



PRESS-RELEASE

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14TH AUGUST 2008

**OJSC "VEROPHARM" ANNOUNCES FINANCIAL RESULTS
FOR THE FIRST HALF OF 2008 YEAR (UNAUDITED)**

AUGUST 14, 2008, MOSCOW – OJSC «VEROPHARM» [RTS:VRPH, MICEX:VFRM] announces its unaudited financial results for the 1st Half 2008 in accordance with the International Financial Reporting Standards (IFRS).

SALES

- Consolidated sales in H1 2008 grew by 45,4% and reached USD 86,5 mln. in comparison with USD 59,5 mln. in H1 2007.
- The share of Rx drugs sales in H1 2008 increased to 65% as compared to 54% in H1 2007. The share of OTC drugs remained unchanged at 8% as compared to the same period in year before. Adhesive bandages sales share in finished goods decreased from 21% to 20% in H1 2007. Portfolio of traditional drug sales as before demonstrate tendency for a decrease of share in sales – the decrease from 17% to 7%.
- Veropharm sales as part of Federal Reimbursement Program (FRP) came to USD 3,3 mln. in H1 2008, accounting for 3,8% of the Company's total finished goods sales. By the results of H1 2007, FRP sales were USD 2,1 mln., or 3,6% of the Company's total finished goods sales. Sales of anticancer drug Bilumid through FRP accounted for 80% of the Veropharm total FRP sales in H1 2008.
- Sales within the Russian Federation accounted for 96% of the Company's total finished goods sales in H1 2008.

PROFIT

- In H1 2008 the gross profit of Veropharm increased by 60,3% and reached USD 58,7 mln. compared to USD 36,6 mln in H1 2007. Gross margin increased to 67,9% as compared to 61,5% in H1 2007.
- The increase of the gross margin materialized in the following product segments: Rx drugs - from 72,5% to 75,8%; adhesive bandages – from 57,0% to 57,2%; OTC drugs (caused by price increase for the drugs "Xylen" and "Slabilen") – from 55,8% to 66,6%. The gross margin in the traditional products decreased from 40,1% to 26,0.*
- In H1 2008 EBITDA increased by 67,9% as compared to H1 2007 and reached USD 28,6 mln. which makes 33,0% of Company's total sales. In H1 2007 EBITDA accounted for USD 17,0 mln., or 28,6% of the Company's total sales.
- The H1 2008 net profit grew by 75,9% to USD 19,4 mln. which makes 22,4 % of Company's total sales (an increase of 3,9 % in comparison with H1 2007).



DEBT

- As of the end of H1 2008 the debt of OJSC “Veropharm” amounted to USD 18,2 mln. that represents less than 20% of Company's net assets.

* according to management accounts of OJSC “Veropharm”

KEY FINANCIAL INDICATORS FOR THE 1st HALF OF 2008 YEAR

in US Dollars and in millions

	1H2008	1H2007	growth, %
Revenue	86,5	59,5	45,4%
Gross profit	58,7	36,6	60,3%
	<i>Margin</i>	61,5%	
SG&A	32,4	21,5	50,8%
	<i>% of Revenue</i>	37,4%	
EBITDA	28,6	17,0	67,9%
	<i>Margin</i>	33,0%	
Net profit	19,4	11,0	75,9%
	22,4%	18,5%	
	for period ending 30 June 2008 year	for period ending 31 December 2007 year	change, USD mln.
Non-current Assets	49,4	45,7	3,7
Current Assets	150,5	126,3	24,2
Accounts Receivable	104,4	87,0	17,3
Equity	148,1	122,6	25,5
Bank Debt	18,2	20,3	-2,0



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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 June 30, 2008 totaled \$558 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 about 3,000 people.

According to CMR "Pharmexpert", as of the end of 1H2008 Veropharm ranked 4th among Russian pharmaceutical producers in production volume terms.

According to DSM-Group, as of the end of 1H2008 for the first time among domestic companies Veropharm took 16th position in hospital market in volume terms.

According to RMBC, as of the end of 1q2008 compared to 1q2007 Veropharm moved from 5th to 3^d position in overall ranking of oncology drugs producers. 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 PERIOD ENDING 30 JUNE, 2008

(in US Dollars and in thousands)

	<u>1H2008</u>	<u>1H2007</u>
REVENUE	86 544	59 540
COST OF SALES	(27 817)	(22 898)
GROSS PROFIT	<u>58 727</u>	<u>36 642</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(32 375)	(21 470)
OPERATING INCOME	<u>26 353</u>	<u>15 172</u>
INTEREST EXPENSE	(1 235)	(1 187)
FOREIGN CURRENCY EXCHANGE GAIN/(LOSS)	273	49
PROFIT BEFORE INCOME TAX EXPENSE	<u>25 391</u>	<u>14 034</u>
INCOME TAX EXPENSE	<u>(6 002)</u>	<u>(3 008)</u>
NET PROFIT	<u>19 389</u>	<u>11 026</u>



OJSC “VEROPHARM”

CONSOLIDATED BALANCE SHEET

AT JUNE 30, 2008

(in US Dollars and in thousands)

	<u>1H2008</u>	<u>2 007</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	34 513	31 776
Goodwill	12 248	11 705
Intangible assets	2 584	2 194
Other long-term assets	9	-
Total non-current assets	<u>49 354</u>	<u>45 675</u>
CURRENT ASSETS:		
Inventories	27 883	22 283
Trade receivables	104 359	87 034
Receivables from related parties	11 618	10 503
Other receivables and prepaid expenses	5 690	5 906
Cash	977	562
Total current assets	<u>150 528</u>	<u>126 288</u>
TOTAL ASSETS	<u>199 882</u>	<u>171 963</u>
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	365	365
Additional paid-in capital	-	0
Other reserves	20 630	14 537
Retained earnings	127 063	107 674
Total equity	<u>148 058</u>	<u>122 576</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	9 200	10 292
Deferred tax liability	3 158	3 797
Finance lease obligations	397	561
Share-based payment liability	1 228	963
Other payables	1 661	1 418
Total non-current liabilities	<u>15 644</u>	<u>17 031</u>
CURRENT LIABILITIES:		
Trade payables	9 199	6 132
Short-term borrowings	9 037	9 962
Other payables	6 650	5 766
Finance lease obligations, current maturities	1 118	1 123
Tax payable	6 385	5 785
Payables to related parties	3 790	3 588
Total current liabilities	<u>36 181</u>	<u>32 356</u>
TOTAL LIABILITIES	<u>51 825</u>	<u>49 387</u>
TOTAL EQUITY AND LIABILITIES	<u>199 882</u>	<u>171 963</u>



OJSC “VEROPHARM”

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR PERIOD ENDING 30 JUNE, 2008

(in US Dollars and in thousands)

	<u>1H2008</u>	<u>1H2007</u>
OPERATING ACTIVITIES:		
Profit before income tax expense	25 391	14 034
Adjustments for		
Depreciation and amortization	2 235	1 853
Loss on disposal of tangible and intangible assets	5	74
Change in allowance for advances to suppliers and other receivables	(283)	169
Change in inventory obsolescence allowance	(491)	841
Foreign exchange (gain) loss	(273)	(49)
Loss on write off other receivables	-	112
Interest expense	1 235	1 187
Profit before movements in working capital	27 818	18 220
Movements in working capital:		
Inventories	(3 982)	489
Trade receivables	(12 723)	(7 601)
Receivables from related parties	(708)	(3 730)
Other receivables and prepaid expenses	431	(677)
Trade payables	2 726	(984)
Payables to related parties	(0)	961
Other payables and accruals	993	(73)
Cash generated from operations	14 555	6 605
Income taxes paid	(6 505)	(4 775)
Interest paid	(1 174)	(814)
Net cash generated by operating activities	6 877	1 015
INVESTING ACTIVITIES:		
Purchase of property, plant, equipment	(3 467)	(2 261)
Purchase of intangible assets	(291)	(260)
Proceeds from sale of fixed assets	40	-
Net cash used in investing activities	(3 718)	(2 521)
FINANCING ACTIVITIES:		
Proceeds from the increase of other reserves	(9)	-
Proceeds from borrowings	20 005	13 821
Repayment of borrowings	(22 903)	(11 483)
Proceeds from borrowings of related parties	129	-
Net cash generated from financing activities	(2 777)	2 338
Effect of translation to presentation currency	34	13
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	416	846
CASH AND CASH EQUIVALENTS, beginning of period	562	215
CASH AND CASH EQUIVALENTS, end of period	978	1 061