

ZAO VEROPHARM

CONSOLIDATED INCOME STATEMENT

AS OF MARCH 31, 2006

(in US Dollars and in thousands)

	<u>3m2006</u>	<u>3m2005</u>
Net sales	19 711	14 958
Cost of sales	-8 062	-6 307
Gross profit	11 648	8 651
Selling, general and administrative expenses	-6 856	-6 006
Operating income	4 793	2 645
Non-operating income (expenses):		
Interest expense	-517	-360
Foreign currency exchange loss/(gain)	-144	16
Income before income tax expense	<u>4 132</u>	<u>2 301</u>
Income tax expense	-1 029	457
Net income	<u><u>3 102</u></u>	<u><u>2 758</u></u>

ZAO VEROPHARM**CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2006
(in US Dollars and in thousands)**

	<u>3m2006</u>	<u>2005</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	24 589	23 651
Intangible assets, net	11 797	11 889
Total non-current assets	<u>36 390</u>	<u>35 540</u>
CURRENT ASSETS:		
Inventories	16 821	13 644
Accounts receivable (net of bad debt provision)	35 691	34 569
Receivables from related parties	3 809	3 737
Other receivables and prepaid expenses	5 681	6 115
Cash	32	314
Total current assets	<u>62 034</u>	<u>58 379</u>
TOTAL ASSETS	<u>98 424</u>	<u>93 919</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	361	1
Retained earnings	67 677	62 193
Total shareholders' equity	<u>68 039</u>	<u>62 194</u>
LONG-TERM LIABILITIES:		
Long-term borrowings	10 792	11 233
Deferred taxation	1 620	1 797
Long-term portion of finance lease payable	196	48
Total long-term liabilities	<u>12 608</u>	<u>13 078</u>
CURRENT LIABILITIES:		
Short-term borrowings and current portion of long-term borrowings	4 658	2 756
Accounts payable	3 117	6 599
Other payables and accrued expenses	7 735	6 964
Current portion of finance lease payable	-	141
Payables to related parties	2 267	2 187
Total current liabilities	<u>17 777</u>	<u>18 647</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>98 424</u>	<u>93 919</u>

ZAO VEROPHARM**CONSOLIDATED STATEMENT OF CASH FLOWS
AS OF MARCH 31, 2006
(in US Dollars and in thousands)**

	<u>3m2006</u>	<u>3m2005</u>
OPERATING ACTIVITIES:		
Income before income tax	4 132	2 301
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	592	531
Foreign exchange loss/(gain) on financing and investing activities	144	-16
Interest expense	517	360
Operating cash flow before working capital changes	<u>5 384</u>	<u>3 176</u>
Increase in inventories	-3 177	-371
Increase in accounts receivable	-1 101	-1 278
Increase from related parties	-599	-365
Increase in other receivables and prepaids	1 238	458
Increase in accounts payable	-3496	-118
Increase in other payables and accruals	<u>-2 323</u>	<u>-1 241</u>
Cash flows from operations	-4 073	261
Income taxes paid	-423	-60
Interest received (paid)	<u>2 856</u>	<u>-380</u>
Net cash outflow from operating activities	<u>-1 640</u>	<u>-179</u>
INVESTING ACTIVITIES:		
Purchase of property, plant, equipment	<u>-157</u>	<u>-297</u>
Net cash outflow from investing activities	<u>-157</u>	<u>-297</u>
FINANCING ACTIVITIES:		
Repayment of/proceeds from borrowings, net	1 515	9 202
Proceeds from/repayment of borrowings from related parties, net	<u>-</u>	<u>-8 023</u>
Net cash inflow from financing activities	<u>1 515</u>	<u>1 179</u>
Effect of translation on cash flows	-	-376
NET INCREASE (DECREASE) IN CASH	-282	326
CASH, beginning of period	<u>314</u>	<u>41</u>
CASH, end of period	<u>32</u>	<u>367</u>