SANOCHEMIA
Pharmazeutika AG

The Specialty Pharma Company

3-Month Report 2009/10
01. October - 31. December 2009

prepared in accordance with International Financial Reporting Standards (IFRS)

Letter of the Chief Executive Officer

Dear Shareholder

We recently declared our intention of bringing a degree of stability back to the Group in the current financial year and the hope of exceeding the guidance figures released for the first quarter. We are now in a position to report that Sanochemia has started the new financial year 2009/2010 with results better than forecast. The Group is well on track to return to its old strengths – as a specialty pharmaceuticals company with a successful business model, new strategies and committed personnel supporting our new direction.

Q1 – positive EBIT and EPS

We are delighted to be able to report a marked improvement in the bottom line compared to the same period a year earlier. With a 10% increase in sales revenues and a three-million-euro improvement in terms of EBIT, we have achieved an excellent operating result. This development can rightly be regarded as a positive sign since it indicates that we have made more and faster progress in terms of restructuring the Group and realigning our strategy than was initially planned. The optimisation of all business processes, headcount and cost-savings, were exactly the right responses to increasing competition. Active product portfolio management and our focus on attractive segments and markets are improving our chances of reaching the set growth and income targets as rapidly as possible.

In terms of sales revenues, the **Production** division achieved above-forecast growth of nearly 100% to € 3.5m. In addition to its successful API synthesis activities, this division's contract manufacturing also generated increases in revenues due to considerably higher order volumes. Other lucrative development projects are in the pipeline and will lead to a further expansion of the production portfolio.

The decline in sales revenues in the **Human Pharmaceuticals** division is due to a major restructuring of the product portfolio. In line with our expectations, divisional revenues fell to € 2.9m, albeit with a clear emphasis on improving margins rather than generating volume, signalling Sanochemia’s new focus on value-oriented growth.

In the radiological segment, Sanochemia Diagnostics Deutschland, our largest subsidiary, performed particularly well despite the challenging market environment. The radiological segment is expected to generate additional growth, driven by the forecast marketing

authorisations in the EU for our MRT imaging agent and product launches in countries such as Spain and Portugal.

R & D – breakthrough in the development of PVP hypericin

PVP hypericin represents a high-potential development candidate for use in the diagnosis and treatment of bladder cancer. Superficial bladder cancer is a common disorder with a high relapse rate. The sales potential of PVP hypericin is considerable given that, even after successful treatment, extensive monitoring is necessary as a result of the fact that around 80% of patients develop new tumours. This breakthrough in the development of PVP hypericin both as a diagnostics and as a therapeutic offers our Company major marketing opportunities:

- **Diagnostic: Clinical Phase II trial on track**

The initial findings from a clinical trial investigating the development of PVP hypericin for use in the fluorescence diagnosis of superficial tumours in the bladder (PDD) indicate that this substance has the potential to be an effective clinical application. Sanochemia expects to receive the closing report from the trial in the third quarter of 2010.

- **Therapeutic: Clinical Phase I trial on efficacy and safety**

The first-ever approval, received from the Belgium health authorities, for the use of this substance in the phototherapeutic treatment of bladder cancer in man allowed a Phase I to evaluate the efficacy and safety of PVP hypericin to be initiated. The results of this study are expected within one year (November 2010).

Vienna Stock Exchange

There is also news from the stock exchange. Having been listed in the Prime Standard of the Frankfurt Stock Exchange for more than ten years, with effect from 26 February 2010, Sanochemia will also be listed in the mid-market segment, the so-called Third Market, of the Vienna Stock Exchange. Sanochemia has also requested a relisting to the General Standard segment of the Frankfurt Stock Exchange.

Outlook

Sanochemia continues to set store by its proven three-pillar business model and well balanced product portfolio, combined with a strategic focus on growing therapeutic areas and attractive markets. In addition, Sanochemia is countering the falling prices experienced by established brands and generics with innovative products and projects from its in-house research and development pipeline. Innovations are the key to growth and commercial success. Sanochemia aims to create competitive advantages and secure market shares through its growth and innovation-driven strategies.

Our aim this year is to get back on track toward profitable growth. The results in this quarter are a clear indication that we are heading in the right direction.

The Chief Executive Officer would like to take this opportunity to thank all of the shareholders, customers and business partners of Sanochemia for their support, and to express gratitude to the personnel for their outstanding efforts.

Vienna, February 2010 Chief Executive Officer

Economic Environment

The economic situation appears to be improving. The International Monetary Fund recently significantly raised its forecasts for global growth and is more optimistic than in October 2009. Global economic growth of nearly four percent is now forecast. However, this is seriously influenced by public sector intervention, i.e. by the low-interest policy of central banks and economic stimulus packages. Private sector consumption remains a factor of uncertainty, being as it is closely dependent on the development of unemployment rates and the continuingly restrictive lending policies of banks. The growth forecasts for emerging markets for the coming years are twice as high as those for industrialised countries. The latest figures for the Russian economy also indicate sustainable growth. The speed of economic recovery in Eastern Europe is expected to vary considerably depending on the state of public sector finances and budget deficits.

Pharmaceutical sector: robust demand and sound fundamental data

The healthcare market is one of the most dynamic sectors of the economy, forecast to achieve growth of between four and six percent in 2010. Although the industry is facing the challenge of stricter regulatory requirements and pressure on prices from generics, this growth is firmly underpinned by strong demand. Rising life expectancies and improving chances of treatments for previously incurable conditions lie behind this increase. The emerging markets will continue to be an important growth engine, while established markets in Central Europe and North America only achieve modest growth.

Sanochemia

Sanochemia sees itself as being confronted with a more challenging market environment and expects structural changes as a result of restrictive national healthcare policies and drives to achieve public-sector savings, particularly in the area of discounting policy. On the basis of the existing discount contracts, older agreements are being replaced by new ones with price reductions of up to 50 percent. Falling prices and pressure on margins are the consequences. Sanochemia continues to rely on its tried-and-tested three-pillar business model and a balanced product portfolio, as well as its strategic focus on growing therapeutic areas and attractive markets. Sanochemia is also countering the falling prices in established markets and due to generics with innovative products and projects from its own research and development pipeline. Innovations are the key to growth and commercial success. We aim to create competitive advantages and secure market shares through growth-oriented and innovative strategies.

▪ Report on earnings, financial and asset positions

Analysis of business development
The following summary of the Company's performance and operations should be read in the context of the consolidated interim financial statements and the accompanying notes. As in previous periods, the Group's financial statements have been prepared under IFRS in order to allow meaningful comparisons with prior periods to be made.

First Quarter Report (1 October 2009 to 31 December 2009)

Restructuring programme brings return to profitability in first quarter:

- **Forecasts exceeded – positive EBIT and bottom line**
- **Sales revenues increase by 10% despite narrower product portfolio and focus on value-oriented growth**
- **Research success with PVP hypericin**

Consolidated Profit and Loss Account (in T€)

Consolidated sales revenues: T€ 6,544 (PY: T€ 5,950)
EBIT: T€ 153 (PY: minus T€ 3,035)

With positive EBIT and a net profit after taxes, Sanochemia has been able to outperform its own provisional forecasts. Group sales revenues during the period under review rose by ten percent to reach T€ 6,544 (prior year: T€ 5,950). A key role was played here both by radiological products from the Human Pharmaceuticals division as well as API synthesis activities on the part of the Production division.

In contrast to the corresponding period a year earlier, EBITDA was positive, reaching T€ 947 as opposed to minus T€ 1,810. Cost savings of T€ 300 in the area of personnel expenses, and T€ 1,600 in the form of other operating expenses, indicate that we have been successful in adapting our fixed and variable costs to the new revenue situation.

EBIT improved by over three million euro to T€ 153 (PY: minus T€ 3,035).
Due to rising interest expenses, the financial result was negative at minus T€ 110 (PY: T€ 20), giving rise to a pre-tax result of T€ 43 (PY: minus T€ 3,015). Following taxes on income of T€ 3 (PY: minus T€ 2), the **net result for the period** amounts to T€ 46 (PY: minus T€ 3,015), equivalent to earnings per share of € 0.01 (PY: minus € 0.29).

Financial and assets positions | cash flow

The value of cash and cash equivalents (available-for-sale securities and cash) amounts to approx. € 10 million. The **equity ratio** remains high at 55.7 percent, indicating the firm financial standing of the Company.

The recognised value of non-current assets remained essentially unchanged at T€ 51,185 (30 Sep. 2009: T€ 51,185). The value of current assets fell, however, principally due to lower inventory levels and a decline in accounts receivable – trade, to T€ 28,329 (30 Sep. 2009: T€ 30,023). Total non-current liabilities fell to T€ 9,071 (30 Sep. 2009: T€ 8,081), while current liabilities declined to T€ 26,192 (30 Sep. 2009: T€ 29,386).

Cash flow from operating activities improved to T€ 1,353 (PY: minus T€ 2,588), primarily as a result of a change in the carrying value of accounts receivable – trade.

Segment reporting

HUMAN PHARMACEUTICALS

- **Consolidated sales revenues: T€ 2,906 (PY: T€ 4,907)**
- **EBIT: T€ 0.070 (PY: T€ 538)**

The radiological product portfolio, supplemented by certain other drugs such as Viveo®, is the main sources of revenues in this division. In total, the Human Pharmaceuticals division already accounts for 44 percent of Group revenues.
Due to structural changes in terms of the product portfolio, segment revenue fell in line with expectations, although the new focus on improving margins rather than volume will generate value-oriented growth for Sanochemia in the future. This also had an impact on segment EBIT which, at minus T€ 70 during the period under review, was well below that in the same quarter of the preceding financial year (T€ 538).

Following an assessment on the basis of margins, extremely low-margin business was declined, which inevitably led to a drop in revenues of around T€500, albeit freeing up otherwise committed resources. Furthermore, several significant export orders were put on hold due to delays in receiving outstanding payments from certain customers. Although this led to T€ 700 drop in revenues in the period under review, it has already been possible to release some of these orders for shipment in Q2.

Despite the challenging environment, our largest subsidiary, Sanochemia Diagnostics Deutschland, was able to post modest increases in sales revenues. Sales in the US declined due to changing circumstances relating to sales of the Fluorognost Aids

assay to US laboratories. It is expected that, following the issuance of new FDA guidelines, a more cost-effective confirmatory assay will be used in future.

Due to a delay in the requirements planning of our marketing partner, it was not possible to fully recognise a large order for Viveo® (tolperisone) in Q1. The invoicing of the full order volume, in the amount of T€ 260, is therefore expected in Q2.

PRODUCTION

- **Consolidated sales revenues: T€ 3,502 (PY: T€ 1,820)**
- **EBIT: T€ 861 (PY: minus T€ 1,940)**

The Production division currently accounts for 54 percent of consolidated turnover. This division posted an over-forecast increase in sales revenues to T€ 3,601 (PY: T€ 1,819), which was correspondingly reflected in EBIT of T€ 861, following EBIT of minus T€ 1,940 in the same quarter a year earlier.

This division engages in the production of APIs for in-house and third-party requirements in addition to classic contract manufacturing activities. The top sources of revenues during the period under review were again synthetic APIs such as galantamine, used in an Alzheimer's drug. Sales of galantamine should be seen in the context of a poor first quarter in the prior year, with a larger batch being invoiced this quarter than a year earlier. The area of contract manufacturing was also a key source of revenues in the quarter, with considerably higher volumes leading to a marked increase in revenues. Other lucrative development projects are in the pipeline and will lead to a further expansion of the production portfolio. The extended market reach enjoyed by our radiological products will provide the in-house production of imaging agents with additional growth.

RESEARCH AND DEVELOPMENT

- **Consolidated sales revenues: T€ 136 (PY: T€ 0.033)**
- **EBIT: minus T€ 296 (PY: minus T€ 468)**

The Research and Development division did not receive any milestone payments during the period under review and therefore also generated no notable revenues. The R&D activities of the Group are focussed on sub-segments of the oncological market. These include projects such as Secrelux® and PVP hypericin in particular, which is under development for use as both a diagnostic and a therapeutic for bladder

cancer and about which it has already been possible to report considerable progress. R&D spendings during the period under review amounted to T€ 296 (PY: T€ 468).

Central focus on oncology in 2009/2010:
Diagnostic: Clinical Phase II trial on track
The initial findings of a clinical trial investigating the development of PVP hypericin for use in the fluorescence diagnosis of superficial tumours in the bladder (PDD) indicate that this substance has the potential to be an effective clinical application. Sanochemia expects to receive the closing report from the trial in the third quarter of 2010.

Therapeutic: Clinical Phase I trial on efficacy and safety
The first-ever approval, issued by the Belgium health authorities, for the application of this substance in the phototherapeutic treatment of bladder cancer in man has allowed a Phase I clinical trial to evaluate the efficacy and safety of PVP hypericin to be initiated. The results of this study are expected within one year (November 2010).

The oncology market is the fastest growing medical market given that this field expects high patient populations and a market potential for innovative products of several billion euro in the coming years. The breakthrough in the development of PVP hypericin opens up major market opportunities for the Company.

- **Personnel**

In light of the restructuring measures and the associated downsizing programme, the average headcount during the period under review was 170 (PY: 190). This trend becomes all the clearer if one considers the headcount at 31 December 2009, which stood at 165.

The downsizing was made possible mainly by optimising the administration processes of the subsidiaries, but also partly in Austria. The necessary changes in the areas of administration and marketing have now been largely completed. Due to severance payments, the full financial effects will first felt in the second and third quarters. Nonetheless, personnel expenses during the period under review fell to T€ 2,086 (PY: 2,374).

- **Opportunities and risk report**

There have been no material changes relating to the risk environment in which the Company operates since the publication of the Annual Report for the period to 30

September 2009 in which details of these risks are reported. Please refer to the Annual Report for details.

- **Director's dealings**

Reference is made here to the Notes to the Consolidated Interim Financial Statements.

- **Events after the balance sheet date**

In the **Ad-hoc Announcement issued on 2 February 2010**, it was reported that Sanochemia had applied for a listing of the Company's shares in the mid-market segment of the Third Market of the Vienna Stock Exchange, in addition to a relisting on the Frankfurt Stock Exchange to the General Standard segment.

In fact, the General Management of the Frankfurt Stock Exchange has since approved the application to relist Sanochemia's shares from the Prime Standard to the General Standard. Trading in Sanochemia shares will open in the General Standard on 12 May 2010. Furthermore, an application was also made, and subsequently approved, for Sanochemia shares to be listed in the Third Market, mid-market segment, of the Vienna Stock Exchange. Trading in Sanochemia shares will begin on the date of its first listing on the Vienna Stock Exchange, namely 26 February 2010.

In the **Ad-hoc Announcement issued on 12 February 2010**, Sanochemia reported on a further development success involving PVP hypericin and the highly promising clinical application of PVP hypericin in the fluorescence diagnosis of bladder cancer. Initial findings following the success start of this Phase II clinical trial have established the excellent staining properties of this substance in the human bladder. Furthermore, the instillation times for PVP hypericin prior to the endoscopy appeared to be shorter, something which would be a clear advantage for patients. For the first time ever, this clinical trial will involve the intensity of the fluorescence being scientifically established by means of a digital image-based analysis procedure. The subjective impression previously reported by an investigator are therefore being replaced by objective values, a factor which itself sets a new benchmark in the photodynamic diagnosis of bladder cancer. Sanochemia expects to receive the closing report from the trial in the third quarter of 2010.

In the **Ad-hoc Announcement issued on 19 February 2010**, Sanochemia announced that it had discontinued all further payments to AlcaSynn, as a result of which this subsidiary has become insolvent, whereupon the Board of Management of Sanochemia applied for bankruptcy proceedings to be opened. Given that the investment in AlcaSynn was fully written down in the financial statements for the 2008/2009 period, this decision does not entail any further financial burden for Sanochemia Pharmazeutika AG. The Company can now - in the absence of the monthly payments and research grants, not to mention the commitment of human resources - finally consign this unsuccessful investment to the past. The resources freed up will be used to accelerate the development of PVP hypericin.

- **Outlook**

Firm basis in Europe and a stronger focus on growth markets:

In Europe, Sanochemia will profit from the launches of its radiological products in the continent's most important markets. Following Scanlux®, MR-Lux® (a magnetic resonance imaging agent) is forecast to generate significant sales revenues given that marketing authorisations are expected in 13 countries in the course of the European approvals process. Sanochemia's tolperisone formulations are also awaiting marketing authorisations in various other European countries. The Company is relying increasingly on regional marketing partnerships in order to penetrate markets rapidly. Intensive negotiations on Sanochemia's products are already ongoing in a number of high-revenue markets including Spain and Italy. It is not foreseeable, however, to what extent state-imposed price adjustments will have an impact in certain of these countries.

Despite this progress, it is clear that Western European markets are largely saturated and exhibit only modest growth rates. Certain markets in Eastern Europe, on the other hand, such as Poland, Russia and Turkey, are performing far better.
These are countries in which Sanochemia sees greater chances for its radiological products and in some of which it has already established a foothold.

Work is continuing at full speed on the development of PVP hypericin as a diagnostic and treatment for bladder cancer. Sanochemia expects to receive decisive findings and data from the ongoing clinical trials within a year. This will enable the Company to attract potential partners for future marketing activities.

Cutting costs and adjusting to current market conditions
Following the far-reaching cost-cutting and restructuring phase, as well as the impairment of certain past investments in the 2008/2009 financial statements,

Sanochemia now sees itself as ideally positioned for a rapid return to profitability. With its leaner structures, further strict cost management, and a focus on improving margins, Sanochemia aims to achieve major improvements across all segments in 2009/2010 despite the challenging commercial environment.

Regardless of the uncertainties prevailing, the Board of Management considers its expansion into promising markets and the concentration on high-margin products and market segments as the keys to achieving its defined growth targets in the near future.

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year."

Vienna, 25 February 2010
SANOCHEMIA Pharmazeutika AG

The Board of Management

W. Frantsits | Anton Dallos | Maria Popova (seconded to the Board of Management)

Auditing

The same accounting and valuation principles have been applied as were used in the consolidated financial statements of the 2008/2009 Annual Report. These interim consolidated financial statements for the period from October to December 2009 have not been audited.

Upcoming financial events

25 March 2010: Annual Shareholders' Meeting in Eisenstadt, Austria

▪ Consolidated profit and loss statements

IFRS, 10/2009 - 12/2009 and 10/2008 - 12/2008

in T€	Notes	10/09-12/09	10/08-12/08
Sales revenues	(1)	6,544	5,950
Other income	(2)	467	542
Reversal of investment grants		45	44
Change in inventory		157	431
Own work capitalised		243	388
Operating performance		**7,456**	**7,355**
Cost of goods and services		-2,187	-3,253
Personnel expenses		-2,086	-2,374
Depreciation on tangible assets and amortisation of intangible assets		-1,100	-1,225
Other expenses		-1,930	-3,538
Operating result		**153**	**-3,035**
Interest payments		-168	-255
Interest receipts		33	338
Other financial income / expenses		25	-63
Financial result		**-110**	**20**
Pre-tax result		**43**	**-3,015**
Taxes on income		-1	-2
Net profit for the year		**42**	**-3,017**
of which:			
Shareholders of the parent company		69	-2,985
Minority interests		-23	-32
		46	**-3,017**
Undiluted earnings per share in €	(3)	0.01	-0.29
Diluted earnings per share in €		0.01	-0.29
Weighted average number of shares		10,155.598	10,155,598

Consolidated Balance Sheet

IFRS, 31 December 2009 and 30 September 2009

in T€	Notes	31. 12. 09	30. 09. 09
Assets			
Buildings on non-owned land		18,629	18,928
Property, plant and equipment		5,775	6,017
Other equipment, furniture and fixtures		1,293	1,376
Property, plant and equipment under construction		2,984	2,722
Tangible assets		**28,681**	**29,043**
Goodwill		3,391	3,391
Capitalised development costs		17,283	17,189
Other intangible assets		1,188	1,411
Intangible assets		**21,862**	**21,991**
Other financial receivables	(4)	**0,000**	0,000
Deferred tax assets		**643**	**643**
Non-current assets		**51,186**	**51,677**
Inventory	(5)	8,546	9,221
Accounts receivable - trade		4,220	5,724
Accounts receivable - affiliated companies	(6)	1,897	1,941
Other financial receivables	(7)	726	1,094
Other receivables and assets	(8)	1,925	1,707
Income tax receivable		14	13
Receivables from research grants	(9)	613	613
Available-for-sale securities	(10)	3,395	3,381
Cash and short-term deposits		6,643	6,329
Current assets		**27,979**	**30,023**
Total assets		**79,165**	**81,700**

Consolidated Balance Sheet

IFRS, 31 December 2009 and 30 September 2009

in T€		31. 12. 09	30. 09. 09
Equity and liabilities			
Equity held by the parent company			
Issued capital		10,156	10,156
Share premium		14,443	14,443
Net gain/loss on available-for-sale securities		-108	-118
Currency translation differences		993	1,032
Profit and loss account		18,670	18,601
		44,154	**44,112**
Minority interests		98	121
Total equity	(11)	**44,252**	**44,233**
Financial liabilities	(12)	5,375	4,080
Employee benefit provisions		1,129	1,097
Deferred income	(13)	1,167	1,459
Investment grants		1,400	1,445
Non-current liabilities		**9,071**	**8,081**
Financial liabilities	(14)	19,344	21,088
Accounts payable - trade		4,056	5,739
Accounts payable - affiliated companies	(15)	184	0
Other liabilities and accruals	(16)	1,310	1,644
Deferred income	(17)	799	626
Investment grants		149	149
Income tax payable		0	140
Current liabilities		**25,842**	**29,380**
Total equity and liabilities		**79,165**	**81,700**

Consolidated Cash Flow Statement

IFRS, for the period from 10/09 to 12/09 and 10/08 to 12/08

in T€	10/09 - 12/09	10/08 - 12/08
Net income before taxes	42	-3.015
Depreciation, amortisation and write downs of tangible and intangible assets	1.100	1.225
Proceeds from the disposal of tangible and intangible assets	-4	0
Income from the disposal of securities	0	83
Interest payments	168	255
Interest receipts	-33	-338
Purchase of securities	-25	-23
Net gain / loss through foreign currency translation	-51	770
Reversal of investment grants	-45	-44
Change in inventories	675	334
Change in receivables and other assets	1.680	-83
Change in receivables from research grants	0	53
Change in accounts payable including those due to affiliated companies	-1.499	-675
Change in other liabilities and accruals	-442	-1.142
Change in provisions for employee benefits	32	19
Net cash flow from current operating activities	**1.598**	**-2.581**
Interest payments	-180	-251
Interest receipts	75	206
Receipts from the sale of securities	1	58
Income tax paid	-141	-20
Net cash flow from operating activities	**1.353**	**-2.588**
Purchase of investments held for sale	-323	-398
Purchase in tangible assets	-296	-507
Purchase of securities	0	-6
Receipts from the disposal of tangible assets	29	0
Receipts from the disposal of available-for-sale securities	0	569
Net cash flow from investment activities	**-590**	**-342**
Raising of current borrowings	-2.296	-548
Change in non-current borrowings	-33	-100
Repayment of non-current borrowings	0	54
Proceeds from research grants	1.880	0
Net cash flow from financing activities	**-449**	**-594**
Net change in cash and cash equivalents	**314**	**-3.524**
Net cash and cash equivalents		
Balance at beginning of the period	6.329	14.296
Change in cash and cash equivalents	314	-3.524
Balance at end of period as per Balance Sheet[1)]	6.643	10.772

[1)] The available funds include cash on hand and on deposit

Consolidated Statement of Changes in Equity

for the period from 01 October 2008 to 31 December 2009 (IFRS)

in T€	Relating to the equity owned by shareholders of the parent company						Minority interests	Total equity (10)
	Issued Capital	Share premum	Net gain/loss on available-for-sale financial assets	Foreign currency translation	Accumulated result	Profit/loss for the year		
Balance at 01.10.2008	**10,156**	**24,768**	**-440**	**463**	**18,863**	**53,810**	**299**	**54,109**
Valuation of available-for-sale financial assets	0	0	322	0	0	322	0	322
Reallocationfrom capital reserves to cover accumulated losses	0	-10,325	0	0	10,325	0	0	0
Foreign currency translation	0	0	0	567	0	567	0	567
Total income/expenses for the year recognised directly in equity	0	-10,325	322	567	10,325	889	0	889
Net result for the period	0	0	0	0	-10,587	-10,587	-178	-10,765
Consolidated result for the period	0	-10,325	322	567	-262	-9,698	-178	-9,876
Balance at 30.09.2009	**10,156**	**14,443**	**-118**	**1,030**	**18,601**	**44,112**	**121**	**44,233**
Valuation of available-for-sale financial assets	0	0	10	0	0	10	0	10
Foreign currency translation	0	0	0	-37	0	-37	0	-37
Total income/expenses for the year recognised directly in equity	0	0	-108	-37	0	-27	0	-27
Net result for the period	0	0	0	0	69	69	-23	46
Consolidated result for the period	0	0	-108	-37	69	42	-23	19
Balance at 31.12.2009	**10,156**	**14,443**	**-108**	**993**	**18,670**	**44,154**	**98**	**44,252**

Notes to the Interim Financial Statements at 31 December 2009 prepared in accordance with International Financial Reporting Standards (IFRS)

GENERAL INFORMATION

Information on the Company

SANOCHEMIA Pharmazeutika AG, Vienna, and its subsidiaries are engaged in the production and sale of pharmaceuticals and diagnostics for human medicine and the synthetic production of galantamine, an active pharmaceutical ingredient used in a drug to treat Alzheimer's disease.

The consolidated financial statements of SANOCHEMIA Pharmazeutika AG at 30 December 2010 have been prepared in accordance with International Financial Reporting Standards (IFRSs) applicable for the 2009/2010 financial year and as intended for use within the EU. The rules of International Accounting Standards (IAS) 34 – Interim Financial Statements – have been applied.

The company's balance sheet date is 30 September.

The consolidated interim financial statements have been prepared consolidating the same subsidiaries as in the previous financial period.

The interim financial statements have been prepared in thousand euro (T€), figures indicated in the notes are expressed in thousand euro (T€), unless otherwise stated.

Shares held by Executive Officers

The following shares are held by the company's executive officers at 31 December 2009:

	Share holding
Anton Dallos	35,340
Dr. Werner Frantsits	25,030
Eveline Frantsits	1,350
Dr. Johannes Respondek	2,000
Dr. Heinrich Unger-Krayer	500
Günter Kahler	4,000
Dr. Richard Bock	0

Accounting and valuation principles

The interim financial statements have generally been prepared according to the same accounting and valuation principles as applied in the last annual consolidated financial statements. Due to internal accounting changes, the preconditions for IAS 11 are being met for the first time during the period under review, as a result of which this valuation standard is being applied.

Fluctuations in the regularity of receipts and expenses with concomitant impact on quarterly results are confined to the area of synthesis production.

NOTES TO THE PROFIT AND LOSS ACCOUNT

Operating result

(1) Sales revenues

For more detailed information on sales revenues refer to *SEGMENT REPORTING* under **Other information.**
Moreover, this position also recognises revenues from contract manufacturing activities for which the percentage of completion (POC) method is applied on the basis of a reliable assessment of total revenues, direct and overhead costs.

(2) Other operating income

in T€	10/09-12/09	10/08-12/08
Income from the disposal and write-up of tangible and intangible assets	6	0
Reversal of deferred income	101	0
Forschungsförderungsfond der gewerblichen Wirtschaft	0	47
Personnel costs passed on to third parties	111	119
Income through currency differences	82	130
Other income	167	246
Total	467	542

(3) Result per share

When calculating the undiluted result per share, the proportion of the result accrued by the ordinary shares in the parent company held by shareholders is divided by the weighed average number of ordinary shares in circulation during the period under review. Due to the fact that the share options could not be exercised the diluted earnings per share were equivalent to the actual earnings per share. The number of shares issued remained constant for the entire period at 10,155,598.

NOTES TO THE BALANCE SHEET

Significant balance sheet items are discussed below.

Current assets

(4) Inventory

in T€	31.12.2009	30.09.2009
Raw materials, excipients & supplies	3,712	4,169
Semi-finished goods amd work in progress	1,599	1,372
Finished goods	1,574	1,643
Traded goods	1,661	2,037
Total	**8,546**	**9,221**

(5) Receivables due from affiliated companies

in T€	31.12.2009	30.09.2009
Alvetra und Werfft GmbH	662	428
J. Medinger & Söhne KG	0	153
Anton von Waldheim	1,235	1,360
Total	**1,897**	**1,941**

The receivables due from Alvetra und Werfft GmbH relate to supplies of goods and services. The receivables due from Anton von Waldheim relate to advance rental payments for the office comples at Boltzmanngasse 9a, Vienna,and are based on established rights.

(6) Other Financial receivables

in T€	31.12.2009	30.09.2009
Forex options / forward exchange contracts	1,000	1,000
Interest receivable on securities	76	94
Total	**1,076**	**1,094**

(7) Other receivables and assets

in T€	31.12.2009	30.09.2009
Receivables due from the financial authorities	1,559	1,305
Deferred expenses	215	210
Other	151	192
Total	**1,925**	**1,707**

(8) Receivables from research promotion programmes

in T€	31.12.2009	30.09.2009
Forschungsförderungsfonds für die gewerbliche Wirtschaft, Vienna	178	178
Wirtschaftsservice Burgenland AG	435	435
Total	**613**	**613**

These receivables relate to research grants which have been awarded and for which a high degree of certainty exists that the preconditions for non-repayment can be met.

(9) Marketable securities

The securities are made up predominantly of investments in fixed interest rate bonds and investment funds. Securities with a carrying value of T€ 3,361 (previous year T€ 3,346) were pledged to cover certain financial liabilities. The change in the marketable value of the securities held has been fully reflected in the shareholders' equity.

Shareholders' equity and liabilities

(10) Shareholders' equity

For details of changes in shareholders' equity during the financial year refer to the relevant page of this report.

As in the previous financial year, on the balance sheet date the share capital consisted of 10,155,598 nonpar shares equivalent to an amount of € 1.00 per share.

At the close of this reporting period (31 December 2009), the company has approved capital in the amount of € 5,077,799.00 (previous year: T€ 5,078).

The capital reserves include the premium from the issue of shares. There has been no change in this reserve since the previous period. In accordance with Austrian regulatory requirements, this reserve can only be used to cover eventual losses.

Non-current liabilities

The Company has no liabilities with a residual redemption period longer than five years.

(11) Liabilities due to banks (non-current)

The following analysis sets forth non-current bank loans according to currency and interest rates outstanding at 31 December 2009 and 30 September 2009 respectively:

in T€	31.12.2009	30.09.2009	Interest rate	Maturity
Loans linked to research promotion	161	161	3.63% - 5.5%	2009
Loans linked to ERP funds	7,094	5,214	1% - 1.25%	2009 - 2012
Equity financing	5,390	5,390	2.4%	31.05.2010
Other bank loans	953	975	6.5%-8.5%	2009 - 2013
	13,598	**11,740**		
of which				
current portion of non-current loans	-8,223	-7,660		
Financial liabilities (non-current)	**5,375**	**4,080**		

The financial liabilities at 31 December 2009 set out above are secured as follows:

in T€	book value 31.12.2009	book value 30.09.2009
A guarantee in favour of Austria Wirtschaftsservice GmbH	2,500	2,500
A liability due to the Republic of Austria	0	5,390

(12) Deferred income

An amount of T€ 1,167 (previous year: T€ 1,459) is carried as deferred income which relates to the non-current amount of a prepayment for galantamine deliveries for the period up to 30.09.2012 and a fixed payment due upon the signing of the licensing agreement with Orion Corporation. Licensing income has been deferred on a pro rata basis over the period up to 31.12.2020.

Current liabilities

(13) Loans due to banks and credit institutions

The following overview shows the current liabilities due to banks in terms of currencies and interest rates at 31 December 2009 and 30 September 2009 respectively:

in T€	31.12.2009	30.09.2009	Interest rate	Maturity
Bank loans and overdrafts	2,665	4,606	5,5 - 7%	on request
Bank loans and overdrafts	824	0	3 - 5,5%	on request
Bank loans and overdrafts	13,241	14,465	1,5 - 3%	within one year
Research promotion loans	734	137	3,63 - 5,5 %	within one year
Research promotion loans	1,880	1,880	1- 3,63 %	within one year
Total	**19,344**	**8,433**		

The financial liabilities at 31 December 2009 set out above are secured as follows:

in T€	book value 31.12.2009	book value 30.09.2009
A guarantee and payment obligation of SANOCHEMIA Ltd., Malta	220	220
A guarantee in favour of SANOCHEMIA Ltd., Malta	990	975
A liability due to the Republic of Austria	5,390	0

(14) Liabilities due to affiliated companies

in T€	31.12.2009	30.09.2009
J. Medinger & Söhne KG	184	0

The liabilities due from J. Medinger & Söhne KG relate to supplies of goods and services.

(15) Other liabilities and accruals

in T€	31.12.2009	30.09.2009
Provisions for employee benefits	135	147
Tax liabilities	677	695
Vacation entitlements	370	414
Special payments	128	388
Total	**1,310**	**1,644**

(16) Deferred income

An amount of T€ 799 (previous year: T€ 626) has been carried as deferred income. This relates to that proportion of a prepayment for galantamine deliveries applicable to the following financial year and a fixed payment due upon the signing of a licensing agreement with Orion Corporation. The non-current proportion of this amount has been carried as detailed under Point 12 above.

OTHER INFORMATION

Research and development costs

in T€	10/09-12/09	10/08-12/08
Revenues	136	33
Changes in inventory	-6	-19
Miscellaneous income	266	447
Own work capitalised	243	388
Cost of materials	-49	-34
Personnel expenses	-239	-301
Depreciation of tangible assets and amortisation of intangible assets	-33	-6
Other operating expenses	-614	-976
Total	**-296**	**-468**

Cash Flow Statement

The cash flow statements are prepared in accordance with IAS 7 and show changes in the balance sheet position “cash and cash equivalents” over the course of the quarter.

SEGMENT REPORTING

The Company operates in the following business areas:

- **Human Pharmaceuticals** covers all pharmaceutical activities with the main focus being on the area of imaging with contrast agents for x-ray, CT and in-vitro diagnostics. These products are marketed and sold partly through subsidiaries (SANOCHEMIA Diagnostics) and through cooperation agreements with selected marketing partners.

- **Production** encompasses synthesis (synthetic galantamine, contract synthesis, internal requirements) and pharmaceutical production. This also includes research and development expenditure and income relevant to production.

- **Research and Development** concentrates on identifying and advancing substances for the treatment of central nervous system disorders and on the

- innovative further development of tried-and-tested substances. This segment is largely responsible for the Company's own research and development activities. Only minimal externally-generated revenues have as yet obtained through contract R&D activities.

- **Reconciliation** is a segment created to record all income, expenses, assets and liabilities which cannot be directly allocated to the segments listed above.

Cost accounting between the segments is calculated using the market rates and conditions applicable to transactions with third parties.

Divisional results

in T€	Human Pharmazeuticals		Production		R & D		Reconciliation		Total	
	10.09-12.09	10.08-12.08	10.09-12.09	10.08-12.08	10.09-12.09	10.08-12.08	10.09-12.09	10.08-12.08	10.09-12.09	10.08-12.08
Sales revenue - ext.	2,906	3,842	3,502	1,820	136	33	0	0	6,544	5,950
Sales revenue - int.	41	9	1,054	1,889	0	0	-1,095	-2,427	0	0
Sales revenue	**2,947**	3,851	**4,556**	3,709	**136**	33	**-1,095**	-2,427	**6,544**	5,950
Operating performance	**3,282**	4,040	**4,859**	4,229	**639**	849	**-1,324**	-2,699	**7,456**	7,355
Operating result	**-70**	550	**861**	-1,940	**-296**	-468	**-343**	-1,165	**152**	-3,035
Investment	**263**	0	**0**	375	**323**	398	**33**	84	**619**	905
Depreciation & amortisation	**623**	436	**355**	674	**33**	6	**89**	109	**1,100**	1,225
Segments assets	**24,875**	10,387	**21,050**	24,029	**18,924**	18,418	**14,665**	31,026	**79,514**	83,860
Segment liabilites	**1,648**	2,241	**3,054**	3,776	**2,535**	2,611	**28,026**	23,681	**35,263**	32,309

FINANCIAL INSTRUMENTS

Derivative financial instruments

During the 2008/2009 financial year, the remaining derivative financial instruments in the form of forex options and future concluded in financial periods matured. No new derivative.based financial instruments were purchased or sold.

The foreign exchange options and forward exchange contracts have had the following impact on the company's financial position in previous year (1 October 2008 to 31 December 2008):

Foreign exchange options

in T€	10/09-12/09	10/08-12/08
Expenditure arising out of foreign exchange options	0	-552
Income arising out of foreign exchange options	0	896

Forward exchange contracts

	10/09-12/09	10/08-12/08
Loss	0	-177
Gain	0	0

EVENTS AFTER THE BALANCE SHEET DATE

No reportable events have occurred since the balance sheet date.

Vienna, 23.02.2010

The Board of Management:

Dr. Werner Frantsits

KR Anton Dallos

Mag. Maria Popova