



PRESS-RELEASE

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**3<sup>TH</sup> JULY 2008**

**OJSC “VEROPHARM” ANNOUNCES FINANCIAL RESULTS  
FOR THE 1<sup>ST</sup> QUARTER 2008 (UNAUDITED)**

JULY 3, 2008, MOSCOW – OJSC “VEROPHARM” [RTS:VRPH, MICEX:VFRM] announces its unaudited financial results for the 1<sup>st</sup> Quarter 2008 in accordance with the International Financial Reporting Standards (IFRS).

**SALES**

- Consolidated sales in Q1 2008 grew by 43,9% and reached USD 34,7 mln. in comparison with USD 24,1 mln. in Q1 2007.
- In Q1 2008 sales of Veropharm’s finished goods were up by 40,4% in comparison with Q1 2007 USD and amounted USD 33,3 mln. <sup>[1]</sup>
- Rx drugs sales amounted to USD 20,7 mln. in Q1 2008, a 66% increase in comparison with Q1 2007. The Rx drugs sales accounted for 62% of total sales. <sup>[2]</sup>
- In Q1 2008 traditional drugs sales stood at USD 2,9 mln., which represents 36% decrease as compared to Q1 2007, and made up 9% of total sales.
- Adhesive bandages sales came to USD 6,7 mln. in Q1 2008, a 53% increase as compared to Q1 2007. The share of adhesive bandages in total sales was 20%.
- OTC drugs sales amounted to USD 3,0 mln. in Q1 2008, a 24% increase in comparison with Q1 2007. The share of OTC drugs makes 9% sales of the Company.
- Veropharm sales as part of Federal Reimbursement Program (FRP) came to USD 0,9 mln. in Q1 2008, accounting for 2,6% of the Company’s total sales. By the results of Q1 2007, FRP sales were USD 1,0 mln., or 4,2% of the Company’s total sales. <sup>[2]</sup>

## PROFIT

- In Q1 2008 the gross profit of Veropharm increased by 41,8% and reached USD 21,8 mln. compared to USD 15,4 mln in Q1 2007.
- In Q1 2008 EBITDA increased by 29,6% as compared to Q1 2007 and reached USD 9,2 mln.
- The Q1 2008 net profit grew by 14,9% to USD 6,3 mln. compared to USD 5,5 mln. in Q1 2007.

## DEBT

- As of the end of Q1 2008 the debt of OJSC “Veropharm” amounted to USD 17,8 mln that represents less than 20% of Company’s net assets.

### KEY FINANCIAL INDICATORS FOR 1<sup>st</sup> QUARTER 2008

*in US Dollars and in millions*

	1q2008	1q2007	growth, %
Revenue	34,7	24,1	43,9%
Gross profit	21,8	15,4	41,8%
	<i>Margin</i>	62,9%	63,8%
SG&A	13,7	9,1	50,8%
	<i>% of Revenue</i>	39,5%	37,6%
EBITDA	9,2	7,1	29,6%
	<i>Margin</i>	26,4%	29,3%
Net profit	6,3	5,5	14,9%
	18,2%	22,8%	
	<b>for period ending 31 March 2008</b>	<b>for period ending 31 December 2007</b>	<b>change, USD mln.</b>
Non-current Assets	48,6	45,7	2,9
Current Assets	135,1	126,3	8,8
Accounts Receivable	89,6	87,0	2,6
Equity	134,5	122,6	11,9
Bank Debt	17,8	20,3	-2,5

<sup>[1]</sup> - according to management accounts

<sup>[2]</sup> – % as percentage of finished goods sales



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

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Or web-site of the Company

[www.veropharm.ru](http://www.veropharm.ru)

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 July 2, 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 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.

CMR «Pharmexpert» named Bilumid which showed the fastest growth rate within TOP-100 trade marks in the FRP program, as the «Drug of the Month» in March 2008.

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 31 MARCH, 2008**

**(in US Dollars and in thousands)**

	<u>1q2008</u>	<u>1q2007</u>
REVENUE	34 724	24 137
COST OF SALES	-12 893	-8 738
GROSS PROFIT	<u>21 831</u>	<u>15 399</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	-13 702	-9 085
OPERATING INCOME	<u>8 130</u>	<u>6 314</u>
INTEREST EXPENSE	-618	-538
FOREIGN CURRENCY EXCHANGE GAIN/(LOSS)	<u>248</u>	<u>6</u>
PROFIT BEFORE INCOME TAX EXPENSE	7 759	5 782
INCOME TAX EXPENSE	-1 435	-277
NET PROFIT	<u>6 324</u>	<u>5 505</u>



**OJSC “VEROPHARM”**

CONSOLIDATED BALANCE SHEET

AT MARCH 31, 2008

*(in US Dollars and in thousands)*

	<b>1q2008</b>	<b>2 007</b>
<b>ASSETS</b>		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	33 860	31 776
Intangible assets	14 697	13 899
Other long-term assets	9	
Total non-current assets	<b>48 566</b>	<b>45 675</b>
CURRENT ASSETS:		
Inventories	26 588	22 283
Trade receivables	89 612	87 034
Receivables from related parties	11 534	10 503
Other receivables and prepaid expenses	5 766	5 906
Cash	1 602	562
Total current assets	<b>135 102</b>	<b>126 288</b>
<b>TOTAL ASSETS</b>	<b>183 668</b>	<b>171 963</b>
<b>EQUITY AND LIABILITIES</b>		
EQUITY:		
Share capital	365	365
Additional paid-in capital		0
Other reserves	20 109	14 537
Retained earnings	113 998	107 674
Total equity	<b>134 472</b>	<b>122 576</b>
NON-CURRENT LIABILITIES:		
Long-term borrowings	10 406	10 292
Deferred tax liability	2 190	3 797
Finance lease obligations	426	561
Share-based payment liability	1 005	963
Other payables	1 480	1 418
Total non-current liabilities	<b>15 507</b>	<b>17 031</b>
CURRENT LIABILITIES:		
Trade payables	10 389	9 423
Short-term borrowings	7 353	9 962
Other payables	10 930	8 260
Finance lease obligations, current maturities	1 241	1 123
Payables to related parties	3 776	3 588
Total current liabilities	<b>33 688</b>	<b>32 356</b>
<b>TOTAL LIABILITIES</b>	<b>49 196</b>	<b>49 387</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>183 668</b>	<b>171 963</b>



**OJSC “VEROPHARM”**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR PERIOD ENDING 31 MARCH, 2008

*(in US Dollars and in thousands)*

	<u>1q2008</u>	<u>1q2007</u>
<b>OPERATING ACTIVITIES:</b>		
<b>Profit before income tax expense</b>	<b>7 759</b>	<b>5 782</b>
Adjustments for		
Depreciation and amortization	1 024	747
Loss on disposal of tangible and intangible assets	3	19
Change in allowance for advances to suppliers and other receivables	-1 300	37
Change in inventory obsolescence allowance		282
Foreign exchange (gain) loss	-248	-6
Loss on write off other receivables		109
Interest expense	618	538
<b>Profit before movements in working capital</b>	<b>7 857</b>	<b>7 509</b>
Movements in working capital:		
Inventories	-3 226	-1 788
Trade receivables	2 499	-2 571
Receivables from related parties	-648	-3 692
Other receivables and prepaid expenses	366	-143
Trade payables	536	-1 123
Payables to related parties	0	-50
Other payables and accruals	-379	2 245
<b>Cash generated from operations</b>	<b>7 005</b>	<b>387</b>
Income taxes paid	-482	-906
Interest paid	-515	-521
<b>Net cash generated by operating activities</b>	<b>6 008</b>	<b>-1 041</b>



**INVESTING ACTIVITIES:**

Purchase of property, plant, equipment	-1 687	-668
Purchase of intangible assets	-193	-45
Proceeds from sale of fixed assets	21	

**Net cash used in investing activities**

<b>-1 860</b>	<b>-713</b>
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**FINANCING ACTIVITIES:**

Proceeds from the increase of other reserves	-9	
Proceeds from borrowings	8 932	3 527
Repayment of borrowings	-12 212	-1 852
Proceeds from borrowings of related parties	126	

**Net cash generated from financing activities**

<b>-3 163</b>	<b>1 675</b>
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Effect of translation to presentation currency

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**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS**

**1 040**      **-79**

CASH AND CASH EQUIVALENTS, beginning of period

562      215

CASH AND CASH EQUIVALENTS, end of period

1 602      136