9.5% in H1 2006. The share of VEROPHARM's traditional medications portfolio rose from 16.7% to 17.1%.*
- VEROPHARM's sales as part of the Federal Reimbursement Program (DLO) totaled US\$2.1 million in H1 2007, which represented 3.6% of the Company's finished goods sales. The DLO Program sales in H1 2006 totaled US\$3.4 million (7.8% of finished goods sales).

Profits

- VEROPHARM's gross profits in H1 2007 grew 32.0% year-on-year and reached US\$36.6 million. The gross profit margin grew from 61.4% a year earlier to 61.5%.
- The gross profit margin for delivery of finished products decreased from 63.2% in H1 2006 to 62.7% in H1 2007. The gross profit margin decreased following the changes in the finished goods sales structure.
- Results from H1 2007 demonstrated year-on-year drop in gross profit margin in the following segments: RX drugs – from 75.6% to 73.1%; OTC medications – from 57.9% to 55.8%; and adhesive bandages – from 60.9% to 57.0%. The gross profit margin for traditional drugs increased from 31.9% to 40.1%.
- The Company's EBITDA increased by 41.0% year-on-year, reaching US\$17.0 million. The EBITDA margin for H1 2007 amounted to 28.6%.
- VEROPHARM's net profit in H1 2007 was up 47.9% year-on-year and totaled US\$11.0 million.

Debt

- VEROPHARM's debt at the end of H1 2007 totaled US\$21.4 million.



* hereinafter financials are as per OAO VEROPHARM management accounts.

KEY FINANCIAL INDICATORS FOR H1 2007

\$mln.		1H2007	1H2006	change
Revenue		59.5	45.2	31.7%
Gross profit		36.6	27.8	32.0%
	<i>Margin</i>	61.5%	61.4%	
SG&A		21.5	16.9	27.3%
	<i>% of Sales</i>	36.1%	37.3%	
EBITDA		17.0	12.1	41.0%
	<i>Margin</i>	28.6%	26.7%	
Profit		11.0	7.5	47.9%
	<i>Margin</i>	18.5%	16.5%	
		1H2007	2006	change
Non-current Assets		41.6	40.2	1.4
Current Assets		98.0	85.0	13.0
Accounts Receivable		66.7	58.1	8.6
Equity		100.2	87.3	12.9
Bank Debt		21.4	18.7	2.7

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or refer to the Company's web-site

www.veropharm.ru

Notes to the Editor:

VEROPHARM is one of the largest Russian pharmaceutical producers.

Shares of the Company are traded on RTS (ticker: VRPH). Market capitalization as of August, 31, 2007 totaled \$449 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.

VEROPHARM employs over 3000 people.



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OAO VEROPHARM

**CONSOLIDATED INCOME STATEMENT
AS OF JUNE 30, 2007
(in US Dollars and in thousands)**

	<u>6m2007</u>	<u>6m2006</u>
Revenue	59 540	45 202
Cost of sales	-22 898	-17 434
Gross profit	36 642	27 768
Selling, general and administrative expenses	-21 470	-16 863
Operating income	15 172	10 905
Interest expense	-1 187	-1 045
Foreign currency exchange loss	49	-150
Profit before income tax expense	<u>14 034</u>	<u>9 710</u>
Income tax expense	<u>-3 008</u>	<u>-2 253</u>
Net income	<u><u>11 026</u></u>	<u><u>7 457</u></u>



OAO VEROPHARM

**CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2007
(in US Dollars and in thousands)**

	<u>6m2007</u>	<u>2006</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	28 413	27 204
Intangible assets, net	13 234	13 040
Total non-current assets	<u>41 647</u>	<u>40 244</u>
CURRENT ASSETS:		
Inventories	17 012	17 997
Accounts receivable	66 720	58 073
Accounts receivable from related parties	6 595	2 773
Other receivables and prepaid expenses	6 639	5 933
Cash	1061	215
Total current assets	<u>98 027</u>	<u>84 991</u>
TOTAL ASSETS	<u><u>139 674</u></u>	<u><u>125 235</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	389	382
Retained earnings	99 809	86 940
Total shareholders' equity	<u>100 197</u>	<u>87 322</u>
LONG-TERM LIABILITIES:		
Long-term borrowings	11 886	10 585
Deferred tax liability	2 210	3 373
Finance lease obligations, net of current maturities	307	143
Total long-term liabilities	<u>14 402</u>	<u>14 101</u>
CURRENT LIABILITIES:		
Current portion of long term borrowings	9 517	8 085
Trade payable	6 658	7 502
Other payables and accrued expenses	5 830	6 050
Finance lease obligations, current maturities	140	255
Accounts payable to related parties	2 929	1 920
Total current liabilities	<u>25 074</u>	<u>23 812</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>139 674</u></u>	<u><u>125 235</u></u>



OAO VEROPHARM

**CONSOLIDATED STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2007
(in US Dollars and in thousands)**

	<u>6m2007</u>	<u>6m2006</u>
OPERATING ACTIVITIES:		
Profit before income tax	14 034	9 710
Adjustments for:		
Depreciation and amortization	1 853	1 170
Loss on disposal of property, plant and equipment	74	-
Provision for doubtful receivables	169	-
Foreign exchange loss/(gain) on financing and investing activities	-49	150
Change in obsolescence allowance	841	-
Effect of loss on other receivables write off	112	-
Interest expense	1 187	1 046
Operating cash flow before movements in working capital	<u>18 220</u>	<u>12 076</u>
Inventories	489	-4 238
Trade receivables	-7 601	-9 732
Accounts receivable from related parties	-3730	-
Other receivables and prepaid expenses	-677	-785
Trade payables	-984	1 437
Accounts payable from related parties	961	-790
Other payables and accruals	-73	1 768
Cash flows from operations	<u>6 605</u>	<u>-264</u>
Income taxes paid	-4 775	-1 114
Interest paid	-814	-939
Net cash outflow from operating activities	<u>1 015</u>	<u>-2 317</u>
INVESTING ACTIVITIES:		
Purchase of property, plant, equipment	-2 261	-3 045
Purchase of intangible assets	-260	-
Net cash outflow from investing activities	<u>-2 521</u>	<u>-3 045</u>
FINANCING ACTIVITIES:		
Proceeds from borrowings	13 821	2 611
Repayment of borrowings	-11 483	-
Net cash inflow from financing activities	<u>2 338</u>	<u>2 611</u>
Effect of translation on cash flows	13	2 568
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	846	-183
CASH, beginning of period	<u>215</u>	<u>314</u>
CASH, end of period	<u>1061</u>	<u>131</u>