



PRESS-RELEASE

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12th NOVEMBER 2008

**OJSC “VEROPHARM” ANNOUNCES FINANCIAL RESULTS
FOR THE FIRST NINE MONTHS OF 2008 YEAR (UNAUDITED)**

NOVEMBER 12, 2008, MOSCOW – OJSC «VEROPHARM» [RTS:VRPH, MICEX:VFRM] announces its unaudited financial results for nine months of 2008 in accordance with the International Financial Reporting Standards (IFRS).

SALES

- Consolidated sales in 9M 2008 grew by 39% and reached USD 128 mln. in comparison with USD 92,1 mln. in 9M 2007.
- The share of Rx drugs sales in 9M 2008 increased to 64% as compared to 55% in 9M 2007. The share of OTC drugs remained unchanged at 9% as compared to the same period in year before. The share of adhesive bandages remained unchanged at 19% as compared to the same period in year before. Portfolio of traditional drug sales as before demonstrate tendency for a decrease of share in sales – the decrease from 17% to 8%.
- Veropharm sales as part of Federal Reimbursement Program (FRP) came to USD 3,7 mln. in 9M 2008, accounting for 2,9% of the Company's total finished goods sales. By the results of 9M 2007, FRP sales were USD 4,3 mln., or 4,8% of the Company's total finished goods sales. Sales of anticancer drug Bilumid through FRP accounted for 78% of the Veropharm total FRP sales in 9M 2008.
- Sales within the Russian Federation accounted for 96% of the Company's total finished goods sales in 9M 2008.

PROFIT

- In 9M 2008 the gross profit of Veropharm increased by 51,1% and reached USD 83,7 mln. compared to USD 55,4 mln in 9M 2007. Gross margin increased to 65,4% as compared to 60,2% in 9M 2007.
- The increase of the gross margin materialized in the following product segments: Rx drugs - from 74,3% to 74,5%; adhesive bandages – from 55,7% to 56,1%; OTC drugs (caused by price increase for the drugs “Xylen” and “Slabilen”) – from 56,1% to 57,7%. The gross margin in the traditional products decreased from 35,8% to 22,9%.*
- In 9M 2008 EBITDA increased by 60,8% as compared to 9M 2007 and reached USD 39,4 mln. which makes 30,8% of Company's total sales. In 9M 2007 EBITDA accounted for USD 24,5 mln., or 26,6% of the Company's total sales.
- The 9M 2008 net profit grew by 65% to USD 26,4 mln. which makes 20,6 % of Company's total sales (an increase of 3,2 % in comparison with 9M 2007).



DEBT

- As of the end of 9M 2008 the debt of OJSC “Veropharm” amounted to USD 18,9 mln. that represents less than 20% of Company’s net assets.

* according to management accounts of OJSC “Veropharm”

KEY FINANCIAL INDICATORS FOR THE 9TH OF 2008 YEAR

in US Dollars and in millions

		9M2008	9M2007	growth, %
Revenue		128,0	92,1	39,0%
Gross profit		83,7	55,4	51,1%
	<i>Margin</i>	65,4%	60,2%	
SG&A		47,7	33,6	42,0%
	<i>% of Revenue</i>	37,3%	36,5%	
EBITDA		39,4	24,5	60,8%
	<i>Margin</i>	30,8%	26,6%	
Net profit		26,4	16,0	65,0%
		20,6%	17,4%	
		for period ending 30 September 2008 year	for period ending 31 December 2007 year	change, USD mln.
Non-current Assets		45,3	45,7	-0,4
Current Assets		150,3	126,3	24,0
Accounts Receivable		102,8	87,0	15,8
Equity		144,3	122,6	21,7
Bank Debt		18,9	20,3	-1,4



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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 September 30, 2008 totaled \$390 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 1H2008 compared to 1H2007 Veropharm moved from 5th to 4^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 SEPTEMBER, 2008

(in US Dollars and in thousands)

	<u>9M2008</u>	<u>9M2007</u>
REVENUE	127 956	92 051
COST OF SALES	(44 247)	(36 696)
GROSS PROFIT	<u>83 709</u>	<u>55 355</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(47 737)	(33 589)
OPERATING INCOME	<u>35 972</u>	<u>21 766</u>
INTEREST EXPENSE	(1 852)	(1 865)
FOREIGN CURRENCY EXCHANGE GAIN/(LOSS)	<u>(586)</u>	<u>349</u>
PROFIT BEFORE INCOME TAX EXPENSE	33 534	20 251
INCOME TAX EXPENSE	(7 116)	(4 290)
NET PROFIT	<u>26 418</u>	<u>15 961</u>



OJSC "VEROPHARM"

CONSOLIDATED BALANCE SHEET

AT SEPTEMBER 30, 2008

(in US Dollars and in thousands)

	<u>9M2008</u>	<u>2 007</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	32 127	31 777
Goodwill	11 380	11 705
Intangible assets	1 770	2 194
Other long-term assets	9	0
Total non-current assets	<u>45 286</u>	<u>45 675</u>
CURRENT ASSETS:		
Inventories	25 355	22 283
Trade receivables	102 766	87 034
Receivables from related parties	13 779	10 503
Other receivables and prepaid expenses	7 332	5 906
Cash	1 093	562
Total current assets	<u>150 325</u>	<u>126 288</u>
TOTAL ASSETS	<u><u>195 611</u></u>	<u><u>171 963</u></u>
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	365	365
Additional paid-in capital	-	0
Other reserves	9 882	14 537
Retained earnings	134 092	107 674
Total equity	<u>144 339</u>	<u>122 577</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	7 631	10 292
Deferred tax liability	3 253	3 797
Finance lease obligations	226	561
Share-based payment liability	575	963
Other payables	906	1 418
Total non-current liabilities	<u>12 591</u>	<u>17 031</u>
CURRENT LIABILITIES:		
Trade payables	10 597	6 132
Short-term borrowings	11 271	9 962
Other payables	7 128	5 767
Finance lease obligations, current maturities	994	1 123
Tax payable	5 153	5 785
Short term share based payments liabilities	560	-
Payables to related parties	2 977	3 588
Total current liabilities	<u>38 681</u>	<u>32 356</u>
TOTAL LIABILITIES	<u><u>51 272</u></u>	<u><u>49 387</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>195 611</u></u>	<u><u>171 964</u></u>



OJSC "VEROPHARM"

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR PERIOD ENDING 30 SEPTEMBER, 2008

(in US Dollars and in thousands)

	<u>9M2008</u>	<u>9M2007</u>
OPERATING ACTIVITIES:		
Profit before income tax expense	33 534	20 251
Adjustments for		
Depreciation and amortization	3 445	2 766
Loss on disposal of tangible and intangible assets	43	-
Change in allowance for advances to suppliers and other receivables	2 996	191
Change in inventory obsolescence allowance	2 270	389
Foreign exchange (gain) loss	586	(349)
Loss on write off other receivables	-	6
Share based payment expense	209	-
Interest expense	1 852	1 865
Unused employment benefits	(26)	-
	-	-
Profit before movements in working capital	44 910	25 119
Movements in working capital:		
Inventories	(6 144)	(1 484)
Trade receivables	(22 039)	(12 242)
Receivables from related parties	(3 992)	(3 956)
Other receivables and prepaid expenses	(1 720)	(1 825)
Trade payables	4 867	413
Payables to related parties	-	(131)
Other payables and accruals	333	1 509
Cash generated from operations	16 215	7 402
Income taxes paid	(8 406)	(6 601)
Interest paid	(1 747)	(1 200)
Net cash generated by operating activities	6 061	(399)
INVESTING ACTIVITIES:		
Purchase of property, plant, equipment	(4 197)	(3 253)
Purchase of intangible assets	(203)	(254)
Proceeds from sale of fixed assets	41	-
Net cash used in investing activities	(4 359)	(3 507)
FINANCING ACTIVITIES:		
Repayment of the increase of other reserves	(9)	-
Proceeds from borrowings	30 824	16 514
Repayment of borrowings	(31 654)	(12 404)
Repayment of borrowings of related parties	(383)	-
Proceeds from borrowings of related parties	94	-
Net cash generated from financing activities	(1 128)	4 109
Effect of translation to presentation currency	(43)	20
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	531	224
CASH AND CASH EQUIVALENTS, beginning of period	562	215
CASH AND CASH EQUIVALENTS, end of period	1 093	439