



**Interim Financial Statements
as at June 30, 2006**

prepared according to International
Financial Reporting Standards (IFRS)

Nine-Month Report 2005/06

Dear Shareholder

The outstanding highlight of the third quarter of the current financial year was undoubtedly our acquiring a strategic stake in AlcaSynn Pharmaceuticals GmbH – a young, high-tech Tyrolean company with excellent research skills. As we announced in an ad-hoc disclosure in June, this acquisition provides Sanochemia with a unique opportunity to bolster its presence in the pain management indication and to further strengthen its development pipeline.

AlcaSynn – based in Innsbruck – specialises in research and pre-clinical development of opiates and possesses a comprehensive portfolio of potential active pharmaceutical ingredients (API) for the treatment of various disorders such as pain, inflammation, Parkinson's and Alzheimer's. This successful spin-off company has already won numerous competitions and awards making it a global leader in this field.

This acquisition represents a strategic reinforcement of our existing focus on development and production activities. Sanochemia will support AlcaSynn in the area of clinical research while tapping latent synergies through the full integration of later production activities at our existing synthesis plant in Neufeld, Austria. The core competences of both companies are complementary and provide a solid basis to sustain the growth achieved over recent years.

Financial results

Group turnover increased by 3% to €23m (from €22.3m). This was primarily due to the HUMAN PHARMACEUTICALS (sales of diagnostics) and RESEARCH AND DEVELOPMENT (licensing revenues) divisions. Revenues and results reported by the PRODUCTION division were lower than a year earlier, attributable to a prepayment for future galantamine deliveries in the earlier period. Removing this factor from the equation, all three operational divisions achieved positive results.

Despite higher investment activity – particularly in the area of R&D – the operating result (EBIT) amounted to €2.0m (€3.1m a year earlier). The financial result of -€1.4m on 30 June (following a plus of €3.5m in 2004/05) provided an unfavourable snapshot of the company's financial status. By 16 August, the result was again positive. Pre-tax profits of €0.6m (€6.5m) generated net profits of €0.3m (€5.0m) for the year to date, equivalent to earnings per share of €0.04 (€0.48).

HUMAN PHARMACEUTICALS – exports continue to grow

Turnover of T€9,151 (2004/05: T€8,717); +5%

EBIT of T€585 (2004/05: T€386); +52%

Our Human Pharmaceuticals division (sale of diagnostics) reported a 5% increase in sales revenues to T€9,151 (from T€8,717) for the first three quarters. EBIT improved by 52% to T€585 (T€386). While the leading growth engine continued to be the area of exports, process-based efficiencies and the tapping of synergy effects between the subsidiaries also played a key role in improving the bottom line.

Our network of subsidiaries is well on track to generating sustainable positive results on a quarterly basis that are in line with analysts' forecasts.

The thriving export business is due to grow further in the coming financial year following a series of new registrations expected in Asia. These include China, the Philippines and Hong Kong. The most significant event in 2007/08, however, will doubtless be the planned launch of the key diagnostic Scanlux in the US.

PRODUCTION – Sales revenues and operating result decline due to one-off prepayment in previous period

Turnover of T€1,386 (2004/05: T€13,521); -16%

EBIT of T€2,313 (2004/05: T€6,034); -62%

Due to the one-off prepayment linked to the production and delivery of galantamine in the amount of T€8,823 – to be spread over a number of years – the PRODUCTION division achieved sales revenues of T€1,386, or 16% lower than a year earlier (2004/05: T€13,521). The operating result also declined to T€2,313 (from T€6,034).

We forecast a marked increase in divisional revenues and improvement in results following the production start of tolperisone batches in the coming financial year.

The revenue drivers in the mid- to long-term will be our newly acquired API projects. Our current investments in R&D are expected to yield considerable sales potentials and boost production capacities. Furthermore, these new and innovative products will both improve profitability and underpin our future growth.

RESEARCH & DEVELOPMENT - Focus on pain management

Turnover of T€2,452 (2004/05: T€2)

EBIT of T€1,106 (2004/05: -T€1,589)

The turnaround in revenues and operating results achieved by this division is attributable to the recent out-licensing of our tolperisone project (in back pain) for the North American market and the associated milestone payment. Out-licensing negotiations in Europe are being undertaken on a country-by-country basis. Tolperisone is currently at advanced regulatory stages in selected European markets (such as Germany and Switzerland). Having secured the necessary official approvals, production of the API on a tonne-scale will begin at Sanochemia's synthesis plant as soon as these registrations have been obtained.

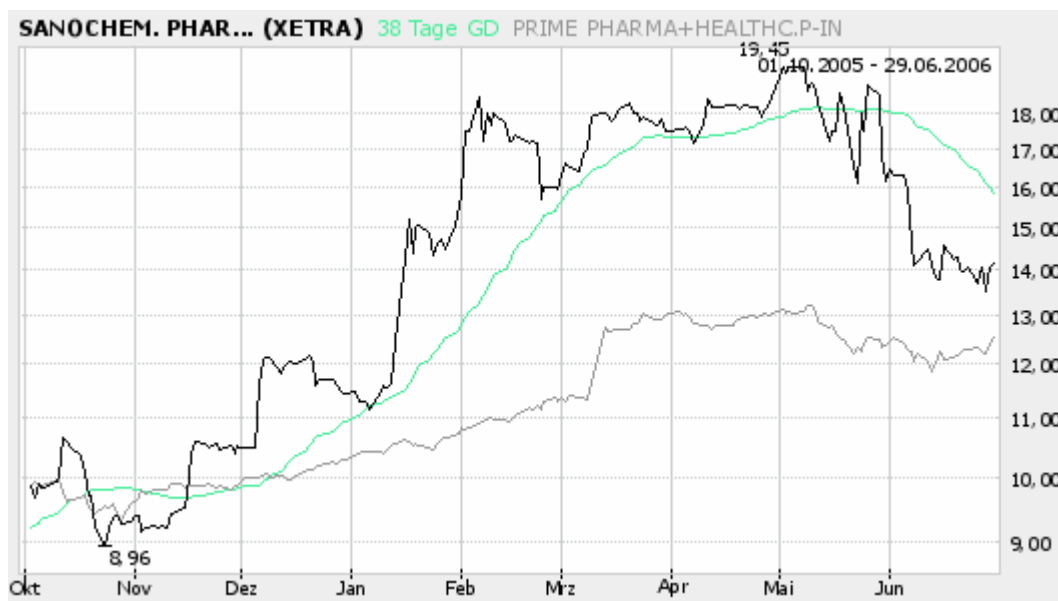
Significant progress has also been made in the development of a drug based on liposomal galantamine as the key to a new treatment option in the fight against neuropathic pain. A multi-centre, randomised, double-blind and placebo-controlled study to assess the efficacy of and tolerance to the API in this presentation is expected to conclude shortly and allow us to publish the results of this Phase II trial on schedule in late September or early October.

In the area of pain management, the stake acquired in AlcaSynn has given us access to a comprehensive library of patented substances. The leading product candidate, AS006 (a substance with an efficacy approx. 100 times greater than morphine yet without the typical side effects on the central nervous system), is being prepared for clinical trials in cooperation with AlcaSynn.

These new projects represent significant market potential. The global market for painkillers, for example, is estimated at around 25 to 30 billion euros, with AS006 realistically capable of securing a share worth one billion euros.

Research and development costs have risen, in line with forecast spending, to €4.3m (from €3.5m), with a total of €6m originally budgeted for the full financial year. In the light of the stake in AlcaSynn, additional spending of around 10% of this amount has been allocated to these new projects.

The share price



Sanochemia's shares (ISIN AT0000776307) are listed in the Prime Standard of the Frankfurt Stock Exchange. On 30 June 2006, the share price stood at €14.11, up from €9.85 at the beginning of the financial year (3.10.2005). On this basis, the share price added 43% during the reporting period.

OUTLOOK – Our growth strategy as a Specialty Pharmaceutical Company

Our focus on the core competences of developing and producing innovative drugs in indication areas with high therapeutic demand has placed Sanochemia in a position of strength. The innovative potential within AlcaSynn Pharmaceuticals will aid us in implementing our expansion and growth strategy.

Given developments to date, we are confident that the current year will be successful as we continue to strive for revenue growth outstripping that of the global pharmaceutical market. We expect EBIT to remain firmly positive despite our high-

level of investment in research and development. This is the only means of ensuring a steady stream of new products to sustain our growth in the long-term.

Josef Böckmann, Chief Executive Officer

Herbert Frantsits, Chief Financial Officer

Anton Dallos, Chief Technical Officer

Maximilian Hudl, Chief Marketing Officer

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REVIEW REPORT
(TRANSLATION)

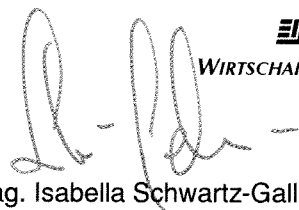
To the Members of the Management Board and
the Supervisory Board of
Sanochemia Pharmazeutika AG

We have reviewed the accompanying consolidated quarterly financial statements of Sanochemia Pharmazeutika AG as of June 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400, "Engagements to Review Financial Statements" as issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

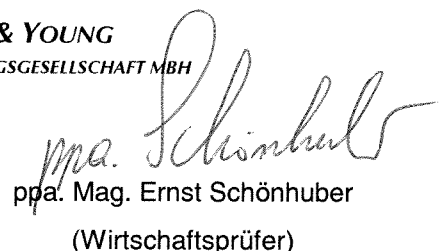
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated quarterly financial statements of Sanochemia Pharmazeutika AG as of June 30, 2006 do not give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Vienna, August 14, 2006



Mag. Isabella Schwartz-Gallée
(Wirtschaftsprüferin)

 ERNST & YOUNG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH



ppa. Mag. Ernst Schönhuber
(Wirtschaftsprüfer)

IFRS Consolidated Profit and Loss Account

	04/2006-06/2006	04/2005-06/2005	10/2005-06/2006	10/2004-06/2005
Note	T€	T€	T€	T€
Sales revenues	(1) 6.619	7.087	22.989	22.250
Other income	(2) 972	1.164	2.612	2.432
Write-back of investment grants	39	41	115	123
Changes in inventory	-162	-309	-2.025	-128
Own work capitalised	1.361	526	2.598	1.477
Operating performance	8.829	8.509	26.289	26.154
Costs of materials and services	-2.588	-2.171	-6.592	-7.344
Personnel expenses	-2.108	-1.977	-6.134	-5.687
Amortisation of intangible assets and depreciation of fixed assets	-897	-967	-2.839	-2.935
Other expenses	-2.916	-2.551	-8.731	-7.114
Operating result	320	843	1.993	3.074
Interest paid	-224	-100	-463	-383
Interest earned	205	156	580	492
Other financial income/expenses	-2.301	1.396	-1.531	3.355
Income from financing activities	-2.320	1.452	-1.414	3.464
Pre-tax profit / loss	-2.000	2.295	579	6.538
Income taxes	271	-239	-291	-1.545
Net profit / loss	-1.729	2.056	288	4.993
of which minority interests	-34	259	-137	166
of which parent company	-1.695	1.796	425	4.827
Earnings per share in EUR	(3) -0,17	0,18	0,04	0,48
Diluted earnings per share in EUR	-0,17	0,18	0,04	0,48
Weighted number of shares issued	10.155.598	10.155.598	10.155.598	10.155.598

IFRS Consolidated Balance Sheet

ASSETS	<i>Note</i>	30.06.2006 T€	30.09.2005 T€
Leasehold improvements		7.880	7.850
Property, plant and equipment		6.600	7.165
Other equipment, furniture & fixtures		775	839
Property, plant and equipment under construction		1.043	713
Fixed assets		16.298	16.567
Goodwill		3.418	3.418
Capitalised development costs		9.907	7.309
Other intangible assets		7.173	7.843
Intangible assets		20.498	18.570
Financial investments		2	2
Deferred tax assets		874	683
Non-current assets		37.672	35.822
Inventory	(4)	8.030	7.511
Other receivables and assets	(5)	13.621	2.694
Accounts receivable - affiliated companies	(6)	0	93
Accounts receivable - trade		7.489	8.925
Receivables from research subsidies	(7)	320	922
Securities	(8)	15.887	16.408
Cash and cash equivalents		23.781	18.656
Current assets		69.128	55.209
Total ASSETS		106.800	91.031

IFRS Consolidated Balance Sheet

LIABILITIES & SHAREHOLDERS' EQUITY	Note	30.06.2006 T€	30.09.2005 T€
Shareholders' equity less minority interests		58.034	57.779
Shareholders' equity	(9)	59.176	58.784
Share capital		10.156	10.156
Additional paid-in capital		48.761	48.761
Gain/loss available for sale securities		77	7
Foreign currency translations		20	-14
Profit and loss account		162	-126
Minority interests		<u>-1.142</u>	<u>-1.005</u>
Bank loans and overdrafts	(10)	17.667	12.867
Employee benefit provisions		704	704
Deferred income	(11)	4.011	5.739
Investment grants from public funds		<u>1.642</u>	<u>1.655</u>
Non-current liabilities		<u>24.024</u>	<u>20.965</u>
Bank loans and overdrafts	(12)	2.087	3.458
Accounts payable - trade		2.806	2.065
Accounts payable - affiliated companies	(13)	247	106
Other liabilities and accruals	(14)	16.252	4.548
Deferred income		1.595	792
Deferred tax liabilities		543	243
Other provisions		<u>70</u>	<u>70</u>
Current liabilities		<u>23.600</u>	<u>11.282</u>
Total liabilities and shareholders' equity		<u><u>106.800</u></u>	<u><u>91.031</u></u>

IFRS Consolidated Cash flow Statement

	10/05-06/06 T€	10/04-06/05 T€
Net income before taxes	579	6.538
Depreciation of fixed and intangible assets	2.838	2.935
Write-down / write-up of securities	180	61
Gain/loss from the disposal of fixed and intangible assets	36	-1
Interest payments	463	383
Interest receipts	-580	-492
Receipts from securities	-207	-115
Non-realised gains/losses through currency translation	27	-19
Reversal of investment grants	-13	-123
Change in inventory	-519	-550
Change in receivables and other assets	-9.459	-3.145
Change in receivables from research grants	602	241
Change in accounts payable - including those due to affiliated companies	883	-781
Change in other liabilities including accruals	10.603	6.181
Change in employee benefit provisions	0	24
Cash flow from current operating activities	5.433	11.137
Interest payments	-373	-319
Interest receipts	538	533
Receipts from securities	220	191
Income tax payments	-4	-3
Cash flow from operating activities	5.814	11.539
Investments in intangible assets	-3.356	-1.781
Investments in fixed assets	-1.192	-1.007
Purchase of securities	-33.728	-12.388
Receipts from the disposal of fixed assets	13	4
Receipts from the disposal of securities	34.139	10.365
Cash flow from investment activities	-4.124	-4.807
Raising of long-term borrowings	4.800	1.333
Repayment of short-term borrowings	-1.372	-1.555
Repayment of research promotion loans	0	-1.704
Cash flow from financing activities	3.428	-1.926
Change in cash and cash equivalents	5.118	4.806
Cash and cash equivalents		
Balance at beginning of period	18.656	11.336
Change in funds during the period	5.118	4.806
Influence of exchange rate differences on financial assets	7	-9
Balance at end of period (1)	23.781	16.133

(1) The liquid funds include cash and cash in bank

Sanochemia Pharmazeutika AG

Notes to the Interim Financial Statements at 30 June 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 30 June 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 30 June 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
Wolfgang Stein	680	0
Dr. Johannes Respondek	2,000	0
Maximilian Hudl	1,350	0
Dr. Heinrich Unger ¹⁾	500	0
Günter Kahler ¹⁾	500	0

- 1) Dr. Heinrich Unger and Mr. Günter Kahler were elected to the Supervisory Board on the occasion of the last ordinary shareholders' meeting on 9 March 2006.

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 30 June 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>10/2005-06/2006</u>	<u>10/2004-06/2005</u>
Income from the disposal and write-up of tangible and intangible assets	1	4
Reversal of deferred income	926	0
<i>Forschungsförderungsfond der gewerblichen Wirtschaft</i>	327	83
Personnel costs passed on to third parties	197	219
Income through currency differences	102	72
Other income	<u>1,059</u>	<u>2,054</u>
Total	<u><u>2,612</u></u>	<u><u>2,432</u></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 quarters 10/2005 – 06/2006 amount to € 0.04 (10/2004 – 06/2005: € 0.48 per share) arising out of profits in the amount of T€ 288 (10/2004 – 06/2005: T€ 4,993).

III. NOTES TO THE BALANCE SHEET

Significant balance sheet items are discussed below.

ASSETS

(4) INVENTORY

in T€	30/06/2006	30/09/2005
Merchandise	1,370	1,094
Raw materials, excipients & supplies	4,468	2,067
Unfinished goods	1,094	2,097
Finished goods	1,098	2,253
	<u>8,030</u>	<u>7,511</u>

(5) OTHER RECEIVABLES AND ASSETS

in T€	30/06/2006	30/09/2005
Taxes payable	35	313
Valuation of foreign exchange options	9,730	1,062
Deferred expenses	369	212
Other receivables	3,487	1,107
	<u>13,621</u>	<u>2,694</u>

(6) RECEIVABLES DUE FROM AFFILIATED COMPANIES

in T€	30.06.2006	30.09.2005
Medinger GmbH	<u>0</u>	<u>93</u>

(7) RECEIVABLES FROM RESEARCH PROMOTION PROGRAMMES

In T€	30/06/2006	30/09/2005
<i>Forschungsförderungsfonds für die gewerbliche Wirtschaft, Vienna</i>	0	52
<i>Wirtschaftsservice Burgenland AG</i>	180	870
<i>Forschungsförderungsgesellschaft mbH</i>	140	0
Total	<u>320</u>	<u>922</u>

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.

(8) 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.

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
Balance at 30.09.2004	10,156	48,761	2	-3	-5,774	0	53,142
Valuation of securities	0	0	5	0	0	0	5
Currency translation differences	0	0	0	-11	0	0	-11
Gains / losses not recorded in the Profit and Loss Account	0	0	5	-11	0	0	-6
Consolidated net result	0	0	0	0	5,648	0	5,648
Balance at 30.09.2005	10,156	48,761	7	-14	-126	0	58,784
Valuation of securities	0	0	70	0	0	0	70
Currency translation differences	0	0	0	34	0	0	34
Gains / losses not recorded in the Profit and Loss Account	0	0	70	34	0	0	104
Consolidated net result	0	0	0	0	288	0	288
Balance at 30.06.2006	10,156	48,761	77	20	162	0	59,176

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 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

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

In T€	30.06.2006	30.09.2005	Interest rate
Loans linked to research promotion grants	2,633	2,633	3.63% - 5.50%
Loans linked to ERP grants	6,300	1,300	4.00%
Other bank loans	8,734	8,934	2.40% - 3.80%
Total	<u>17,667</u>	<u>12,867</u>	

The loans outstanding as of 30 June 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€ 4,011 (PY: T€ 5,739) 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€	30.06.2006	30.09.2005	Interest rate
Bank loans and overdrafts	430	752	6% - 7%
Bank loans and overdrafts	1,657	1,090	3.39% - 5.50%
ERP promotion loans	0	216	4%
Research promotion loans	<u>0</u>	<u>1,400</u>	3.63% - 5.5%
Total	<u>2,087</u>	<u>3,458</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€	30.06.2006	30.09.2005
Sanochemia Diagnostics Int., Neuss	111	106
Medinger GmbH, Vienna	136	0
Total	247	106

(14) OTHER LIABILITIES AND ACCRUALS

in T€	30/06/2006	30/09/2005
Valuation of foreign currency options	14,619	3,069
Interest rate subsidies	41	57
Other provisions	173	294
Employee benefit provisions	278	140
Other liabilities	1,141	988
Total	16,252	4,548

IV. OTHER INFORMATION

RESEARCH AND DEVELOPMENT

in T€	10/2005-06/2006	10/2004-06/2005
Cost of materials	63	32
Personnel expenses	825	768
Depreciation of tangible assets and amortisation of intangible assets	65	91
Other operating expenses	3,381	2,615
Total	4,334	3,506

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&D</i>		<i>Reconciliation</i>		<i>TOTAL</i>	
	01.10.05 – 30.06.06	01.10.04 – 30.06.05	01.10.05 – 30.06.06	01.10.04 – 30.06.05	01.10.05 – 30.06.06	01.10.04 – 30.06.05	01.10.05 – 30.06.06	01.10.04 – 30.06.05	01.10.05 – 30.06.06	01.10.04 – 30.06.05
<i>Sales revenue – ext.</i>	9,151	8,717	11,386	13,521	2,452	2	0	10	22,989	22,250
<i>Sales revenue – int.</i>	17	12	4,433	3,164	0	0	-4,450	-3,176	0	0
<i>Total sales revenue</i>	9,168	8,729	15,819	16,685	2,452	2	-4,450	-3,166	22,989	22,250
<i>Operating performance</i>	10,189	9,260	15,681	15,468	5,440	1,917	-5,021	-491	26,289	26,154
<i>Operating result</i>	585	386	2,313	6,034	1,106	-1,589	-2,011	-1,757	1,993	3,074
<i>Investment</i>	637	189	1,052	848	2,613	1,534	264	218	4,566	2,789
<i>Depreciation & amortisation</i>	616	676	1,773	1,936	65	91	385	232	2,839	2,935
<i>Segment assets</i>	15,761	13,694	28,635	33,199	13,036	6,709	49,368	29,809	106,800	83,411
<i>Segment liabilities</i>	1,093	429	7,473	448	2,653	156	36,405	22,574	47,624	23,607

FINANCIAL INSTRUMENTS

Derivative financial instruments

During the quarters 10/2005 – 06/2006, 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 30.09.2005. 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 30.09.2005 resulting in the associated currency exchange risks also remaining unchanged.

	30.06.2006	30.09.2005
Foreign exchange options	T€	T€
Other receivables arising out of foreign exchange options	9,730	1,062
Other liabilities arising out of foreign exchange options	14,619	3,069

The foreign exchange options and forward exchange contracts have had the following impact on the company's financial position for the period 1 October 2005 to 30 June 2006:

	T€
Foreign exchange options	
Expenditure arising out of foreign exchange options	-11,087
Income arising out of foreign exchange options	10,191

Forward exchange contracts

Loss	-8
Gain	63


EVENTS AFTER THE BALANCE SHEET DATE

In the course of a joint venture transaction, Sanochemia Pharmazeutika AG has acquired a 60% stake in AlcaSynn Pharmaceuticals GmbH, Innsbruck. The relevant contracts were signed in June 2006 and came into effect in July 2006.

No other reportable events have occurred since the balance sheet date.

Vienna, 14 August 2006

The Board of Management:



Herbert Frantsits



Anton Dallos



Dr. Josef Böckmann

Maximilian Hudl