

14TH MAY 2008

OJSC «VEROPHARM» ANNOUNCES 2007 FINANCIAL RESULTS (UNAUDITED)

Sales

- Sales in 2007 grew by 38,9% and reached USD 139,5 mln in comparison with USD 100,5 mln. in 2006.
- 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%.*

The increased sales growth in 2007 in comparison with 2006 is attributed mostly to the following factors:

- √ Successful participation in federal and regional reimbursement programs. In 2007 sales of the anti-tumor drug “Bilumide” as part of the Federal Reimbursement Program (FRP) increased by 285%. In 2007 Veropharm is acclaimed as the leader in the anti-tumor and immunomodulation drugs segment in the FRP system among Russian producers (as per CMR “Pharmexpert”);
 - √ Sales of the new products (in particular “Cerepro”, growth of annual sales in 2007 by 480% , and «Ekzorum»);
 - √ Long-term positive shifts in sales of oncological drugs, caused by progressive early treatment technologies used by modern medicine.*
- 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.

Facilities investments

- The modernization and production facilities' upgrade of the Company's core production assets amounted to USD 6,1 mln.

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

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

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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 May 14, 2008 totaled \$570 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.

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