

**9-Month Report 2008/09**  
**01. April - 30. June 2009**

prepared in accordance with International  
Financial Reporting Standards (IFRS)





## **Board of Management Report**

Dear Shareholder

The current financial year is one in which Sanochemia continues to operate in a difficult economic environment. Greater pressure on margins as a result of intensified competition, rising costs and cuts in health sector spending such as the new discounting policies also represent major challenges for the Company. Nonetheless, we again achieved positive EBIT in the third quarter following a seven-percent increase in sales revenues to just short of 22 million euro during the period (1 October 2008 to 30 June 2009).

This positive development in terms of revenues was largely accounted for by Sanochemia Diagnostics' sales, which rose by 14 %. The Production Division achieved only modest revenue growth of two percent. The development of comparative bottom-line results for the nine-month period is less satisfactory. Due to the weak first quarter and excessively high costs compounded by unfavourable currency translation effects, margins in Q3 developed below our expectations. Moreover, the operating result (EBIT) was impacted by extraordinary items such as severance payments associated with headcount reductions. As a result, the bottom-line result of minus € 4.8m is less than satisfactory.

### **Restructuring and cost-cutting programme**

These unsatisfactory results encouraged Management to introduce a comprehensive package of measures back in May in order to improve the Company's competitiveness. In addition to tighter cost management, this action plan also includes the restructuring of the subsidiaries and changes in the area of human resources. The aim is to achieve annual cost savings of around four million euros in the next two years. Some of these savings are expected to be realised as early as the 2008/2009 financial year.

In order to achieve these objectives, we are optimising our business model and adapting the corporate structure to reflect current market demands. We forecast a significant improvement in corporate results as a consequence of the cost reductions in the value-

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added chain and cost-saving measures introduced across the entire Sanochemia Group. Higher revenues as a result of entering new markets are expected to contribute to improving bottom-line performance from 2010.

## **Research & Development**

Despite the cost-cutting programme, the Board of Management remains committed to key investments in R&D as the key to safeguarding the Group's long-term future. Our R&D activities are focussed on a limited number of short to mid-term projects which primarily aim to generate value added through the utilisation of our own production facilities. These include, in particular, the PVP hypericine project which will enter clinical trials in 2009/2010.

Central focus on oncology in 2009/2010:

In addition to our radiological projects, the area of oncology will also play a key role in the years ahead. Sanochemia's patented substance PVP hypericine possesses the unique property of enabling the early diagnosis of difficult-to-detect and potentially malignant bladder carcinomas. Furthermore, a concept for photodynamic treatment is also currently being developed which, if successful, would be capable of replacing the majority of cytostatic therapies, which are associated with numerous negative side effects. The diagnosis and treatment options currently on the market provide considerable scope for improvement.

The development of highly-complex and patent-protected APIs, diagnostics and drugs will continue to underpin Sanochemia's growth and further reduce dependence on contract manufacturing activities.

## **Radiology**

The main activities of the Group are now firmly focussed on the radiological segment which accounts for a growing proportion of consolidated revenues in excess of fifty percent. This is clear evidence that our decision to enter the market for imaging agents was a well-founded one.

Our imaging agents already on the market, in particular Scanlux<sup>®</sup> and MR-Lux<sup>®</sup>, represent outstanding products through which to rapidly pursue the globalisation of our commercial

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operations. Our aim is to be present with these products in the most important European markets by the middle of 2010. We are already seeing strong demand from Arabian and several eastern European markets. The launch in the US market, expected in the coming financial year, should generate further growth for the Company.

A series of difficult tasks lie ahead at a time when we are facing a number of new challenges. However, we remain convinced that our products and markets will continue to grow and are determined to further consolidate our position as a key market player. Our aim is to draw on our new strength and revised strategy to tap this potential.

As you can see, this difficult financial year is one in which the Company is making key strategic changes. The Board of Management of Sanochemia, with its new CEO and the action now being taken, regards itself as being well on track to realising its set objectives and to finally achieving the basis for sustainable profitability with which to regain the trust of the capital market.

Vienna, August 2009

The Board of Management

- **Economic Environment**

### **Challenging business environment**

According to recent reports, the global economy has yet to recover, even if all the key indicators forecast a stabilisation of the situation in the second half of 2009. Industrialised nations are currently experiencing the deepest recession for many years, while emerging nations, particularly China and India, continue to report high growth rates, albeit lower than in the preceding years. Furthermore, the financing conditions have become more difficult given that the restrictive lending policies of banks, in part triggered by excessive Basel 2 criteria, are increasing the pressure on many companies. Current forecasts do not foresee a sustainable recovery of the global economy in 2009.

### **Pharmaceutical sector**

According to a forecast recently issued by the market research institute IMS Health, the global economic crisis has now hit the pharmaceutical industry. Forecast global growth in 2009 has been revised downwards to just 2.5 to 3.5 percent. Overall, the industry is expected to generate revenues of 750 billion USD. The US market is forecast to decline, for the first time ever, by between one and two percent this year. The markets of emerging nations, however, are expected to generate disproportionate growth, principally due to low-cost generics, according to the current IMS Health forecast. The pharmaceutical industry is nonetheless expected to feel the impact of the recession less than other sectors. Industrialised nations are forecast to experience moderate growth in the coming years of between one and four percent, varying considerably from country to country depending on the relevant national healthcare policy and the importance of the role played by generics.

### **SANOCHEMIA**

The economic environment in which Sanochemia operates has also become more difficult in recent months. Despite healthy order books, the current business year is expected to be more challenging than those of late. The expectation is that the Company will perform relatively well in this more difficult environment as a result of a comprehensive package of measures which is described in more detail below. The wide-ranging developments in individual markets and within Group companies are to be taken into account by a restructuring of Sanochemia subsidiaries and the concentration of responsibilities and resources.

## ▪ 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.

### Third quarter (1 April to 30 June 2009)

- Sales revenues: T€7,883 (PY: 8,034)
- Positive EBIT
- Major cost-cutting programme initiated

In line with expectations, sales revenues reached €7.9 million, on a par with the average sales volumes seen in comparable quarters. The main sources of revenues in the Human Pharmaceuticals Division are radiological products. Galantamine remains the primary revenue engine of the Production Division. EBITDA was clearly positive at T€ 1,110. In contrast to the first two quarters, the operating result (EBIT) was again positive following the implementation of a sweeping cost-cutting programme.

	Q1 2008/09	Q2 2008/09	Q3 2008/09
	Oct.08-Dec.08	Jan.09-Mar.09	Apr.09-Jun.09
Sales revenues	5,950	7,972	7,883
EBITDA	-1,810	314	1,110
EBIT	-3,035	-934	68

The implementation of the cost-cutting programme and the restructuring of the Group were initiated following the unsatisfactory half-year results. The comprehensive cost-

cutting programme is expected to achieve significant savings, the full impact of which will first become apparent in the course of the fourth quarter and the following financial year.

### **Nine-month results (1 October 2008 – 30 June 2009)**

- **Higher sales revenues despite difficult economic environment**
- **Bottom-line performance impacted by higher costs and expenses in addition to extraordinary items in the first quarter**
- **Restructuring of foreign subsidiaries aimed at providing a firm basis for value-oriented growth**

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

**Consolidated sales revenues: T€21,805 (PY: T€20,474)**

**EBIT: minus T€3,901 (PY: minus T€2,916)**

Consolidated sales revenues during the period under review rose by seven percent to T€ 21,805 (PY: T€20,474). This rise in turnover was foremostly attributable to sales of radiological products by the Human Pharmaceuticals Division and, to a lesser extent, the production of APIs as well as contract manufacturing activities.

Although sales revenues rose during the reporting period, bottom-line performance was lower than the comparable period a year earlier due to a combination of adverse currency translation effects and higher costs and expenses. As a result of intensive research activities, the position *other expenses* is T€ 840 higher than in the comparable prior period. Consequently, EBIT declined from minus T€2,916 to T€3,901 compared to the same period twelve months previously. The negative financial result in the amount of minus T€ 1,005 (PY: minus T€582) accounted for a pre-tax result (EBT) of minus T€ 4,906 (PY: minus T€3,498). The net result for the financial year to date fell to minus T€ 4,829 (PY: minus T€3,585), equivalent to minus €0.46 (PY: minus €0.33) per share.



## Financial and assets positions | cash flow

The value of cash and cash equivalents (available-for-sale securities and cash) amounts to approx. € 20 million. The equity ratio remains high at 57.5 percent, indicating the firm financial standing of the Company.

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€ 44,765 (30 Sep. 2008: T€ 42,777). However, this was accompanied by a decline in the recognised value of current assets, foremostly due to the disposal of available-for-sale securities, to T€ 41,807 (30 Sep. 2008: T€ 46,091). Total non-current liabilities fell to T€ 15,398 (30 Sep. 2008: T€ 16,665), while current liabilities rose to T€ 21,375 (30 Sep. 2008: T€ 18,094).

Cash flow from operating activities improved from minus T€ 9,055 to minus T€ 7,045. This is largely accounted for by the closing out of foreign currency options. The rise in the carrying values of inventory and accounts receivable – trade on the interim balance sheet date are attributable to the timing of production orders.

## Segment reporting

### HUMAN PHARMACEUTICALS

**Sales revenues: T€ 12,632 ( + 14 % )**

**EBIT: T€ 1,789 ( + 8 % )**

The radiological product portfolio, supplemented in part by diagnostics and certain drugs such as Viveo<sup>®</sup>, are the main sources of revenues in this division. Following a 14% increase, sales revenues in this segment rose to T€ 12,632 (PY: T€ 11,082). In total, the Human Pharmaceuticals Division already accounts for 58 percent of Group revenues. Sales success was also achieved during the reporting period by Scanlux<sup>®</sup>, Sanochemia's internationally marketed x-ray imaging agent, which is now the Group's top-selling product following the receipt of marketing authorisations in 39 countries. MR-Lux<sup>®</sup>, Sanochemia's first MRT imaging agent and a product with high growth potential, is successfully marketed by Sanochemia Diagnostics in Germany and Switzerland as well as by marketing partners in other territories.

Despite higher marketing expenses, the Human Pharmaceuticals Division reported an eight percent increase in segment EBIT to T€ 1,789 (PY: T€ 1,660), underlining the clear opportunities for bottom-line growth offered in particular by the Group's radiological products.

The revenues and earnings contributions of the foreign subsidiaries varied significantly. In the UK, unfavourable foreign exchange developments and pressure on prices in the healthcare sector continued to impact on both revenues and earnings, factors which have already been reflected in a reduction in the headcount. The largest single subsidiary, Sanochemia Diagnostics Deutschland, on the other hand, was able to boost revenues, not least due to sales of Scanlux<sup>®</sup> and now also MR-Lux<sup>®</sup>, the latter having been on the German market for over one year. Sales of radiological products in Austria also increased at a double-digit percentage rate. It should be noted however that, following a tender procedure, the City of Vienna Administration has elected, for cost reasons, to source x-ray contrast media from a low-cost supplier with its main production facilities in India, meaning a loss of approx. €400,000 in revenues for Sanochemia, the sole producer in Austria. Exports again accounted for the highest growth rates despite intensified competition and economic environments in certain countries which generate additional uncertainties.

The outcomes of ongoing applications for marketing authorisation are also difficult to predict. Sanochemia has filed regulatory applications for several products throughout Europe and expects to achieve growth in terms of sales revenues and earnings in the coming months as a result of sales in new markets.

## **PRODUCTION**

**Sales revenues: T€9,070 (PY: T€8,928)**

**EBIT: minus T€2,234 (PY: minus T€807)**

The **Production** Division generated a two percent increase in sales revenues during the period under review, from T€8,928 to T€9,070. 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 are synthetic APIs such as galantamine, used in an Alzheimer's drug. The Production Division currently accounts for 42 percent of consolidated turnover.

Higher costs of materials and a weak Q1 largely accounted for segment EBIT in the amount of minus T€2,234 (PY: minus T€807).

Pharmaceutical contract manufacturing has increased significantly, with the range of products manufactured due to increase further as new development projects come online. The extended market reach enjoyed by radiological products will provide the in-house production of imaging agents with additional growth.

## **RESEARCH AND DEVELOPMENT**

**Revenues: T€103 (PY: T€464)**

**EBIT: minus T€1,358 (PY: minus T€1,540)**

The Research & Development segment reported no significant revenues in the period under review. The Company's R&D activities are focussed 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 period. R&D spendings during the period under review amounted to T€3,818 (PY: T€3,628).

### **Central focus on oncology in 2009/2010:**

#### **PVP hypericine – from initial diagnosis to the treatment of bladder cancer**

PVP hypericine, a substance patented by Sanochemia, makes it possible to identify difficult-to-detect and potentially malignant bladder tumours at an early stage. The clinical trial scheduled to be performed involves this substance's use in photodynamic diagnostic procedures and is aimed at establishing the proof of concept and safety of the substance. Furthermore, a concept for photodynamic treatment is also currently being developed which, if successful, would be capable of replacing the majority of cytostatic therapies, which are associated with numerous negative side effects.

The revenue potential of PVP hypericine is significant given that imaging diagnostics represent the key to successfully treating bladder cancer and to closely monitoring patients after successful treatment. The diagnosis and treatment options currently on the market provide considerable scope for improvement.

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- **Personnel**

The average headcount during the period under review was 190 (PY: 182). 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. Although personnel expenses rose in a year-on-year comparison to T€ 7,336 (PY: T€6,807), these are set to fall significantly due to the ongoing restructuring of the Group.

- **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.

- **Director's dealings**

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

- **Events after the balance sheet date**

On 10 August 2009, Sanochemia announced significant and previously unforeseen changes with regard to the management of Sanochemia Pharmazeutika AG following the interim retirement of former CEO/CFO Herbert Frantsits for health reasons:

*“With immediate effect, Werner Frantsits, founder, former CEO and long-standing Chairman of the Supervisory Board, has taken up the position of CEO on an interim basis for the next nine months. The role of Chairman of the Supervisory Board for this period will be assumed by Günter Kahler, long-term General Manager of Forschungsförderungsfonds der Gewerblichen Wirtschaft and for a number of years a member of the Supervisory Board of Sanochemia. After this interim period, Werner Frantsits will reassume the position of Chairman of the Supervisory Board.”*

- **Outlook**

**Restructuring and major cost-cutting programme**

A comprehensive cost-cutting programme was approved by the Board of Management at the end of May (for details please refer to the ad-hoc announcement dated 28 May 2009) in order to improve the Group's competitiveness and achieve sustainable profitability.

The aim is to make savings, in the areas of material costs and personnel expenses, in the amount of four million euros per year, with certain of these cost-savings expected to be reflected in income in the final quarter of 2008/2009.

Following a restructuring of foreign subsidiaries, additional processes and activities, particularly those relating to the diagnostic product portfolio, will be managed from Austria, as a result of which considerable cost-saving potentials can be generated. The concentration of responsibilities and resources will also lead to internal synergy effects and a greater degree of efficiency. The plans include steps such as the concentration of all export activities at the Group's premises in Neufeld, Austria. This also offers the advantage of compensating for differences in product demand and enabling products to reach markets faster. The operational preconditions and personnel-based expertise required have been steadily built up at the Neufeld site over recent years. Leaner logistic processes, resulting in lower storage and transport costs, will also considerably boost the effectiveness and efficiency of production in Austria.

The Company forecasts a significant improvement in corporate performance as a consequence of the reduction of costs in the value-added chain and the optimisation of all processes within the entire Sanochemia Group. Increasing revenues as a result of entering new markets are also expected to contribute to improving bottom-line performance from late 2009.

Sanochemia's Board of Management regards the action taken of late as putting the Company firmly on track to achieving improved margins and as the basis for value-oriented growth – both key to regaining the trust of the capital market. 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 fourth quarter of the current financial year. Due to the uncertain overall economic situation, it is not currently possible to issue more detailed forecasts at this stage.

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### ■ Consolidated profit and loss statement

IFRS, 10/2008 - 06/2009 and 10/2007 - 06/2008

in T€	Notes	04/09-06/09	04/08-06/08	10/08 - 06/09	10/07 - 06/08
Sales revenues	(1)	7,883	8,034	21,805	20,474
Other income	(2)	519	925	1,890	2,530
Reversal of investment grants		38	36	135	108
Change in inventory		427	119	583	-115
Own work capitalised		354	269	1,394	689
<b>Operating performance</b>		<b>9,221</b>	<b>9,383</b>	<b>25,807</b>	<b>23,686</b>
Cost of goods and services		-3,459	-3,328	-9,450	-8,525
Personnel expenses		-2,530	-2,390	-7,336	-6,807
Depreciation on tangible assets and amortisation of intangible assets		-1,042	-1,212	-3,515	-3,576
Other expenses		-2,122	-2,350	-9,407	-7,694
<b>Operating result</b>		<b>68</b>	<b>103</b>	<b>-3,901</b>	<b>-2,916</b>
Interest payments		-206	-231	-677	-802
Interest receipts		248	264	954	-1,041
Other financial income / expenses		-904	800	-1,282	-821
<b>Financial result</b>		<b>-862</b>	<b>833</b>	<b>-1,005</b>	<b>-582</b>
<b>Pre-tax result</b>		<b>-794</b>	<b>936</b>	<b>-4,906</b>	<b>-3,498</b>
Taxes on income		79	13	77	-87
<b>Net profit for the year</b>		<b>-715</b>	<b>949</b>	<b>-4,829</b>	<b>-3,585</b>
of which:					
Shareholders of the parent company		-670	1,035	-4,665	-3,321
Minority interests		-45	-86	-164	-264
		<b>-715</b>	<b>949</b>	<b>-4,829</b>	<b>-3,585</b>
Undiluted earnings per share in €	(3)	-0.07	0.09	-0.46	-0.33
Diluted earnings per share in €		-0.07	0.09	-0.46	-0.33
Weighted average number of shares		10,155,598	10,155,598	10,155,598	10,155,598

■ **Consolidated Balance Sheet**

IFRS, 30 June 2009 and 30 September 2008

in T€	Notes	30. 06. 09	30. 09. 08
<b>Assets</b>			
Buildings on non-owned land		7,301	8,087
Property, plant and equipment		6,174	6,457
Other equipment, furniture and fixtures		1,217	1,232
Property, plant and equipment under construction		2,503	2,023
<b>Tangible assets</b>		<b>17,195</b>	<b>17,799</b>
Goodwill		3,391	3,391
Capitalised development costs		17,153	15,901
Other intangible assets		1,632	2,664
<b>Intangible assets</b>		<b>22,176</b>	<b>21,956</b>
Other financial receivables	(4)	4,718	2,346
Deferred tax assets		676	676
<b>Non-current assets</b>		<b>44,765</b>	<b>42,777</b>
Inventory	(5)	9,198	8,783
Accounts receivable - trade		6,099	5,519
Accounts receivable - affiliated companies	(6)	5,118	4,849
Other financial receivables	(7)	54	284
Other receivables and assets	(8)	1,309	1,092
Income tax receivable		12	296
Receivables from research grants	(9)	178	250
Available-for-sale securities	(10)	4,314	10,722
Cash and short-term deposits		15,525	14,296
<b>Current assets</b>		<b>41,807</b>	<b>46,091</b>
<b>Total assets</b>		<b>86,572</b>	<b>88,868</b>

## ■ Consolidated Balance Sheet

IFRS, 30 June 2009 and 30 September 2008

in T€	Notes	30. 06. 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		-207	-440
Currency translation differences		749	463
Profit and loss account		14,198	18,863
		<b>49,664</b>	<b>53,810</b>
Minority interests		135	299
<b>Total equity</b>	(11)	<b>49,799</b>	<b>54,109</b>
Financial liabilities	(12)	11,479	11,720
Employee benefit provisions		1,399	1,308
Deferred income	(13)	1,493	2,442
Investment grants		1,027	1,195
<b>Non-current liabilities</b>		<b>15,398</b>	<b>16,665</b>
Financial liabilities	(14)	14,002	8,433
Accounts payable - trade		4,980	5,034
Accounts payable - affiliated companies		18	0
Other financial liabilities	(15)	0	2,521
Other liabilities and accruals	(16)	1,132	1,061
Deferred income	(17)	933	721
Investment grants		177	144
Income tax payable		133	180
<b>Current liabilities</b>		<b>21,375</b>	<b>18,094</b>
<b>Total equity and liabilities</b>		<b>86,572</b>	<b>88,868</b>



## ■ Consolidated Cash Flow Statement

IFRS, for the period from 10/08 to 06/09 and 10/07 to 06/08

in T€	10/08 - 06/09	10/07 - 06/08
<b>Net income before taxes</b>	-4,906	-3,497
Depreciation, amortisation and write downs of tangible and intangible assets	3,515	3,576
Proceeds from the disposal of tangible and intangible assets	2	-7
Income from the disposal of securities	1,141	-104
Interest payments	677	802
Interest receipts	-954	-1,041
Purchase of securities	-87	-72
Net gain / loss through foreign currency translation	295	486
Reversal of investment grants	-135	-194
Change in inventories	-415	1,007
Change in receivables and other assets	-3,132	-7,593
Change in receivables from research grants	71	308
Change in accounts payable including those due to affiliated companies	-37	-950
Change in other liabilities and accruals	-3,171	-1,887
Change in provisions for employee benefits	91	111
<b>Net cash flow from current operating activities</b>	<b>-7,045</b>	<b>-9,055</b>
Interest payments	-691	-789
Interest receipts	815	969
Receipts from the sale of securities	152	139
Income tax paid	236	-294
<b>Net cash flow from operating activities</b>	<b>-6,533</b>	<b>-9,030</b>
Purchase of investments held for sale	-2,015	-629
Purchase of tangible assets	-1,129	-1,497
Purchase of securities	-6	-4,164
Receipts from the disposal of tangible assets	1	36
Receipts from the disposal of available-for-sale securities	5,583	4,595
<b>Net cash flow from investment activities</b>	<b>2,434</b>	<b>-1,659</b>
Raising of non-current borrowings	0	549
Change in current borrowings	6,019	1,095
Repayment of non-current borrowings	-472	-499
Proceeds from research grants	72	0
Repayment of research grants	-290	-1,215
<b>Net cash flow from financing activities</b>	<b>5,329</b>	<b>-70</b>
<b>Net change in cash and cash equivalents</b>	<b>1,230</b>	<b>-10,759</b>
<b>Net cash and cash equivalents</b>		
Balance at beginning of the period	14,296	24,328
Change in cash and cash equivalents	1,230	-10,759
Balance at end of period as per Balance Sheet <sup>1)</sup>	15,526	13,569

<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 30 June 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	233	0	0	233	0	233
Foreign currency translation	0	0	0	286	0	286	0	286
Total income/expenses for the year recognised directly in equity	0	0	233	286	0	519	0	519
Net result for the period	0	0	0	0	-4,665	-4,665	-164	-4,829
Consolidated result for the period	0	0	233	286	-4,665	-4,146	-164	-4,310
<b>Balance at 30.06.2009</b>	<b>10,156</b>	<b>24,768</b>	<b>-207</b>	<b>749</b>	<b>14,198</b>	<b>49,664</b>	<b>135</b>	<b>49,799</b>

▪ **Notes to the consolidated financial statements**

**Notes to the Interim Financial Statements at 30 June 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 June 2009 have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 30 June 2009:

	Share holding
Anton Dallos	25,340
Herbert Frantsits	25,170
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 <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.

Maximilian Hudl left the employ of the Company by mutual agreement with effect from 31 May 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€	10/08-06/09	10/07-06/08
Income from the disposal and write-up of tangible and intangible assets	0	7
Reversal of deferred income	683	1,248
Forschungsförderungsfond der gewerblichen Wirtschaft	62	134
Personnel costs passed on to third parties	304	232
Income through currency differences	391	113
Other income	450	796
<b>Total</b>	<b>1,890</b>	<b>2,530</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€	30.06.2009	30.09.2008
Other financial receivables	6,718	4,346
Valuation adjustments	-2,000	-2,000
<b>Total</b>	<b>4,718</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€	30.06.2009	30.09.2008
Raw materials, excipients & supplies	3,785	4,159
Semi-finished goods and work in progress	2,048	1,325
Finished goods	1,387	1,391
Traded goods	1,930	968
Prepayments to suppliers	48	940
<b>Total</b>	<b>9,198</b>	<b>8,783</b>

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

in T€	30.06.2009	30.09.2008
Alvetra und Werfft GmbH	2,339	1,113
J. Medinger & Söhne KG	462	1,595
Anton von Waldheim	2,317	2,141
<b>Total</b>	<b>5,118</b>	<b>4,849</b>

### **(7) Other financial receivables**

in T€	30.06.2009	30.09.2008
Forex options / forward exchange contracts	0	85
Interest receivable on securities	54	199
<b>Total</b>	<b>54</b>	<b>284</b>

### **(8) Other receivables and assets**

in T€	30.06.2009	30.09.2008
Receivables due from the financial authorities	763	657
Deferred expenses	338	249
Other	208	186
<b>Total</b>	<b>1,309</b>	<b>1,092</b>

### **(9) Receivables from research promotion programmes**

in T€	30.06.2009	30.09.2008
Forschungsförderungsfonds für die gewerbliche Wirtschaft, Vienna	178	250
<b>Total</b>	<b>178</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€ 4,280 (previous year T€ 6,538) 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 (30 June 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 30 June 2009 and 30 September 2008 respectively:

in T€	30.06.2009	30.09.2008	Interest rate	Maturity
Loans linked to research promotion	344	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	1,174	1,645	6.5%-8.5%	2009 - 2013
	<b>12,229</b>	<b>12,920</b>		
of which				
current portion of non-current loans	-750	-1,200		
<b>Financial liabilities (non-current)</b>	<b>11,479</b>	<b>11,720</b>		

The financial liabilities at 30 June 2009 set out above are secured as follows:

in T€	book value 30.06.2009	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€ 1,493 (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 30 June 2009 and 30 September 2008 respectively:

in T€	30.06.2009	30.09.2008	Interest rate	Maturity
Bank loans and overdrafts	5,044	3,788	6% - 7%	on request
Bank loans and overdrafts	8,561	4,065	3.39% - 5.5%	on request
Bank loans and overdrafts	214	214	2.4%	within one year
Research promotion loans	183	366	6.5%-8.5%	within one year
<b>Total</b>	<b>14,002</b>	<b>8,433</b>		

The financial liabilities at 30 June 2009 set out above are secured as follows:

in T€	book value 30.06.2009	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	734	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€	30.06.2009	30.09.2008
Provisions for employee benefits	302	152
Tax liabilities	91	107
Vacation entitlements	564	377
Special payments	175	425
<b>Total</b>	<b>1,132</b>	<b>1,061</b>



## (17) Deferred income

An amount of T€ 933 (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€	10/08-06/09	10/07-06/08
Revenues	103	464
Changes in inventory	-53	-29
Miscellaneous income	1,016	964
Own work capitalised	1,394	689
Cost of materials	-239	-458
Personnel expenses	-661	-1,097
Depreciation of tangible assets and amortisation of intangible assets	-71	-66
Other operating expenses	-2,847	-2,007
<b>Total</b>	<b>-1,358</b>	<b>-1,540</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 Pharmaceuticals		Production		R&D		Reconciliation		TOTAL	
	10/08-06/09	10/07-06/08	10/08-06/09	10/07-06/08	10/08-06/09	10/07-06/08	10/08-06/09	10/07-06/08	10/08-06/09	10/07-06/08
Sales revenue – ext.	12,632	11,082	9,070	8,928	103	464	0	0	21,805	20,474
Sales revenue – int.	1,215	235	5,550	3,921	0	0	-6,765	-4,156	0	0
<b>Total sales revenue</b>	<b>13,847</b>	<b>11,317</b>	<b>14,620</b>	<b>12,849</b>	<b>103</b>	<b>464</b>	<b>-6,765</b>	<b>-4,156</b>	<b>21,805</b>	<b>20,474</b>
<b>Operating performance</b>	<b>14,884</b>	<b>12,367</b>	<b>16,210</b>	<b>14,043</b>	<b>2,460</b>	<b>2,088</b>	<b>-7,747</b>	<b>-4,812</b>	<b>25,807</b>	<b>23,686</b>
<b>Operating result</b>	<b>1,789</b>	<b>1,660</b>	<b>-2,234</b>	<b>-807</b>	<b>-1,358</b>	<b>-1,540</b>	<b>-2,098</b>	<b>-2,229</b>	<b>-3,901</b>	<b>-2,916</b>
<b>Investment</b>	<b>15</b>	<b>-186</b>	<b>916</b>	<b>1,259</b>	<b>2,003</b>	<b>776</b>	<b>210</b>	<b>277</b>	<b>3,144</b>	<b>2,126</b>
<b>Depreciation &amp; amortisation</b>	<b>1,305</b>	<b>1,304</b>	<b>1,853</b>	<b>1,920</b>	<b>71</b>	<b>66</b>	<b>286</b>	<b>286</b>	<b>3,515</b>	<b>3,576</b>
<b>Segment assets</b>	<b>11,502</b>	<b>11,676</b>	<b>26,129</b>	<b>25,568</b>	<b>18,621</b>	<b>18,391</b>	<b>30,320</b>	<b>35,552</b>	<b>86,572</b>	<b>91,187</b>
<b>Segment liabilities</b>	<b>2,194</b>	<b>3,241</b>	<b>3,799</b>	<b>4,553</b>	<b>2,294</b>	<b>2,679</b>	<b>28,486</b>	<b>26,197</b>	<b>36,773</b>	<b>36,670</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.

#### **Foreign exchange options**

in T€	30.06.2009	30.09.2008
Other receivables arising out of foreign exchange options	0	85
Other liabilities arising out of foreign exchange options	0	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. The fully close out all foreign currency option positions expired in this quarter.

#### **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 30 June 2009:

<b>Foreign exchange options</b>	
in T€	30.06.2009
Expenditure arising out of foreign exchange options	-879
Income arising out of foreign exchange options	2,861

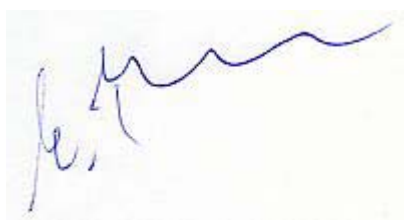
<b>Forward exchange contracts</b>	
in T€	30.06.2009
Loss	-2,015
Gain	23

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

No reportable events have occurred since the balance sheet date.

Vienna, 25.08.2009

The Board of Management:



Herbert Frantsits



Anton Dallos

## ADDITIONAL INFORMATION

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- **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 August 2009  
SANOCHEMIA Pharmazeutika AG

The Board of Management

The image shows two handwritten signatures in blue ink on a white background. The signature on the left is more cursive and includes a large flourish. The signature on the right is more structured and appears to be 'Anton Dallos'.

Herbert Frantsits

Anton Dallos

- **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 June 2009 have not been audited.

- **Upcoming financial events**

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