



PRESS RELEASE

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VEROPHARM ANNOUNCES 2006 FINANCIAL RESULTS

JUNE 19, 2007, MOSCOW – OAO VEROPHARM [RTS:VRPH, MICEX:VRFM] announces 2006 financial results in accordance with the International Financial Reporting Standards.

Sales

- Consolidated sales grew 26.6% y-o-y in 2006 and reached \$100.5 million.
- In 2006, sales of VEROPHARM's finished goods reached USD 99.0 million.*
- The share of prescription drugs in VEROPHARM's sales increased from 45.4% in 2005 to 52.6% in 2006. The share of other product groups decreased: in adhesive bandages from 24.6% to 21.0%, in over-the-counter drugs from 9.0% to 8.3%, and in traditional medicines portfolio from 19.2% to 16.7% in 2006.*
- VEROPHARM sales as part of the Federal Reimbursement Program (DLO) came to USD 6.2 million in 2006, accounting for 6% of the Company's sales.

Profits

- VEROPHARM's gross profit grew 27.9% to \$60.1 million in 2006. The gross profit margin increased from 59.2% to 59.8% in 2006.
- Segment-wise the gross profit margin in 2006 increased y-o-y as follows: prescription drugs - from 72.6% to 74.1%; over-the-counter medicines - from 48.7% to 54.3%; traditional drugs - from 32.1% to 37.4%. The gross profit margin in the adhesive bandages segment decreased from 64.5% to 59.6%.*
- The Company's EBITDA was up 20.3% at \$28.9 million, and the EBITDA margin for 2006 amounted to 28.7%.
- Net profit increased 14.5% y-o-y in 2006 and totaled \$18.4 million.

Debt

- In 2006 VEROPHARM's total debt reached \$18.7 million.

** hereinafter financials are as per OAO VEROPHARM management accounts.*



KEY FINANCIAL INDICATORS FOR 2006

\$mln.

		FY2006	FY2005	change
Revenue		100.5	79.4	26.6%
Gross profit		60.1	47.0	27.9%
	<i>Margin</i>	59.8%	59.2%	
SG&A		34.3	25.0	36.9%
	<i>% of Sales</i>	34.1%	31.5%	
EBITDA		28.9	24.0	20.3%
	<i>Margin</i>	28.7%	30.2%	
Net income		18.4	16.0	14.5%
	<i>Margin</i>	18.3%	20.2%	
		2006	2005	change
Non-current Assets		40.2	35.5	4.7
Current Assets		85.0	58.4	26.6
Accounts Receivable		58.1	34.6	23.5
Equity		87.3	62.2	25.1
Bank Debt		18.7	14.0	4.7

For further information please contact:

*Andrei Slivchenko,
Corporate Finance &
Investor Relations Director*

*slivchenko@oao366.ru
Tel.: (+7495) 792 52 07*

*Mikhail Kolosov,
Corporate Communications &
Investor Relations Manager*

*kolosov@oao366.ru
Tel.: (+7495) 792 52 07*

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 listed on RTS (ticker: VRPH) and are also traded at MICEX (ticker: VFRM). Market capitalization as of June 18, 2007, totaled USD 378 million (according to RTS).

The charter capital of the Company is comprised of 10 million ordinary shares.

VEROPHARM is the market leader in Russia for production of oncological medicines and adhesive bandages.

The Company operates 3 pharmaceutical plants in Belgorod, Voronezh and Pokrov.

The Company's product portfolio includes more than 300 items.

VEROPHARM employs over 3000 people.



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ОАО VEROPHARM

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006**
(in US Dollars and in thousands)

	<u>2006</u>	<u>2005</u>
Revenue	100 462	79 368
Cost of sales	-40 384	-32 410
Gross profit	60 078	46 958
Selling, general and administrative expenses	-34 254	-25 013
Other expenses	-545	-1 813
Operating income	25 279	20 132
Interest expense	-2 136	-1 476
Foreign currency exchange loss	-215	-111
Profit before income tax expense	<u>22 928</u>	<u>18 545</u>
Income tax expense	<u>-4 571</u>	<u>-2 509</u>
Net income	<u><u>18 357</u></u>	<u><u>16 036</u></u>



OAO VEROPHARM

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2006

(in US Dollars and in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	27 204	23 651
Intangible assets, net	13 040	11 889
Total non-current assets	<u>40 244</u>	<u>35 540</u>
CURRENT ASSETS:		
Inventories	17 997	13 644
Accounts receivable	58 073	34 569
Accounts receivable from related parties	2 773	3 737
Other receivables and prepaid expenses	5 933	6 115
Cash	215	314
Total current assets	<u>84 991</u>	<u>58 379</u>
TOTAL ASSETS	<u><u>125 235</u></u>	<u><u>93 919</u></u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	382	2
Retained earnings	86 940	62 191
Total shareholders' equity	<u>87 322</u>	<u>62 193</u>
LONG-TERM LIABILITIES:		
Long-term borrowings	10 585	11 233
Deferred tax liability	3 373	1 797
Finance lease obligations, net of current maturities	143	48
Total long-term liabilities	<u>14 101</u>	<u>13 078</u>
CURRENT LIABILITIES:		
Current portion of long term borrowings	8 085	2 756
Trade payable	7 502	6 599
Other payables and accrued expenses	6 050	6 964
Finance lease obligations, current maturities	255	142
Accounts payable to related parties	1 920	2 187
Total current liabilities	<u>23 812</u>	<u>18 648</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>125 235</u></u>	<u><u>93 919</u></u>



OAO VEROPHARM

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006
(in US Dollars and in thousands)**

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES:		
Profit before income tax	22 928	18 545
Adjustments for:		
Depreciation and amortization	3 038	2 054
Loss on disposal of property, plant and equipment	217	206
Change in allowance for trade receivables and advances to suppliers	1 544	-500
Change in obsolescence allowance	97	226
Foreign exchange loss on financing and investing activities	215	111
Effect of loss on other receivables write off	202	-
Write off of third party loan	-	946
Interest expense	2 136	1476
Gain on disposal of intercompany investment	-99	-
Operating cash flow before movements in working capital	<u>30 278</u>	<u>23 064</u>
Inventories	-3 091	-3 924
Trade receivables	-21 437	-13 684
Accounts receivable from related parties	1 274	-541
Other receivables and prepaid expenses	715	-637
Trade payables	280	1 847
Accounts payable from related parties	-457	215
Other payables and accruals	-1 892	2 758
Cash flows from operations	<u>5 670</u>	<u>9 098</u>
Income taxes paid	-3 203	-1 768
Interest paid	-1 790	-4 013
Net cash outflow from operating activities	<u>677</u>	<u>3 317</u>
INVESTING ACTIVITIES:		
Purchase of property, plant, equipment	-4 329	-1 869
Purchase of intangible assets	-481	-1 088
Proceeds from sale of investments	99	-
Net cash outflow from investing activities	<u>-4 711</u>	<u>-2 957</u>
FINANCING ACTIVITIES:		
Proceeds from the issue of shares	380	-
Proceeds from borrowings	7 613	4 284
Repayment of borrowings	-2 766	-8 078
Proceeds from/repayment of borrowings from related parties, net	-1 565	5 043
Net cash inflow from financing activities	<u>3 662</u>	<u>1 249</u>
Effect of translation to presentation currency	219	-1 336
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-99	273
CASH, beginning of period	<u>314</u>	<u>41</u>
CASH, end of period	<u>215</u>	<u>314</u>