

The Specialty Pharma Company

**6-Month Report 2008/09**  
**01. January - 31. March 2009**

prepared in accordance with International  
Financial Reporting Standards (IFRS)



## **Board of Management Report**

### **Dear Shareholder**

Despite the difficult and challenging months of late, we have been successful in increasing sales revenues and, in the second quarter, actually managed to achieve both positive consolidated EBITDA as well as operating results in our core segments. The bottom line also improved, albeit not as significantly as we had initially anticipated. The development of results was impacted by currency-related effects and the planned increase in expenses associated with our development projects. Our financial position remains stable, highlighted among other factors by positive cash flow from operating activities and an equity ratio which remains high at 60 percent. Consequently and despite the economic crisis, we remain on a firm footing and optimistic about the future.

The ongoing globalisation of our operations is a key growth engine for SANOCHEMIA. The diagnostics segment will play a major role in this growth given that we expect to significantly consolidate our market position and boost sales volumes following a number of new marketing authorisations as early as the short term.

During the period under review, we were able to report that, following the earlier launch in Germany, SANOCHEMIA's first MRT imaging agent is now also available in Switzerland. In addition to marketing activities undertaken by our own subsidiaries, we were also able to achieve further successes through supplying other players in the European market. The marked increase in sales revenues is indicative of the high degree of acceptance enjoyed by this product. By mid 2010, we expect MR-Lux<sup>®</sup> to be available on all major European markets. A strong position in the overall European market will provide an excellent basis for further intensifying our international activities.

---

The positive developments in this segment should also be taken into account. The aim is to expand the radiological portfolio through the further development of new in-house products. We will also be intensifying our cooperations with local partners and further developing the SANOCHEMIA brand in order to create an excellent initial position for the years ahead.

### **New business development boosts production activities**

The setting up of a new business development department has enabled us to make considerable progress in the area of securing new projects. Two projects for the development and production of new products have been secured from well known, internationally active companies. The related products are a sterile liquid and a diagnostic, products in areas in which SANOCHEMIA has, over the course of many years, established a high degree of valued expertise. SANOCHEMIA enjoys a particular competitive advantage here due to its experience with in-house production. As such, the Company can offer customers all product development and manufacturing steps from API production to the registration of finished products. The expansion of our customer and product portfolios is already being reflected in the sales revenues and earnings contributions of our Production division.

### **Two projects undergoing clinical trials**

Our R&D activities are currently focussing on two key projects. One involves a Phase II clinical trial into PVP hypericine which aims to establish the proof of concept and the safety of the active ingredient. PVP hypericine possesses the unique property of enabling the early diagnosis of difficult-to-detect, potentially malignant, bladder carcinomas. The second project, Secrelux<sup>®</sup>, is expected to generate a high degree of market potential through a combination of marketing authorisations in additional European territories as well as planned indication extensions. We regard these two projects as grounds for optimism with respect to SANOCHEMIA's future. Due to the possibility of manufacturing the associated products using our own facilities, both projects fit into the existing portfolio particularly well.

---

## **Growth, innovation and internationalisation**

All of our business segments face a series of challenging tasks. Nonetheless, through our commitment to implementing a carefully selected strategy – based on growth, innovation and internationalisation – we will continue to strive to increase profits and shareholder value.

Vienna, May 2009

The Board of Management

### ▪ Economic Environment

Despite predictions of 2009 being an extremely difficult and challenging year, SANOCHEMIA has nonetheless achieved improved half-year figures. The economic environment continued to deteriorate during the course of the past quarter. Recently published data and reports indicate that this is the worst recession for decades, making it clear that the financial crisis is also having an impact on the real economy. Rising prices for raw materials and energy as well as the general increase in inflation rates are affecting the earnings positions of many companies. The sharp declines in the value of certain currencies vis-à-vis the euro and the dollar in recent months are also being felt.

### **Industry-specific situation**

According to IMS forecasts, the global pharmaceutical industry is expected to generate growth of only three to four percent per annum. Overall, however, the drugs industry tends to be resistant to crises. National health policies and government efforts to achieve cost savings – particularly those associated with prescription drugs – as well as the expiry of patents are more likely to impact on the industry than the crisis. The Austrian pharmaceutical industry is widely expected to prove relatively insensitive to the economic situation.

### **Sanochemia**

At the national level, it is clear that certain of our markets, in particular those in Eastern Europe, are feeling the effects of the crisis. We also predict that markets in Western Europe will go into decline and that the intensity of competition will rise.

We expect the economic situation to be most acute in Romania, Russia and the Ukraine. On the basis of macroeconomic data, the downturns in Poland, the Czech Republic, Slovakia, Bulgaria and South-eastern Europe are forecast to be less dramatic. Overall, the development of the markets in which SANOCHEMIA operates is difficult to forecast and should be evaluated on a country-by-country basis.

---

- **Report on earnings, financial and asset positions**

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.

**Second Quarter (1 January – 31 March 2009)**

- **Results improve markedly in Q2**
- **Galantamine boosts production revenues: 100% increase in segment turnover**
- **Core segments Human Pharmaceuticals and Production both positive**

In line with our forecasts, sales revenues rose significantly in the second quarter of the 2008/2009 financial period when compared to the same period a year earlier. A comparison with the turnover and bottom line figures of the first quarter is even more favourable.

Sales revenues in the quarter under review reached T€7,972 (prior year: T€6,153). This increase of 29.6 % is accounted for primarily by a large synthesis order (galantamine) which was invoiced in Q2 as had been forecast. As a result, the Production segment was able to double turnover and is expected, on the basis of the current order-book situation, to be able to generate turnover contributions on this scale in the second half of the 2008/2009 financial year. The positive EBITDA during the period under review of T€314 marks a significant improvement compared both to Q1 and the corresponding period of the previous financial year.

Although both core segments generated positive contributions to EBIT in the second quarter, the overall operating result in the period under review was negative at minus T€934 (PY: minus T€1,427). This is accounted for by a combination of higher research and development spendings, particularly those associated with PVP hypericine and Scanlux®

---

in the US (third-party services) and costs incurred by the Group as a whole, rather than by the individual operational divisions, and recognised in the Reconciliation segment.

The net result for the period improved by 49.2 % to minus T€ 1,097 (PY: minus T€ 2,161).

### **H1 results (1 October 2008 – 31 March 2009)**

- **Higher sales revenues despite difficult economic environment**
- **Earnings impaired by currency effects and higher spendings**
- **Result per share improves by nine percent**

#### **Consolidated Profit and Loss Account (in T€)**

**Sales revenues: T€ 13,922 (PY: T€ 12,440)**

**EBIT: minus T€ 3,969 (PY: minus T€ 3,019)**

In line with our expectations, consolidated turnover in the financial year to date rose by 11 percent to T€ 13,922 (PY: T€ 12,440). This rise in sales revenues is mainly accounted for by the Human Pharmaceuticals segment, engaged in manufacturing SANOCHEMIA's finished products, and by increased levels of contract manufacturing despite the difficult economic circumstances.

As a result of the planned increase in expenditure associated with ongoing development projects and, in part, due to currency translation effects linked to certain of our foreign operations, the operating result (EBIT) declined to minus T€ 3,969 (PY: T€ minus 3,019). Following a significantly improved financial result of minus T€ 143 (PY: minus T€ 1,415), the pre-tax result for the period amounted to minus T€ 4,112 (PY: minus T€ 4,534). The low tax burden in the amount of T€ 2 gave rise to a net result for the period of minus T€ 4,114 (PY: minus T€ 4,534), equivalent to minus € 0.39 (PY: minus € 0.43) per share.



## **Financial and assets positions | cash flow**

The share capital of the Group remained unchanged at T€ 10,156. Due to the net loss for the period, the equity capital declined to T€ 49,986 from T€ 54,109 at 30 September 2008. The equity ratio remained relatively unchanged at a high level of 59.6 %.

In response to higher other financial assets, accounted for by an increase in interest receipts and the assignment of forex options, the value of non-current assets rose to T€ 45,172 (30.9.2008: T€ 42,777). In contrast, the carrying value of current assets fell, primarily due to the disposal of available-for-sale securities, to T€ 38,763 TEUR (from T€ 46,091). The carrying value of non-current liabilities fell to T€ 15,594 (30.9.2008: T€ 16,665), while current liabilities increased marginally to T€ 18,355 (T€ 18,094).

Cash flow from operating activities rose markedly from minus T€ 9,942 in the corresponding period of the prior year to minus T€ 2,417, largely due to the change in accounts payable.

## **Segment reporting**

### **HUMAN PHARMACEUTICALS**

**Sales revenues: T€ 8,337 (+ 20 %)**

**EBIT: T€ 1,023 (+ 23 %)**

This segment is responsible for the manufacture of radiological products, diagnostics and other pharmaceuticals such as Viveo<sup>®</sup>. Following a 17% increase, sales revenues in this segment rose to T€ 8,337 (PY: T€ 6,948).

The most significant increases in sales revenues were associated with Scanlux<sup>®</sup> (+ 20 %), our top-selling radiological product, and MR-Lux<sup>®</sup>. MR-Lux<sup>®</sup>, Sanochemia's first MRT imaging agent – which was launched around one year ago – is successfully marketed by Sanochemia Diagnostics in Germany and Switzerland as well as by marketing partners in other territories. Other successful products include Gastrolux<sup>®</sup> and Viveo<sup>®</sup>, SANOCHEMIA's tolperisone formulation: All of which are in-house products with considerable growth potential which, besides being manufactured at our facilities in Neufeld, are either already or on track to being marketed internationally (i.e. following the receipt of outstanding marketing authorisations).



---

Despite higher marketing expenses, the Human Pharmaceuticals segment again recorded a sustainable positive contribution to Group earnings with EBIT in the amount of T€ 1,023 (PY: T€ 831).

The sales revenues and EBIT contributions generated by the various local subsidiaries generally developed satisfactorily, with the notable exception of Sanochemia Diagnostics

UK. The unfavourable development of the exchange rate also impacted the results of this subsidiary during the period under review. The UK market is widely regarded as one of the most difficult in Europe, in part due to the intense pressure on prices in the health sector.

#### **Demand for SANOCHEMIA products rises**

Exports rose by 46 % during the period under review. Egypt has recently become one of the most important export markets, with a sales volume of around one million euros per year. Not only is this a key market, but it is also widely seen as the gateway to the entire Arabian market. Saudi Arabia, Iraq and Iran are the future target markets for Scanlux<sup>®</sup> and, in due course, for other products of Sanochemia Diagnostics. The European export market for SANOCHEMIA with the highest sales volumes is Hungary, where we have already achieved a market share of 10 %.

Besides Germany, mainland Europe's largest pharmaceutical markets are Italy, France and Spain. SANOCHEMIA's internationalisation strategy aims to rapidly achieve product launches in these countries. In Italy, it has already been possible to secure follow-up orders for Scanlux<sup>®</sup> following this product's successful launch. Marketing authorisation applications have already been filed for several of SANOCHEMIA's imaging agents in Spain. The Company aims to develop the Spanish market with its own sales force. Related discussions are ongoing.

Export sales are expected to continue growing at similar levels and generate significant bottom-line contributions for the Group during the current financial year.

We anticipate considerable contributions in terms of sales and earnings in the course of the next financial year period following the receipt of marketing authorisation within the EU for MR-Lux<sup>®</sup> (from late 2009).

---

## **PRODUCTION**

**Sales revenues: T€5,524 (PY: T€5,456)**

**EBIT: minus T€1,821 (PY: minus T€835)**

In terms of sales revenues, the Production segment was able to make marginal gains during the reporting period following receipts of T€ 5,524 (PY: T€ 5,456). This result was largely accounted for by the invoicing of a large batch of galantamine in Q2 and revenue contributions derived from new development projects.

The positive EBIT recorded in the period to the end of March was insufficient to fully compensate for the weak first quarter, meaning that segment EBIT for the period under review (1 October 2008 – 31 March 2009) was negative at minus T€ 1,821 (PY: minus T€ 835).

The **current state of the order books** is such that sales revenues and segment earnings, particularly those relating to synthesis activities, are expected to develop steadily during the remainder of the financial year.

Progress has also been made by the recently created New Business Development department. Demand for development services has increased significantly of late, thus allowing several new project deals to be concluded during the reporting period. The forecast expansion of the production portfolio is expected to accelerate organic growth in both the areas of synthesis and pharmaceutical production. Given its outstanding level of expertise in the fields of in-house API development, manufacturing, formulation and regulatory affairs, SANOCHEMIA increasingly acts on behalf of other pharmaceutical companies.

## **RESEARCH AND DEVELOPMENT**

**Sales revenues: T€61 (PY: T€36)**

**EBIT: minus T€970 (PY: minus T€1,032)**

The Research & Development segment reported no significant revenues in the period under review. R&D spendings during the quarter amounted to T€ 2,942 (PY: T€ 2,254).

---

## **Two projects undergoing clinical trials**

SANOCHEMIA is focussing on a limited number of short to mid-term projects which primarily aim to generate value added through the utilisation of its own production facilities. These include projects such as Secrelux<sup>®</sup> and PVP hypericine which are undergoing clinical development in the 2009/2010. PVP hypericine possesses the unique property of enabling the early diagnosis of difficult-to-detect and potentially malignant bladder carcinomas. The clinical trial scheduled to be performed in 2009 involves this substance's use in photodynamic diagnostic procedures and is aimed at establishing the proof of concept and safety of the substance. Secrelux<sup>®</sup> is used in the early diagnosis of pancreatic tumours and has until now only been registered in Germany. The objective is to secure further marketing authorisations in new European markets as well as this product's approval for use in other imaging procedures, namely CT, MRCP and sonography, as a means of tapping additional market potential. Both of these innovative projects are expected to underpin the Company's results in the short and mid terms.

## **Extending the portfolio of imaging agents**

SANOCHEMIA plans to extend its portfolio of imaging agents through the addition of new in-house products with a view to tapping the MRT market which is increasingly being dominated by cyclical gadolinium products. The Company is currently evaluating the option of developing its own MRT imaging agent. The fact that SANOCHEMIA has suitable in-house synthesis facilities for the necessary starting materials could prove to be a decisive cost advantage. The relevant preliminary investigations have already been initiated in the development laboratory.

## **Other news**

Tolperisone in the US: During the period under review, SANOCHEMIA was able to secure all the clinical development data from its former US partner Avigen. The re-launch of the US strategy and the search for a partner can now start without delay.

Tolperisone in the EU: European-wide registration dossiers (DCP and national) have been filed.

---

- **Personnel**

The average headcount during the period amounted to 189 (PY: 180). The majority of the new hires related to sales and marketing functions. The planned internationalisation of operations in the area of imaging agents has necessitated new positions being created within certain local subsidiaries, export and regulatory affairs departments. Personnel expenses rose in a year-on-year comparison to T€4,806 from T€4,417.

#### **Director's dealings**

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

#### **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 2007/2008 for the period to 30 September 2008 in which details of these risks are reported.

- **Outlook**

The strategic objective of the Company remains to rapidly forge ahead with its program of internationalisation. The rising demand seen in the core segments of Production (APIs and new developments) and Human Pharmaceuticals (imaging agents and muscle relaxants) indicates the high degree of acceptance enjoyed by SANOCHEMIA products.

The potential to open up new geographic markets for the portfolio of imaging agents is particularly significant, making additional marketing efforts in this direction indispensable. In terms of the additional national marketing authorisations expected in and after late 2009 as well as the associated product launches, SANOCHEMIA has acted in a timely manner to ensure that the necessary resources and investments are in place, particularly those relating to **personnel**.

---

The Human Pharmaceuticals segment is expected to continue growing, even if intensified competition impacts on customer orders and possible pricing pressure and exchange rate volatility could lead to losses of margin. The Company is also dependent on decisions made by regulatory and national health authorities which could entail delays in launching products.

The Production segment is forecast to increasingly benefit from the geographic expansion and product-based extension of the portfolio. The increase in the number of new development projects (new business development) is creating additional earnings potential in what is potentially a lucrative area of business.

In the area of research and development, the priority is to rapidly conduct the clinical trials for PVP hypericine and Secrelux<sup>®</sup> in order to bolster the Company's prospects in the mid term.

Despite the difficult market situation and all of the associated uncertainties, SANOCHEMIA regards its core business segments as being well positioned and expects to be able to report robust sales revenue and earnings contributions in the second half of the current financial year. It is not possible to provide more accurate forecasts at this moment in time.

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated profit and loss statements

IFRS, 10/2008 - 03/2009 and 10/2007 - 03/2008

in T€	Notes	01/09-03/09	01/08-03/08	10/08 - 03/09	10/07 - 03/08
Sales revenues	(1)	7,972	6,153	13,922	12,440
Other income	(2)	829	929	1,371	1,605
Reversal of investment grants		53	34	97	72
Change in inventory		-275	-53	156	-234
Own work capitalised		652	158	1,040	420
<b>Operating performance</b>		<b>9,231</b>	<b>7,221</b>	<b>16,586</b>	<b>14,303</b>
Cost of goods and services		-2,738	-2,323	-5,991	-5,197
Personnel expenses		-2,432	-2,229	-4,806	-4,417
Depreciation on tangible assets and amortisation of intangible assets		-1,248	-1,190	-2,473	-2,364
Other expenses		-3,747	-2,906	-7,285	-5,344
<b>Operating result</b>		<b>-934</b>	<b>-1,427</b>	<b>-3,969</b>	<b>-3,019</b>
Interest payments		-216	-277	-471	-571
Interest receipts		368	382	706	777
Other financial income / expenses		-315	-662	-378	-1,621
<b>Financial result</b>		<b>-163</b>	<b>-557</b>	<b>-143</b>	<b>-1,415</b>
<b>Pre-tax result</b>		<b>-1,097</b>	<b>-1,984</b>	<b>-4,112</b>	<b>-4,434</b>
Taxes on income		0	-177	-2	-100
<b>Net profit for the year</b>		<b>-1,097</b>	<b>-2,161</b>	<b>-4,114</b>	<b>-4,534</b>
of which:					
Shareholders of the parent company		-1,010	-2,071	-3,995	-4,356
Minority interests		-87	-90	-119	-178
		<b>-1,097</b>	<b>-2,161</b>	<b>-4,114</b>	<b>-4,534</b>
Undiluted earnings per share in €	(3)	-0.10	-0.20	-0.39	-0.43
Diluted earnings per share in €		-0.10	-0.20	-0.39	-0.43
Weighted average number of shares		10,155,598	10,155,598	10,155,598	10,155,598

▪ **Consolidated Balance Sheet**

IFRS, 31 March 2009 and 30 September 2008

in T€	Notes	31. 03. 09	30. 09. 08
<b>Assets</b>			
Buildings on non-owned land		7,543	8,087
Property, plant and equipment		6,422	6,457
Other equipment, furniture and fixtures		1,200	1,232
Property, plant and equipment under construction		2,158	2,023
<b>Tangible assets</b>		<b>17,323</b>	<b>17,799</b>
Goodwill		3,391	3,391
Capitalised development costs		17,075	15,901
Other intangible assets		1,858	2,664
<b>Intangible assets</b>		<b>22,324</b>	<b>21,956</b>
Other financial receivables	(4)	4,639	2,346
Deferred tax assets		886	676
<b>Non-current assets</b>		<b>45,172</b>	<b>42,777</b>
Inventory	(5)	8,965	8,783
Accounts receivable - trade		3,379	5,519
Accounts receivable - affiliated companies	(6)	5,458	4,849
Other financial receivables	(7)	13	284
Other receivables and assets	(8)	1,825	1,092
Income tax receivable		11	296
Receivables from research grants	(9)	212	250
Available-for-sale securities	(10)	5,087	10,722
Cash and short-term deposits		13,813	14,296
<b>Current assets</b>		<b>38,763</b>	<b>46,091</b>
<b>Total assets</b>		<b>83,935</b>	<b>88,868</b>



■ **Consolidated Balance Sheet**

IFRS, 31 March 2009 and 30 September 2008

in T€	Notes	31. 03. 09	30. 09. 08
<b>Equity and liabilities</b>			
<b>Equity held by the parent company</b>			
Issued capital		10,156	10,156
Share premium		24,768	24,768
Net gain/loss on available-for-sale securities		-1,068	-440
Currency translation differences		1,082	463
Profit and loss account		14,868	18,863
		<b>49,806</b>	<b>53,810</b>
Minority interests		180	299
<b>Total equity</b>	(11)	<b>49,986</b>	<b>54,109</b>
Financial liabilities	(12)	11,473	11,720
Employee benefit provisions		1,360	1,308
Deferred income	(13)	1,695	2,442
Investment grants		1,066	1,195
<b>Non-current liabilities</b>		<b>15,594</b>	<b>16,665</b>
Financial liabilities	(14)	8,203	8,433
Accounts payable - trade		5,608	5,034
Other financial liabilities	(15)	1,965	2,521
Other liabilities and accruals	(16)	1,190	1,061
Deferred income	(17)	1,078	721
Investment grants		177	144
Income tax payable		134	180
<b>Current liabilities</b>		<b>18,355</b>	<b>18,094</b>
<b>Total equity and liabilities</b>		<b>83,935</b>	<b>88,868</b>

## ■ Consolidated Cash Flow Statement

IFRS, for the period from 10/08 to 03/09 and 10/07 to 03/08

in T€	10/08 - 03/09	10/07 - 03/08
<b>Net income before taxes</b>	-4,112	-4,434
Depreciation, amortisation and write downs of tangible and intangible assets	2,473	2,364
Proceeds from the disposal of tangible and intangible assets	0	-2
Income from the disposal of securities	83	-105
Interest payments	471	571
Interest receipts	-706	-777
Purchase of securities	-61	-39
Net gain / loss through foreign currency translation	557	491
Reversal of investment grants	-97	-158
Change in inventories	-182	-254
Change in receivables and other assets	-1,269	-15,917
Change in receivables from research grants	38	208
Change in accounts payable including those due to affiliated companies	573	644
Change in other liabilities and accruals	-818	7,320
Change in provisions for employee benefits	52	74
<b>Net cash flow from current operating activities</b>	<b>2,998</b>	<b>-10,014</b>
Interest payments	-469	-545
Interest receipts	661	768
Receipts from the sale of securities	152	139
Income tax paid	237	-290
<b>Net cash flow from operating activities</b>	<b>-2,417</b>	<b>-9,942</b>
Purchase of investments held for sale	-1,631	-340
Purchase in tangible assets	-674	-1,244
Purchase of securities	-6	-4,150
Receipts from the disposal of tangible assets	0	30
Receipts from the disposal of available-for-sale securities	4,720	4,148
<b>Net cash flow from investment activities</b>	<b>2,409</b>	<b>-1,556</b>
Raising of current borrowings	0	2,922
Change in non-current borrowings	133	-2,225
Repayment of non-current borrowings	-372	0
Proceeds from research grants	54	0
Repayment of research grants	-290	0
<b>Net cash flow from financing activities</b>	<b>-475</b>	<b>697</b>
<b>Net change in cash and cash equivalents</b>	<b>-483</b>	<b>-10,801</b>
<b>Net cash and cash equivalents</b>		
Balance at beginning of the period	14,296	24,328
Change in cash and cash equivalents	-483	-10,801
Balance at end of period as per Balance Sheet <sup>1)</sup>	13,813	13,527

<sup>1)</sup> The available funds include cash on hand and on deposit

■ Consolidated Statement of Changes in Equity

for the period from 01 October 2007 to 31 March 2009 (IFRS)

in T€	Relating to the equity owned by shareholders of the parent company						Minority interests	Total equity (10)
	Issued Capital	Share premium	Net gain/loss on available-for-sale financial assets	Foreign currency translation	Accumulated result	Profit/loss for the year		
<b>Balance at 01.10.2007</b>	<b>10,156</b>	<b>48,761</b>	<b>118</b>	<b>6</b>	<b>-1,681</b>	<b>57,360</b>	<b>559</b>	<b>57,919</b>
Valuation of available-for-sale financial assets	0	0	-558	0	0	-558	0	-558
Reallocation from capital reserves to cover accumulated losses	0	-23,993	0	0	23,993	0	0	0
Foreign currency translation	0	0	0	457	0	457	0	457
Total income/expenses for the year recognised directly in equity	0	-23,993	-558	457	23,993	-101	0	-101
Net result for the period	0	0	0	0	-3,449	-3,449	-260	-3,709
Consolidated result for the period	0	-23,993	-558	457	20,544	-3,550	-260	-3,810
<b>Balance at 30.09.2008</b>	<b>10,156</b>	<b>24,768</b>	<b>-440</b>	<b>463</b>	<b>18,863</b>	<b>53,810</b>	<b>299</b>	<b>54,109</b>
Valuation of available-for-sale financial assets	0	0	-628	0	0	-628	0	-628
Foreign currency translation	0	0	0	619	0	619	0	619
Total income/expenses for the year recognised directly in equity	0	0	-628	619	0	-9	0	-9
Net result for the period	0	0	0	0	-3,995	-3,995	-119	-4,114
Consolidated result for the period	0	0	-628	619	-3,995	4,004	-119	-4,123
<b>Balance at 31.03.2009</b>	<b>10,156</b>	<b>24,768</b>	<b>-1,068</b>	<b>1,082</b>	<b>14,868</b>	<b>49,806</b>	<b>180</b>	<b>49,986</b>

▪ **Notes to the consolidated financial statements**

**Notes to the Interim Financial Statements at 31 March 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 31 March 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable for the 2008/2009 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 March 2008:

	Share holding
Anton Dallos	25,340
Herbert Frantsits	25,170
Maximilian Hudl	11,350
Dr. Werner Frantsits	25,030
Eveline Frantsits	1,350
Dr. Johannes Respondek	2,000
Dr. Heinrich Unger-Krayer	500
Günter Kahler	3,000
Dr. Richard Bock <sup>1)</sup>	0

<sup>1)</sup> Dr. Richard Bock was elected to the Supervisory Board on the occasion of the last ordinary shareholders' meeting on 26 March 2009.

## 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.

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**.

#### (2) Other operating income

in T€	10/08-03/09	10/07-03/08
Income from the disposal and write-up of tangible and intangible assets	0	3
Reversal of deferred income	354	822
Forschungsförderungsfond der gewerblichen Wirtschaft	62	134
Personnel costs passed on to third parties	194	145
Income through currency differences	313	116
Other income	448	385
<b>Total</b>	<b>1,371</b>	<b>1,605</b>

#### (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.

### Non-current assets

#### (4) Other financial receivables

in T€	31.03.2009	30.09.2008
Other financial receivables	6,639	4,346
Valuation adjustments	-2,000	-2,000
<b>Total</b>	<b>4,639</b>	<b>2,346</b>

As detailed in the Annual Report 2007/2008, a significant proportion of the existing options have been assigned to SANOCHEMIA Ltd; Malta, in the course of the Group's revision of its investment strategy. The increase in the position other financial receivables is accounted for by interest-based receivables, on the one hand, and the assigned options, on the other.

### Current assets

#### (5) Inventory

in T€	31.03.2009	30.09.2008
Raw materials, excipients & supplies	3,716	4,159
Semi-finished goods and work in progress	1,666	1,325
Finished goods	1,363	1,391
Traded goods	2,220	968
Prepayments to suppliers	0	940
<b>Total</b>	<b>8,965</b>	<b>8,783</b>

#### (6) Receivables due from affiliated companies

in T€	31.03.2009	30.09.2008
Alvetra und Werfft GmbH	1,857	1,113
J. Medinger & Söhne KG	1,355	1,595
Anton von Waldheim	2,246	2,141
<b>Total</b>	<b>5,458</b>	<b>4,849</b>

## (7) Other Financial receivables

in T€	31.03.2009	30.09.2008
Forex options / forward exchange contracts	0	85
Interest receivable on securities	13	199
<b>Total</b>	<b>13</b>	<b>284</b>

## (8) Other receivables and assets

in T€	31.03.2009	30.09.2008
Receivables due from the financial authorities	1,183	657
Deferred expenses	441	249
Other	201	186
<b>Total</b>	<b>1,825</b>	<b>1,092</b>

## (9) Receivables from research promotion programmes

in T€	31.03.2009	30.09.2008
Forschungsförderungsfonds für die gewerbliche Wirtschaft, Vienna	212	250
<b>Total</b>	<b>212</b>	<b>250</b>

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.

## (10) 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€ 5,035 (previous year T€ 3,289) 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

### (11) 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 March 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.

### (12) Liabilities due to banks (non-current)

The following analysis sets forth non-current bank loans according to currency and interest rates outstanding at 31 March 2009 and 30 September 2008 respectively:

in T€	31.03.2009	30.09.2008	Interest rate	Maturity
Loans linked to research promotion	326	457	3.63% - 5.5%	2009
Loans linked to ERP funds	5,321	5,428	1% - 1.25%	2009 - 2012
Equity financing	5,390	5,390	2.4%	31.05.2010
Other bank loans	1,286	1,645	6.5%-8.5%	2009 - 2013
	<b>12,323</b>	<b>12,920</b>		
of which				
current portion of non-current loans	-850	-1,200		
<b>Financial liabilities (non-current)</b>	<b>11,473</b>	<b>11,720</b>		

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

in T€	book value 31.03.2009	book value 30.09.2008
A guarantee in favour of Austria Wirtschaftsservice GmbH	2,500	2,500
A guarantee in favour of SANOCHEMIA Ltd., Malta	107	214
A liability due to the Republic of Austria	5,390	5,390
A guarantee and payment obligation of SANOCHEMIA Ltd., Malta	110	220

### (13) Deferred income

An amount of T€ 1,695 (previous year: T€2,442) is carried as deferred income which relates to the non-current amount of a prepayment for galantamine deliveries for the period up to 30.09.2010 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

### (14) 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 March 2009 and 30 September 2008 respectively:

in T€	31.03.2009	30.09.2008	Interest rate	Maturity
Bank loans and overdrafts	3,898	3,788	6% - 7%	on request
Bank loans and overdrafts	3,908	4,065	3.39% - 5.5%	on request
Bank loans and overdrafts	214	0	4%	on request
Research promotion loans	183	580	3.63% - 5.5%	within one year
<b>Total</b>	<b>8,203</b>	<b>8,433</b>		

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

in T€	book value 31.03.2009	book value 30.09.2008
A guarantee in favour of Österreichische Forschungsförderungsgesellschaft mbH	183	367
A guarantee and payment obligation of SANOCHEMIA Ltd., Malta	220	220
A guarantee in favour of SANOCHEMIA Ltd., Malta	948	948

### (15) Liabilities due to affiliated companies

This position recognises forward exchange contracts concluded by the SANOCHEMIA Group applying a negative fair value. This position is explained in more detail under the point: Derivative financial instruments.

## (16) Other liabilities and accruals

in T€	31.03.2009	30.09.2008
Provisions for employee benefits	161	152
Tax liabilities	114	107
Vacation entitlements	503	377
Special payments	412	425
<b>Total</b>	<b>1,190</b>	<b>1,061</b>

## 17) Deferred income

An amount of T€ 1,078 (previous year: T€ 721) 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€	10/08-03/09	10/07-03/08
Revenues	61	38
Changes in inventory	-23	-10
Miscellaneous income	894	774
Own work capitalised	1,040	420
Cost of materials	-144	-354
Personnel expenses	-499	-658
Depreciation of tangible assets and amortisation of intangible assets	-41	-44
Other operating expenses	-2,258	-1,198
<b>Total</b>	<b>-970</b>	<b>-1,032</b>

## 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	
	10.08-03.09	10.07-03.08	10.08-03.09	10.07-03.08	10.08-03.09	10.07-03.08	10.08-03.09	10.07-03.08	10.08-03.09	10.07-03.08
Sales revenue - ext.	8,337	6,948	5,524	5,456	61	36	0	0	13,922	12,440
Sales revenue - int.	1	125	4,316	2,568	0	2	-5,438	-2,695	0	0
<b>Sales revenue</b>	<b>9,459</b>	<b>7,073</b>	<b>9,840</b>	<b>8,024</b>	<b>61</b>	<b>38</b>	<b>-5,438</b>	<b>-2,695</b>	<b>13,922</b>	<b>12,440</b>
<b>Operating performance</b>	<b>10,150</b>	<b>7,580</b>	<b>10,622</b>	<b>8,673</b>	<b>1,971</b>	<b>1,222</b>	<b>-6,157</b>	<b>-3,172</b>	<b>16,586</b>	<b>14,303</b>
<b>Operating result</b>	<b>1,023</b>	<b>831</b>	<b>-1,821</b>	<b>-835</b>	<b>-970</b>	<b>-1,032</b>	<b>-2,201</b>	<b>-1,983</b>	<b>-3,969</b>	<b>-3,019</b>
<b>Investment</b>	<b>3</b>	<b>-205</b>	<b>571</b>	<b>1,059</b>	<b>1,619</b>	<b>503</b>	<b>112</b>	<b>227</b>	<b>2,305</b>	<b>1,584</b>
<b>Depreciation &amp; amortisation</b>	<b>871</b>	<b>867</b>	<b>1,360</b>	<b>1,263</b>	<b>41</b>	<b>44</b>	<b>201</b>	<b>190</b>	<b>2,473</b>	<b>2,364</b>
<b>Segments assets</b>	<b>11,794</b>	<b>12,268</b>	<b>23,474</b>	<b>29,222</b>	<b>18,317</b>	<b>18,272</b>	<b>30,350</b>	<b>42,023</b>	<b>83,935</b>	<b>101,785</b>
<b>Segment liabilities</b>	<b>2,464</b>	<b>4,084</b>	<b>3,848</b>	<b>5,540</b>	<b>2,724</b>	<b>3,039</b>	<b>24,913</b>	<b>35,586</b>	<b>33,949</b>	<b>48,249</b>

## **FINANCIAL INSTRUMENTS**

### **Derivative financial instruments**

In accordance with IAS 39, the carrying values of derivative forex instruments are recorded in the financial statements at their market value (without deduction of any transaction costs which would be incurred) on the balance sheet date. These relate to derivative financial instruments in the form of foreign exchange options. These options have a residual term to maturity of three month.

#### **Foreign exchange options**

in T€	31.03.2009	30.09.2008
Other receivables arising out of foreign exchange options	0	85
Other liabilities arising out of foreign exchange options	1,965	2,521

The options concluded on behalf and in the account of SANOCHEMIA during the course of the past financial year were concluded by Amafin Asset Management and Finance S.A., Zug, Switzerland. Amafin Asset Management and Finance S.A. acts as an independent asset manager. In the course of these transactions, SANOCHEMIA acts as the writer of options, selling both call and put options. As a result of its revised investment strategy, SANOCHEMIA terminated the asset management contract in the course of the period under review.

### **Interest rate, foreign exchange and credit risks**

Foreign exchange risks continue to exist as a result of the remaining options yet to be exercised or expire. The implications of the strategy are explained in detail in the Notes to the Consolidated Financial Statements contained in the Annual Report 2007/2008.

The foreign exchange options and forward exchange contracts have had the following impact on the company's financial position for the period 1 October 2008 to 31 March 2009:

<b>Foreign exchange options</b>	
in T€	31.03.2009
Expenditure arising out of foreign exchange options	-879
Income arising out of foreign exchange options	899
<hr/>	
<b>Forward exchange contracts</b>	
in T€	31.03.2009
Loss	-177
Gain	23
<hr/>	

#### **EVENTS AFTER THE BALANCE SHEET DATE**

No reportable events have occurred since the balance sheet date.



## ADDITIONAL INFORMATION

---

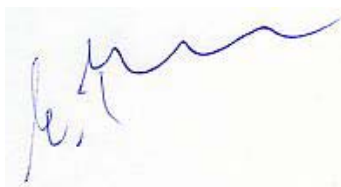
### ▪ Responsibility statement

"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, 26 May 2009

SANOCHEMIA Pharmazeutika AG

The Board of Management



Herbert Frantsits



Anton Dallos



Maximilian Hudl

### ▪ Auditing

The same accounting and valuation principles have been applied as were used in the consolidated financial statements of the 2007/2008 annual report. These interim consolidated financial statements for the period from October 2008 to March 2009 have not been audited.

### ▪ Upcoming financial events

27 Aug. 2009: Nine-month report 2008/2009

November 2009: Analysts' conference at the German Equity Forum in Frankfurt