

**Interim Financial Statements**  
**as at December 31, 2006**  
prepared according to International  
Financial Reporting Standards (IFRS)

## First Quarter Report 2006/2007

Dear Shareholder,

Operations in the first quarter of the 2006/2007 financial year were characterised by a significant increase in sales revenues, a doubling of the operating result, and the attainment of a number of key milestones in Research & Development.

A year after concluding a licensing contract with Avigen covering tolperisone in the US, we have now formed a further strategic partnership and, in January, were able to report an exclusive agreement with the Orion Corporation relating to tolperisone in key European markets. This agreement assigns Orion exclusive marketing rights to Sanochemia's tolperisone formulations in Germany, Switzerland, Scandinavia and the Baltic States. Orion is scheduled to commence marketing operations in Germany and Switzerland soon after receiving the relevant marketing authorisations. Given Orion's excellent international reputation in the neurological and orthopaedic fields, we are confident that the launch of the product will be an outstanding success.

### **Encouraging start in new financial year**

Benchmarked against the same period of the previous financial year, group sales rose in the first quarter (1 October – 31 December 2006) from €7.2m to €8.5m, or by 19%. This growth is mainly attributable to higher sales volumes achieved by the Production Division.

Earnings before interest and tax (EBIT) doubled from €0.4m to €0.8m despite higher expenses. The drop in the financial result (to €0.2m) compared with the same period of the previous year (€1.1m) is accounted for by the company's new investment strategy aimed at ensuring less volatility in financial returns. Consequently, pre-tax profits were lower than a year earlier at €1.0m (€1.4m) which, after tax credits in the amount of €0.1m (€-0.4m) culminated in net profits of €1.1m (€1.0m), equivalent to earnings per share of €0.10 (unchanged).

Cash flow from current operations improved from €3.5m to €3.7m, while cash and cash equivalents rose from €18.5m to €24.6m (y/y). Although the balance sheet total increased from €91.2m to €102.6m, the equity ratio fell from 65.7% to 61.9% at 31 December 2006.

In addition to the general improvement in terms of the financials, the first quarter was also marked by the attainment of a number of important R&D milestones that will prove central to the Company's future profitability.

## Segment results

### HUMAN PHARMACEUTICALS (Sales)

- Sales revenues T€3,010 (PY: T€2,883)
- EBIT T€413 (PY: T€179)

The significant improvement in EBIT terms relative to the moderate increase in sales revenues was a consequence of the decision to concentrate on improving margins and trimming back our product portfolio. A further factor was the on-going and cost-driven campaign to achieve synergies by combining resources between the various Sanochemia subsidiaries.

The main focus in this segment is on the development, manufacture and sale of radiological imaging agents. Scanlux, the most successful product in the range, is currently marketed in 30 countries. We have forged ahead with our expansion plans and will significantly reinforce our global presence during the current financial year. In recent months we have established a number of marketing agreements with well established distributors in international markets and are currently engaged in preparations for launches in markets such as the USA and China.

Regulatory steps are being taken to secure a pan-European registration for Secrelux – a diagnostic for pancreatic disorders – to supplement the existing regulatory approval in Germany. Our HIV assay, Fluorognost, marketed foremostly in the USA, continues to generate steady revenue flows and above average margins. Our product portfolio is expected to be expanded, and the bottom line enhanced, through the addition of a magnetic resonance agent following regulatory approvals later in 2007 and a roll out in 2008.

The growth achieved by these products will provide a firm basis for sustained profitability, particularly due to the focus on the US market, and will further improve the Group's cost structure.

### PRODUCTION

**Sales revenues: T€5,509 (PY: T€4,291)**  
**EBIT: T€1,599 (PY: T€1,240)**

The 28% rise in sales revenues in this segment is largely attributable to higher sales volumes following the bringing forward of a large API production order. The increase in terms of operating performance achieved by this division (€7.2m from €5.4m) was also due to increased requirements for the clinical development of in-house product candidates. Although the segment EBIT was adversely influenced by the new accounting arrangements associated with a prepayment for future galantamine deliveries, this figure nonetheless rose by 29% to €1.6m.

Galantamine and torsemide represent two top revenue earners that we have already firmly established in their respective markets. The planned introduction of tolperisone will mean a significant strengthening of our product portfolio and is expected to make a contribution to revenues as early as the current financial year. In the mid-term, we forecast that this API will achieve considerable revenue and drive bottom line growth, mainly through sales in the US.

Tolperisone is the latest product from our own development pipeline to reach production maturity. Our industrial know-how associated with this product – we recently received a European patent covering the manufacturing process – is further proof of our competence as a provider of specialty pharmaceuticals.

## **RESEARCH & DEVELOPMENT**

While the Research & Development Division reported no revenues through milestone payments in the past quarter, we were able to report important progress in advancing a number of key projects which we expect to play a significant role in underpinning the Company's future growth.

### **Tolperisone**

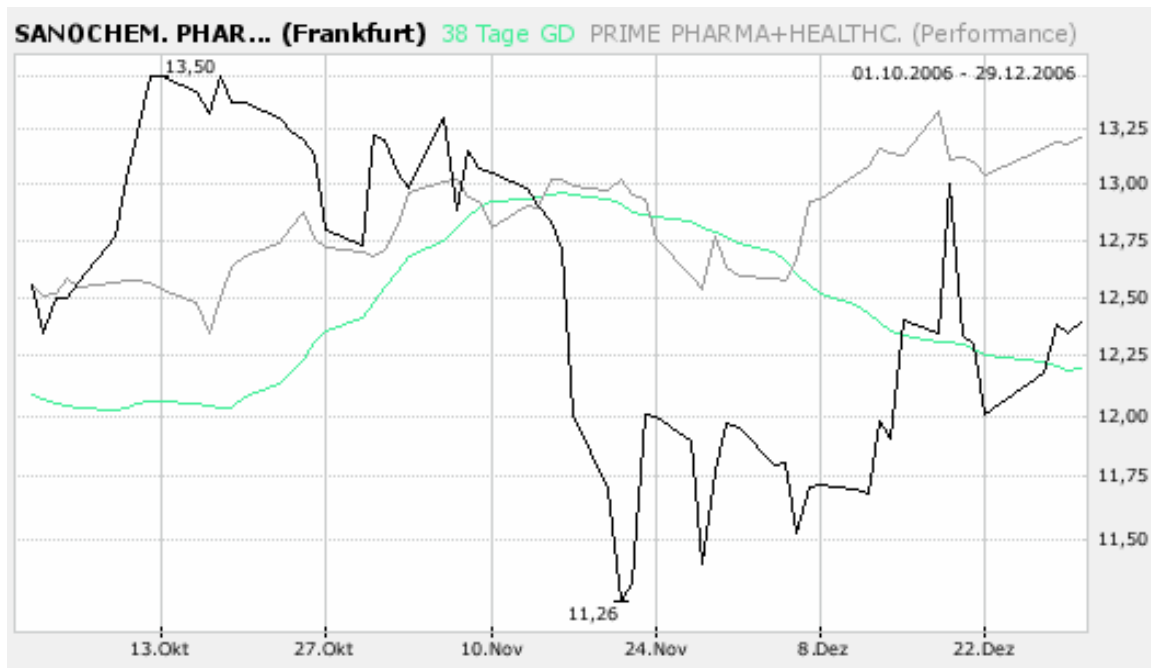
Following the recently concluded licensing negotiations with Orion Pharma, relating to the product candidate tolperisone, Sanochemia is scheduled to receive an initial € 1.0m (of a total of € 4.0m) milestone payment in the second quarter. The remaining milestone payments set out in the agreement are dependent on other formulations and regulatory approvals in additional indications. Furthermore, as the exclusive supplier of the API, we expect to generate healthy margins through the manufacture of the substance for the duration of the agreement. The strategic alliance with Avigen concerning the development of tolperisone for and in the US market is proceeding on schedule. Avigen's expertise in the area of neurological diseases forms the ideal precondition for success in the world's most important pharmaceutical market.

### **Liposomal galantamine and PVP hypericin**

These two innovative pipeline projects have progressed satisfactorily in recent months:

- The positive data obtained on the clinical efficacy of liposomal galantamine indicate that an important clinical milestone has been reached in advancing this project. These results underpin the assumption that liposomal galantamine can be used effectively to remedy the neuropathic symptoms that accompanies diabetes.
- PVP hypericin is a patented, photo-active substance that is intended for use both as a diagnostic and a drug in the treatment of bladder cancer. Several comprehensive pre-clinical investigations have indicated the superior properties of PVP hypericin in comparison to other photo-active substances. Preparations are currently being made for a broad-based Phase II trial. Sanochemia hopes this novel cancer diagnostic will make a meaningful contribution to the early recognition of this, the world's third most common form of cancer. Early diagnosis is key to patients' prognoses.

## THE SHARE PRICE



Sanochemia's shares are listed in the Prime Standard of the Frankfurt Stock Exchange (ISIN AT0000776307). The share price fluctuated over the course of the quarter and finished the period (29.12.2006) at €12.60, little changed from the price (€12.54) at the beginning of the period (2.10.2006). The Company's market capitalisation consequently stood at € 127.95m on 29.12.2006.

In the current quarter, however, the share price has picked up markedly and recently reached € 14.50.

## OUTLOOK 2006/2007

- **Revenue growth and bottom line profitability set to continue**
- **Encouraging R&D news awaited**

"Based on developments in the first quarter, we expect to see further organic growth at rates above those of the pharmaceutical market as a whole, as well as positive operating results despite higher R&D spendings," comments CEO, Dr. Josef Böckmann.

The considerable potential still in Sanochemia's pipeline will underpin our future success as the targeted marketing of in-house developments continues to be central to our R&D strategy. Strong partnerships and cooperations will accelerate our development activities while at the same time reducing the associated costs.

Our aim remains to develop further innovative products with a high degree of value-added and to achieve lasting shareholder value.

The Board of Management

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SANOCHEMIA PHARMAZEUTIKA AG  
10/2006 - 12/2006 and 10/2005 - 12/2005

**Consolidated Profit and Loss Account**

		10/2006-12/2006	10/2005-12/2005
	Note	T€	T€
Sales revenues	(1)	8,520	7,174
Other income	(2)	772	752
Reversal of investment grants		38	38
Change in inventory		-3	-891
Own work capitalised		752	552
<b>Operating performance</b>		<b>10,079</b>	<b>7,625</b>
Cost of goods	(3)	-3,324	-1,982
Personnel costs	(4)	-2,248	-2,052
Depreciation on tangible assets and amortisation of intangible assets	(5)	-885	-949
Other expenses	(6)	-2,853	-2,277
<b>Operating result</b>		<b>769</b>	<b>365</b>
Interest payments		-186	-125
Interest receipts		332	169
Other financial income / expenses		36	1,019
<b>Financial result</b>	(7)	<b>182</b>	<b>1,063</b>
<b>Pre-tax profits</b>		<b>951</b>	<b>1,428</b>
Income tax expense	(8)	102	-404
<b>Net profit for the year</b>		<b>1,053</b>	<b>1,024</b>
<b>Attributable to equity holders of the parent</b>		<b>1,053</b>	<b>1,024</b>
Undilted earnings per share in €		0.10	0.10
Diluted earnings per share in €		0.10	0.10
Weighted average number of shares issued		10,155,598	10,155,598

SANOCHEMIA PHARMAZEUTIKA AG  
31 December 2006 and 30 September 2006

## Consolidated Balance Sheet

<b>ASSETS</b>	<i>Note</i>	31.12.06 <u>T€</u>	30.9.06 <u>T€</u>
Buildings on non-owned land		7,549	7,677
Property, plant and equipment		6,512	6,671
Other equipment, furniture and fixtures		716	746
Property, plant and equipment under construction		<u>1,505</u>	<u>1,183</u>
<b>Fixed assets</b>	(9)	<b><u>16,282</u></b>	<b><u>16,277</u></b>
Goodwill		3,391	3,391
Capitalised development costs		13,182	12,377
Other intangible assets		<u>5,543</u>	<u>5,882</u>
<b>Intangible assets</b>	(10)	<b><u>22,116</u></b>	<b><u>21,650</u></b>
Deferred tax assets	(11)	<u>514</u>	<u>420</u>
<b>Non-current assets</b>		<b><u><u>38,912</u></u></b>	<b><u><u>38,347</u></u></b>
Inventory	(12)	7,559	8,193
Accounts receivable - trade		9,106	10,503
Accounts receivable - affiliated companies	(13)	0	46
Other receivables and assets	(14)	5,487	9,214
Receivables from research grants	(15)	600	530
Available-for-sale securities	(16)	10,911	10,899
Cash and short-term deposits		<u>24,622</u>	<u>21,432</u>
		<b><u>58,285</u></b>	<b><u>60,817</u></b>
Assets of disposal group classified as held for sale	(17)	5,419	5,419
<b>Current assets</b>		<b><u><u>63,704</u></u></b>	<b><u><u>66,236</u></u></b>
<b>TOTAL ASSETS</b>		<b><u><u>102,616</u></u></b>	<b><u><u>104,583</u></u></b>

## Consolidated Balance Sheet

<b>EQUITY AND LIABILITIES</b>	<i>Note</i>	31.12.06 T€	30.9.06 T€
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		10,156	10,156
Share premium		48,761	48,761
Net gain/loss on available-for-sale financial assets		93	64
Foreign currency translation		-83	-48
Profit and loss account		<u>3,884</u>	<u>2,831</u>
		<b>62,811</b>	<b>61,764</b>
Minority interests		<u>755</u>	<u>755</u>
<b>Total equity</b>	(18)	<b><u>63,566</u></b>	<b><u>62,519</u></b>
<b>Non-current liabilities</b>			
Financial liabilities	(19)	13,690	13,790
Employee benefit provisions	(20)	854	834
Deferred income	(21)	3,472	3,393
Government grants	(22)	<u>1,683</u>	<u>1,692</u>
<b>Non-current liabilities</b>		<b><u>19,699</u></b>	<b><u>19,709</u></b>
<b>Current liabilities</b>			
Financial liabilities	(23)	6,299	5,275
Accounts payable - trade		2,121	3,533
Accounts payable - affiliated companies	(24)	260	258
Other liabilities and accruals	(25)	7,113	9,055
Deferred income	(26)	1,345	1,950
Income tax payable		341	342
Other provisions	(27)	<u>0</u>	<u>70</u>
<b>Current liabilities</b>		<b><u>17,479</u></b>	<b><u>20,483</u></b>
Liabilities directly associated with assets classified as held-for-sale		1,872	1,872
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u><u>102,616</u></u></b>	<b><u><u>104,583</u></u></b>

## Consolidated Cash Flow Statement

	10/06-12/06 T€	10/05-12/05 T€
Net income before taxes	951	1,428
Depreciation of tangible and amortisation of intangible assets	885	949
Write-down / write-up of securities	29	114
Interest payments	186	125
Interest receipts	-332	-169
Purchase of securities	-60	-74
Net gain/loss through foreign currency translation	24	16
Reversal of investment grants	-9	-38
Change in inventories	634	239
Change in receivables and other assets	5,130	115
Change in receivables from research grants	-70	550
Change in accounts payable - including those due to affiliated companies	-1,410	747
Change in other liabilities and accruals	-2,465	-602
Change in other provisions	-70	0
Change in provision for employee benefits	20	-47
<b>Net cash flows from current operating activities</b>	<b>3,443</b>	<b>3,353</b>
Interest payments	-191	-130
Interest receipts	319	179
Receipts from sale of securities	113	146
Income tax paid		0
<b>Net cash flows from operating activities</b>	<b>3,684</b>	<b>3,548</b>
Purchase of intangible assets	-887	-710
Purchase of property, plant and equipment	-468	-357
Purchase of available-for-sale securities	-4	-18,599
Receipts from the disposal of available-for-sale securities	0	17,026
<b>Net cash flows used in investing activities</b>	<b>-1,359</b>	<b>-2,640</b>
Proceeds from non-current borrowings	1,024	0
Repayment of current borrowings	0	-874
Proceeds from research grants	0	-74
Repayment of research grants	-100	-100
<b>Net cash flows used in financing activities</b>	<b>924</b>	<b>-1,048</b>
<b>Net change in cash and cash equivalents</b>	<b>3,249</b>	<b>-140</b>
<b>Net cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	21,432	18,656
Net change in cash and cash equivalents	3,249	-140
Net foreign exchange difference of which assets held for sale	-59	0
Cash and cash equivalents at the close of the period as per Balance Sheet <sup>1)</sup>	24,622	18,516

<sup>1)</sup> The available funds include cash and cash in bank

## **Sanochemia Pharmazeutika AG**

### **Notes to the Interim Financial Statements at 31 December 2006 Prepared according to International Financial Reporting Standards (IFRS)**

#### ***I. 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 December 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable for the 2005/2006 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 and authorised options are held by the company's executive officers at 31 December 2006:

	Share holding	Option
Dr. Josef Böckmann	18,750	15,000
Anton Dallos	15,340	15,000
Herbert Frantsits	15,170	15,000
Dr. Werner Frantsits	2,100	0
Eveline Frantsits	1,350	0
Dr. Johannes Respondek	1,000	0
Maximilian Hudl	1,350	0
Dr. Heinrich Unger	500	0
Günter Kahler	500	0

The exercising of the options by the members of the Board of Management at the issue price (€ 21.50) is subject to the option plan, and therefore only possible if the average share price in the month prior to the Annual Shareholders' Meeting in March rises by at least 15% p.a. (additive) above the issue price. Up to a quarter of each option can be exercised in the month after the Annual Shareholders' Meeting of each financial year until 2007/2008. Since this increase in the share price was not reached in February 2006, these options could not be exercised in 2006.

The share options will be included in the accounts for the first time when the conditions for the exercising of the options are determined to have been met. No inclusion of the share options in the financial statements shall precede this. At 31 December 2006, no inclusion of the share options in the financial statements was required.

### ***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.

## **II. NOTES TO THE PROFIT AND LOSS ACCOUNT**

### **OPERATING RESULT**

#### **(1) SALES REVENUES**

For more detailed information on sales revenues refer to **SEGMENT REPORTING** under **IV. Other information.**

#### **(2) OTHER OPERATING INCOME**

in T€	<u>10/2006-12/2006</u>	<u>10/2005-12/2005</u>
Reversal of deferred income	527	481
<i>Forschungsförderungsfond der gewerblichen Wirtschaft</i>	41	82
Personnel costs passed on to third parties	64	65
Income through currency differences	26	0
Other income	114	124
Total	<u>772</u>	<u>752</u>

#### **(3) EARNINGS PER SHARE**

Since the option rights were not exercisable, the diluted earnings per share are equal to the earnings per share. The number of shares issued remained unchanged.

The earnings per share (rounded to two decimal places) for the quarter 10/2006 – 12/2006 amount to € 0.10 (10/2005 – 12/2005: € 0.10 per share) arising out of profits in the amount of T€ 1,053 (10/2005 – 12/2005: T€ 1,024).

### **III. NOTES TO THE BALANCE SHEET**

Significant balance sheet items are discussed below.

#### **ASSETS**

##### **(4) INVENTORY**

in T€	31/12/2006	30/09/2006
Merchandise	1,130	1,152
Raw materials, excipients & supplies	3,694	4,307
Unfinished goods	1,271	922
Finished goods	1,456	1,812
Miscellaneous	8	0
<b>Total</b>	<b>7,559</b>	<b>8,193</b>

##### **(5) OTHER RECEIVABLES AND ASSETS**

in T€	31/12/2006	30/09/2006
Taxes payable	271	242
Valuation of foreign exchange options	1,761	4,056
Interest receivables from securities	120	159
Deferred expenses	1,265	1,188
Insurance indemnification	0	2,188
Other receivables	2,070	1,381
<b>Total</b>	<b>5,487</b>	<b>9,214</b>

##### **(6) RECEIVABLES FROM RESEARCH PROMOTION PROGRAMMES**

In T€	31/12/2006	30/09/2006
<i>Forschungsförderungsfonds für die gewerbliche Wirtschaft, Vienna</i>	420	350
<i>Wirtschaftsservice Burgenland AG</i>	180	180
<b>Total</b>	<b>600</b>	<b>530</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.

**(7) MARKETABLE SECURITIES**

The securities are made up predominantly of investments in fixed interest rate bonds and investment funds.

The change in the marketable value of the securities held has been fully reflected in the shareholders' equity.

**(8) Group of assets held for sale**

The group of assets held for sale relate to the 60% interest held in AlcaSynn Pharmaceuticals GmbH, Innsbruck. This Company engages in the development, particularly the pre-clinical phases and clinical Phase I and II, of synthetic morphine derivatives for use in the treatment of pain.

In order to spread the associated risks and to achieve more rapid development, Sanochemia has decided to acquire these shares with the aim of selling them in the form of a Life Science Fund within a period of one year. This holding has therefore been accounted for in accordance with IFRS 5. The Board of Management has already entered into negotiations with regard to the sale of the shares, the conclusion of which is expected by the end of April.

## SHAREHOLDERS' EQUITY AND LIABILITIES

### (9) SHAREHOLDERS' EQUITY

in T€	Equity Capital	Capital reserves	Gain/loss available for sale securities	Currency translation differences	Net profit/loss for the year	Minority interests	Total equity
<b>Balance at 30.09.2005</b>	10,156	48,761	7	-14	-126	0	58,784
Valuation of securities	0	0	19	0	0	0	19
Currency translation differences	0	0	0	16	0	0	16
Gains / losses not recorded in the Profit and Loss Account	0	0	19	16	0	0	35
Consolidated net result	0	0	0	0	1,024	0	1,024
Total gains / losses recorded in the Profit and Loss Account	0	0	19	16	1,024	0	1,059
Minority interests in shares held for sale	0	0	0	0	0	755	0
<b>Balance at 30.09.2006</b>	10,156	48,761	64	-48	2,831	755	61,764
Valuation of securities	0	0	29	0	0	0	29
Currency translation differences	0	0	0	-35	0	0	-35
Gains / losses not recorded in the Profit and Loss Account	0	0	29	-35	0	0	-6
Consolidated net result	0	0	0	0	1,053	0	1,053
Total gains / losses recorded in the Profit and Loss Account	0	0	29	-35	1,053	0	1,047
Minority interests in shares held for sale	0	0	0	0	0	755	0
<b>Balance at 31.12.2006</b>	10,156	48,761	93	-35	3,884	755	63,566

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 2006), 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.

### **(10) LIABILITIES DUE TO BANKS (NON-CURRENT)**

The following analysis sets forth non-current bank loans according to currency and interest rates:

In T€	31.12.2006	30.09.2006	Interest rate
Loans linked to research promotion grants	1,267	1,267	3.63% - 5.50%
Loans linked to ERP grants	6,300	6,300	4.00%
Other bank loans	6,123	6,223	2.40% - 3.80%
Total	<u>13,690</u>	<u>13,790</u>	

The loans outstanding as of 31 December 2006 are, *inter alia*, secured by a guarantee provided by the Sanochemia Ltd., Malta, and by a pledge on the buildings on non-owned land (Neufeld an der Leitha) in the maximum amount of T€ 1,453.

### **(11) DEFERRED INCOME**

Deferred income in an amount of T€ 3,472 (PY: T€ 3,393) reflect a prepayment for galantamine deliveries in the period up to 30.9.2009.

## **CURRENT LIABILITIES**

### **(12) LOANS DUE TO BANKS**

The following overview shows the non-current financial liabilities due to banks in terms of currencies and interest rates:

in T€	31.12.2006	30.09.2006	Interest rate
Bank loans and overdrafts	448	438	6% - 7%
Bank loans and overdrafts	4,718	3,470	3.39% - 5.50%
Research promotion loans	<u>1,133</u>	<u>1,367</u>	3.63% - 5.5%
Total	<u>6,299</u>	<u>5,275</u>	

The liabilities due to banks listed above are secured by guarantees and pledges provided by Sanochemia Ltd., Malta.

**(13) LIABILITIES DUE TO AFFILIATED COMPANIES**

in T€	31.12.2006	30.09.2006
Medinger GmbH, Vienna	260	258
Total	260	258

**(14) OTHER LIABILITIES AND ACCRUALS**

in T€	31/12/2006	30/09/2006
Provisions for employee benefits	146	144
Tax liabilities	426	75
Valuation of foreign currency options	5,622	7,244
Vacation entitlements	429	359
Special payments	12	268
Legal, consultancy & auditing costs	69	123
Other liabilities	409	842
Total	7,113	9,055

**IV. OTHER INFORMATION**

**RESEARCH AND DEVELOPMENT COSTS**

in T€	10/2006-12/2006	10/2005-12/2005
Miscellaneous income	-176	-167
Own work capitalised	-752	-552
Cost of materials	36	19
Personnel expenses	344	283
Depreciation of tangible assets and amortisation of intangible assets	22	22
Other operating expenses	884	744
Total	358	349

**CASH FLOW STATEMENT**

The cash flow statements are prepared according to IAS 7 and show changes in “cash and cash equivalents” in 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

<i>in T€</i>	<i>Human Pharmaceuticals</i>		<i>Production</i>		<i>R&amp;D</i>		<i>Reconciliation</i>		<i>TOTAL</i>	
	01.10.06- 31.12.06	01.10.05- 31.12.05	01.10.06- 31.12.06	01.10.05- 31.12.05	01.10.06- 31.12.06	01.10.05- 31.12.05	01.10.06- 31.12.06	01.10.05- 31.12.05	01.10.06- 31.12.06	01.10.05- 31.12.05
<i>Sales revenue – ext.</i>	3,010	2,883	5,509	4,291	0	0	1	0	8,520	7,174
<i>Sales revenue – int.</i>	57	7	1,155	1,517	0	0	-1,212	-1,524	0	0
<b><i>Total sales revenue</i></b>	<b>3,067</b>	<b>2,890</b>	<b>6,664</b>	<b>5,808</b>	<b>0</b>	<b>0</b>	<b>-1,211</b>	<b>-1,524</b>	<b>8,520</b>	<b>7,174</b>
<b><i>Operating performance</i></b>	<b>3,294</b>	<b>3,073</b>	<b>7,200</b>	<b>5,446</b>	<b>927</b>	<b>719</b>	<b>-1,342</b>	<b>-1,613</b>	<b>10,079</b>	<b>7,625</b>
<b><i>Operating result</i></b>	<b>413</b>	<b>179</b>	<b>1,599</b>	<b>1,240</b>	<b>-358</b>	<b>-349</b>	<b>-885</b>	<b>-705</b>	<b>769</b>	<b>365</b>
<b><i>Investment</i></b>	<b>0</b>	<b>0</b>	<b>440</b>	<b>372</b>	<b>827</b>	<b>553</b>	<b>88</b>	<b>142</b>	<b>1,355</b>	<b>1,067</b>
<b><i>Depreciation &amp; amortisation</i></b>	<b>195</b>	<b>203</b>	<b>589</b>	<b>562</b>	<b>22</b>	<b>22</b>	<b>79</b>	<b>162</b>	<b>885</b>	<b>949</b>
<b><i>Segment assets</i></b>	<b>13,861</b>	<b>12,589</b>	<b>28,594</b>	<b>29,866</b>	<b>24,448</b>	<b>8,515</b>	<b>35,713</b>	<b>40,182</b>	<b>102,616</b>	<b>91,152</b>
<b><i>Segment liabilities</i></b>	<b>1,908</b>	<b>544</b>	<b>5,697</b>	<b>8,671</b>	<b>714</b>	<b>777</b>	<b>28,859</b>	<b>21,317</b>	<b>37,178</b>	<b>31,309</b>

## **FINANCIAL INSTRUMENTS**

### Derivative financial instruments

During the quarter 10/2006 – 12/2006, the Company invested in derivative financial instruments in the form of forward exchange contracts through the agency of Amafin Asset Management und Finance S.A., Zug, Switzerland – as it had in previous financial periods. Amafin Asset Management und Finance S.A. is an independent asset management company. In accordance with the terms and conditions of Bank Leu for handling option and futures contracts, the bank concludes options and futures contracts on behalf of Sanochemia albeit it in its own name. These transactions involve Sanochemia as the writer of both put and call options. The option premium received through option sales are deposited in a term account.

In accordance with IAS 39, financial instruments are recorded at their market value (without deduction of any transaction costs which would be incurred) on the balance sheet date.

The risks attached to foreign currency transactions lie in the purchase of one currency against another. The leverage on the contractual volume assigned to Amafin Asset Management und Finance S.A. is limited to the five-fold amount of the sum invested by Sanochemia. Amafin Asset Management und Finance S.A. uses a stop loss in the event of an adverse exchange rate trend amounting to 5% of the capital plus premium received. This effectively limits the risks involved. A widespread sense of uncertainty in forex and stock markets led to a high degree of volatility which also impacted on the quarterly results.

### Interest rate, foreign exchange and credit risks

There has been no significant change in the risks mentioned above since 30.09.2006. The investment criteria applied by Amafin Asset Management und Finance S.A., Zug, for investing in foreign exchange options and forward exchange contracts have not changed since 30.09.2006 resulting in the associated currency exchange risks also remaining unchanged.

	31.12.2006	30.09.2006
	T€	T€
<b>Foreign exchange options</b>		
Other receivables arising out of foreign exchange options	1,761	4,056
Other liabilities arising out of foreign exchange options	5,622	7,244

The foreign exchange options and forward exchange contracts have had the following impact on the company's financial position for the period 1 October 2006 to 31 December 2006:

	T€
<b>Foreign exchange options</b>	
Expenditure arising out of foreign exchange options	-5,294
Income arising out of foreign exchange options	5,020

**Forward exchange contracts**

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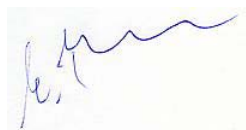
Loss	-120
Gain	0

EVENTS AFTER THE BALANCE SHEET DATE

No reportable events have occurred since the balance sheet date.

Vienna, 19 February 2007

The Board of Management:



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Herbert Frantsits



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Anton Dallos



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Dr. Josef Böckmann



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Maximilian Hudl