



PRESS RELEASE

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VEROPHARM ANNOUNCES FINANCIAL RESULTS FOR 9M 2007

NOVEMBER 26, 2007, MOSCOW – OAO VEROPHARM [RTS:VRPH, MICEX:VRFM] announces its unaudited financial results for 9M 2007 in accordance with the International Financial Reporting Standards (IFRS).

Sales

- Sales for 9M 2007 were up 30.2% year-on-year and totaled US\$92.1 million.
- The sales volume of finished products for 9M 2007 totaled US\$90.1 million.*
- The share of prescription drugs in VEROPHARM's sales increased for 9M 2007 to 55.3%, compared to 52.7% for 9M 2006. The share of adhesive bandages in sales volume of finished products decreased to 19.4%, down from 22.2% a year earlier. Non-prescription (OTC) medications share remained the same 8.6%. The share of VEROPHARM's traditional medications portfolio rose from 16.5% to 16.7%.*
- VEROPHARM's sales as part of the Federal Reimbursement Program (DLO) totaled US\$4.3 million for 9M 2007, which represented 4.8% of the Company's finished goods sales. The DLO Program sales for 9M 2006 totaled US\$5.2 million (7.6% of finished goods sales).

Profits

- VEROPHARM's gross profits for 9M 2007 grew 33.2% year-on-year and reached US\$55.4 million. The gross profit margin grew from 58.8% a year earlier to 60.1%.
- The gross profit margin for delivery of finished products remained almost at the same level and totaled 62,7% for 9M 2007. The gross profit margin for delivery of finished products for 9M 2006 was 62,8%.
- The gross profit margin for RX drugs for 9M 2007 remained the same and totaled 74,3%. Results from 9M 2007 demonstrated year-on-year growth in gross profit margin in the following segments: OTC medications – from 54,1% to 56,1%; traditional drugs - from 35,2% to 35,8%. The gross profit margin for adhesive bandages decreased from 59,1% to 55,7%.*
- The Company's EBITDA increased by 29.0% year-on-year, reaching US\$24.5 million. The EBITDA margin for 9M 2007 amounted to 26.7%.
- VEROPHARM's net profit for 9M 2007 was up 33.4% year-on-year and totaled US\$16.0 million.

Debt

- VEROPHARM's debt at the end of 9M 2007 totaled US\$24.0 million.



* hereinafter financials are as per OAO VEROPHARM management accounts.

KEY FINANCIAL INDICATORS FOR 9M 2007

\$mln.			
	9M2007	9M2006	change
Revenue	92.1	70.7	30.2%
Gross profit	55.4	41.6	33.2%
	<i>Margin</i>	60.1%	58.8%
SG&A	33.6	24.5	36.7%
	<i>% of Sales</i>	36.5%	34.8%
EBITDA	24.5	19.0	29.0%
	<i>Margin</i>	26.7%	26.9%
Profit	16.0	12.0	33.4%
	<i>Margin</i>	17.3%	16.9%
	9M2007	9M2006	change
Non-current Assets	43.2	38.6	4.6
Current Assets	109.6	78.6	31.0
Accounts Receivable	74.0	51.3	22.7
Equity	108.7	79.5	29.2
Bank Debt	24.0	17.5	6.5

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or refer to the Company's web-site

www.veropharm.ru

About the company:

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 November 23, 2007, totaled USD 485 mln (according to RTS).

The charter capital of the Company is comprised of 10 mln 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 ВЕРОФАРМ

**CONSOLIDATED INCOME STATEMENT
AS OF SEPTEMBER 30, 2007
(in US Dollars and in thousands)**

	<u>9M 2007</u>	<u>9M 2006</u>
Revenue	92 051	70 682
Cost of sales	-36 696	-29 131
Gross profit	55 355	41 552
Selling, general and administrative expenses	-33 589	-24 564
Operating income	21 766	16 988
Interest expense	-1 865	-1 603
Foreign currency exchange loss	349	-187
Profit before income tax expense	<u>20 251</u>	<u>15 197</u>
Income tax expense	<u>-4 290</u>	<u>-3 231</u>
Net income	<u><u>15 961</u></u>	<u><u>11 966</u></u>



OAO VEROPHARM

**CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2007
(in US Dollars and in thousands)**

	<u>9M 2007</u>	<u>9M 2006</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	29 424	25 956
Intangible assets, net	13 811	12 614
Total non-current assets	<u>43 235</u>	<u>38 573</u>
CURRENT ASSETS:		
Inventories	20 130	18 123
Accounts receivable	73 994	51 313
Accounts receivable from related parties	7 033	2 482
Other receivables and prepaid expenses	7 957	6 534
Cash	439	105
Total current assets	<u>109 552</u>	<u>78 557</u>
TOTAL ASSETS	<u><u>152 787</u></u>	<u><u>117 130</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	401	374
Other reserves	6	-
Retained earnings	108 313	79 113
Total shareholders' equity	<u>108 721</u>	<u>79 488</u>
LONG-TERM LIABILITIES:		
Long-term borrowings	13 902	10 004
Deferred tax liability	2 673	2 278
Finance lease obligations, net of current maturities	142	298
Total long-term liabilities	<u>16 717</u>	<u>12 580</u>
CURRENT LIABILITIES:		
Current portion of long term borrowings	10 066	7 530
Trade payable	8 346	9 131
Other payables and accrued expenses	6 306	5 949
Finance lease obligations, current maturities	740	298
Accounts payable to related parties	1 890	2 154
Total current liabilities	<u>27 348</u>	<u>25 062</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>152 787</u></u>	<u><u>117 130</u></u>



OAO VEROPHARM

**CONSOLIDATED STATEMENT OF CASH FLOWS
AS OF SEPTEMBER 30, 2007
(in US Dollars and in thousands)**

	9M 2007	9M 2006
OPERATING ACTIVITIES:		
Profit before income tax	20 251	15 197
Adjustments for:		
Depreciation and amortization	2 766	2 026
Loss on disposal of property, plant and equipment	6	34
Provision for doubtful receivables	191	1 321
Foreign exchange loss/(gain) on financing and investing activities	-349	187
Change in obsolescence allowance	389	-
Effect of loss on other receivables write off	-	66
Interest expense	1 865	1 603
Operating cash flow before movements in working capital	<u>25 119</u>	<u>20 435</u>
Inventories	- 1 487	-3 459
Trade receivables	-12 242	-15 410
Accounts receivable from related parties	-3 956	1 534
Other receivables and prepaid expenses	-1 825	-98
Trade payables	413	2 039
Accounts payable from related parties	-131	-197
Other payables and accruals	1 509	-2 080
Cash flows from operations	<u>7 402</u>	<u>2 764</u>
Income taxes paid	-6 601	-2 111
Interest paid	-1 200	-1 412
Net cash outflow from operating activities	<u>-399</u>	<u>-759</u>
INVESTING ACTIVITIES:		
Purchase of property, plant, equipment	-3 253	-2 432
Purchase of intangible assets	-254	-
Net cash outflow from investing activities	<u>-3 507</u>	<u>-2 432</u>
FINANCING ACTIVITIES:		
Proceeds from borrowings	16 514	2 498
Repayment of borrowings	-12 404	-
Net cash inflow from financing activities	<u>4 109</u>	<u>2 498</u>
Effect of translation on cash flows	20	483
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	224	-209
CASH, beginning of period	<u>215</u>	<u>314</u>
CASH, end of period	<u>439</u>	<u>105</u>