

OAO VEROPHARM

**CONSOLIDATED INCOME STATEMENT
AS OF JUNE 30, 2006
(in US Dollars and in thousands)**

	<u>6m2006</u>	<u>6m2005</u>
Net sales	45 202	33 689
Cost of sales	-17 434	-13 438
Gross profit	27 768	20 251
Selling, general and administrative expenses	-16 863	-11 902
Non-recurring operating expenses	-	-992
Operating income	10 905	7 357
Non-operating income (expenses):		
Interest expense	-1 045	-927
Foreign currency exchange loss/(gain)	-150	65
Income before income tax expense	<u>9 710</u>	<u>6 495</u>
Income tax expense	-2 253	-680
Net income	<u><u>7 457</u></u>	<u><u>5 815</u></u>

OAO VEROPHARM**CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2006
(in US Dollars and in thousands)**

	<u>6m2006</u>	<u>2005</u>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant & equipment, net	25 176	23 651
Intangible assets, net	12 130	11 889
Total non-current assets	<u>37 306</u>	<u>35 540</u>
CURRENT ASSETS:		
Inventories	17 882	13 644
Accounts receivable (net of bad debt provision)	44 304	34 569
Receivables from related parties	4 017	3 737
Other receivables and prepaid expenses	6 900	6 115
Cash	131	314
Total current assets	<u>73 234</u>	<u>58 379</u>
TOTAL ASSETS	<u>110 540</u>	<u>93 919</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	371	1
Retained earnings	73 765	62 193
Total shareholders' equity	<u>74 136</u>	<u>62 194</u>
LONG-TERM LIABILITIES:		
Long-term borrowings	8 494	11 233
Deferred taxation	2 178	1 797
Long-term portion of finance lease payable	201	48
Total long-term liabilities	<u>10 873</u>	<u>13 078</u>
CURRENT LIABILITIES:		
Short-term borrowings and current portion of long-term borrowings	7 944	2 756
Accounts payable	8 036	6 599
Other payables and accrued expenses	7 875	6 964
Current portion of finance lease payable	-	141
Payables to related parties	1 676	2 187
Total current liabilities	<u>25 531</u>	<u>18 647</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>110 540</u>	<u>93 919</u>

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**CONSOLIDATED STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2006
(in US Dollars and in thousands)**

	<u>6m2006</u>	<u>6m2005</u>
OPERATING ACTIVITIES:		
Income before income tax	9 710	6 495
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1 170	1 142
Loss on disposal of property, plant and equipment	-	46
Provision for doubtful receivables	-	-87
Foreign exchange loss/(gain) on financing and investing activities	150	-65
Write off of third party loan	-	946
Interest expense	1 046	927
Operating cash flow before working capital changes	<u>12 076</u>	<u>9 404</u>
Increase in inventories	-4 238	-37
Increase in accounts receivable	-9 732	-3 665
Increase in other receivables and prepaids	-785	-2 320
Increase in accounts payable	1 437	1 607
Decrease in payables from related parties	-790	
Increase in other payables and accruals	1 768	-1 619
Cash flows from operations	<u>-264</u>	<u>3 370</u>
Income taxes paid	-1 114	-528
Interest received (paid)	-939	-803
Net cash outflow from operating activities	<u>-2 317</u>	<u>2 039</u>
INVESTING ACTIVITIES:		
Purchase of property, plant, equipment	<u>-3 045</u>	<u>-590</u>
Net cash outflow from investing activities	<u>-3 045</u>	<u>-590</u>
FINANCING ACTIVITIES:		
Repayment of/proceeds from borrowings, net	2 611	13 570
Proceeds from/repayment of borrowings from related parties, net	-	-14 439
Net cash inflow from financing activities	<u>2 611</u>	<u>-869</u>
Effect of translation on cash flows	2 568	-372
Intercompany accounts	-790	-14 439
NET INCREASE (DECREASE) IN CASH	-183	208
CASH, beginning of period	<u>314</u>	<u>41</u>
CASH, end of period	<u>131</u>	<u>249</u>