

MILESTONE SCIENTIFIC INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2005 (Unaudited)	December 31, 2004 *
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,651,943	\$ 3,041,306
Accounts receivable, net of allowance for doubtful accounts of \$31,720 in 2005 and \$24,903 in 2004	633,035	421,339
Royalty receivable	252,842	-
Inventories	1,309,940	936,221
Advances to contract manufacturer	320,216	62,034
Prepaid expenses	102,755	104,562
Total current assets	6,270,731	4,565,462
Investment in distributor, at cost	76,319	69,956
Equipment, net	559,358	612,263
Patents, net	419,709	101,242
Other assets	26,711	20,408
Totals	\$ 7,352,828	\$ 5,369,331
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 550,741	\$ 474,075
Accrued expenses	256,185	224,549
Total current liabilities	806,926	698,624
Deferred compensation payable to officer	262,500	150,000
Total liabilities	1,069,426	848,624
Stockholders' Equity:		
Preferred stock, par value \$.001; authorized 5,000,000 shares 8% cumulative convertible preferred stock, par value \$.001; authorized, issued and outstanding, 25,365 shares	25	25
Common stock, par value \$.001; authorized 50,000,000 shares; 11,466,024 shares issued and 11,432,691 shares outstanding in 2005, and 9,824,287 shares issued and 9,790,954 shares outstanding in 2004	11,466	9,824
Additional paid-in capital	56,661,074	52,618,913
Accumulated deficit	(49,477,647)	(47,196,539)
Treasury stock, at cost, 33,333 shares	(911,516)	(911,516)
Total stockholders' equity (deficiency)	6,283,402	4,520,707
Totals	\$ 7,352,828	\$ 5,369,331

See notes to Condensed Consolidated Financial Statements

*Derived from the audited financial statements as of December 31, 2004.

MILESTONE SCIENTIFIC INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
Products sales, net	\$ 1,567,382	\$ 1,110,043	\$ 4,482,016	\$ 3,392,288
Royalty income	252,842	-	472,052	-
Total revenue	1,820,224	1,110,043	4,954,068	3,392,288
Cost of products sold	643,426	563,730	1,896,736	1,879,414
Royalty expense	30,341	-	56,646	-
Total cost of revenue	673,767	563,730	1,953,382	1,879,414
Gross profit	1,146,457	546,313	3,000,686	1,512,874
Selling, general and administrative expenses	1,738,286	1,608,176	5,194,541	3,804,961
Research and development expenses	53,678	41,679	155,067	135,300
	1,791,964	1,649,855	5,349,608	3,940,261
Loss from operations	(645,507)	(1,103,542)	(2,348,922)	(2,427,387)
Other income (expense)				
Interest income	33,132	23,942	67,814	64,952
Interest expense	-	(3,576)	-	(67,213)
Other income (expense) net	33,132	20,366	67,814	(2,261)
Net Loss	(612,375)	(1,083,176)	(2,281,108)	(2,429,648)
Dividends applicable to preferred stock	(507)	(1,544)	(1,522)	(1,544)
Net loss applicable to common stockholders	\$ (612,882)	\$ (1,084,720)	\$ (2,282,630)	\$ (2,431,192)
Loss per share applicable to common stockholders - basic and diluted	\$ (0.05)	(0.11)	\$ (0.21)	(0.27)
Weighted average shares outstanding - basic and diluted	11,366,617	9,667,381	10,738,396	8,952,598

See Notes to Condensed Consolidated Financial Statements

MILESTONE SCIENTIFIC INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(Unaudited)

	2005	2004
Cash flows from operating activities:		
Net loss	\$(2,281,108)	\$(2,429,648)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	74,457	28,481
Amortization of debt discount and deferred financing costs	-	49,119
Amortization of patents	13,468	-
Common stock and options issued for compensation and consulting services	428,433	1,548
Bad debt expense	6,817	-
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(218,513)	(93,881)
(Increase) in royalty receivable	(252,842)	-
(Increase) in inventories	(373,719)	(341,982)
(Increase) decrease in advances to contract manufacturer	(258,182)	227,630
Decrease in prepaid expenses	1,807	7,202
(Increase) decrease in other assets	(6,303)	5,364
Increase (decrease) in accounts payable	76,666	(675,643)
(Decrease) in accrued interest	-	(81,265)
Increase in accrued expenses	31,636	250,199
Increase (decrease) in deferred compensation	112,500	(143,500)
Net cash used in operating activities	(2,644,883)	(3,196,376)
Cash flows from investing activities:		
Payment for capital expenditures	(21,552)	(354,888)
Payment for patent rights	(244,602)	-
Payment for investment in distributor	(6,363)	-
Net cash used in investing activities:	(272,517)	(354,888)
Cash flows from financing activities:		
Proceeds from equity financings, net	3,527,288	7,620,104
Proceeds from exercise of option	749	-
Payments of note payable - officer/stockholder	-	(50,000)
Net cash provided by financing activities	3,528,037	7,570,104
NET INCREASE IN CASH AND CASH EQUIVALENTS	610,637	4,018,840
Cash and cash equivalents beginning of period	3,041,306	3,277
Cash and cash equivalents end of period	\$ 3,651,943	\$ 4,022,117
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ -	\$ 99,359

See Notes to Condensed Consolidated Financial Statements