



**Interim Financial Statements
as at June 30, 2003**

prepared according to International
Accounting Standards (IAS)

Announcement for investors
Board of Management Report

Dear Shareholder / Investor,

While we have made considerable progress toward reaching our annual targets during the third quarter, sales revenues for the year to date (Oct. 2002 – Jun. 2003) have fallen again in line with expectations. The reason for this lies in our partners' later than originally foreseen demand for synthetic galantamine – a key contributor towards turnover in our Synthesis division. Galantamine production will, however, be recommencing during the fourth quarter enabling us to project consistent revenues from this segment in future. We are pleased to be able to report that, despite the absence of galantamine orders, part of the shortfall could be made up through contract synthesis orders meaning this division has again achieved a positive operating result.

Highlights of the 9-month report:

- Sales revenues up 30% in Q3
- Positive EBIT for German SDI subsidiary
- European roll out of Scanlux: UK marketing approval in late May
- High liquidity despite doubling R&D spendings
- Positive cash flow from operative business

Due in large part to the role of galantamine, consolidated sales revenues for the nine months to 30 June 2003 fell to EUR 11.1 million compared to EUR 13.8m a year earlier. Our partners' stocks of galantamine, however, appear to have largely been exhausted and batches of galantamine will again be produced during the final quarter. Declining turnover volumes generated by the Synthesis division in addition to the high level of research expenditure have weighed heavily on operative results of EUR -6.5m (EUR -1.1m in a year-on-year comparison). The increased level of R&D spendings (EUR 4.0m up from EUR 1.9m) during the financial year to date have been budgeted in order to fund the clinical development of selected projects approaching market maturity that form elements of an R&D strategy aimed at improving short- to mid-term results.

Financial results for the period are more than satisfactory following a return of EUR 2.6m (EUR 2.0m). As a result, pre-tax losses were capped at EUR 3.8m (EUR 0.9m pre-tax profit a year earlier) and net losses for the nine months to 30 June were EUR 2.3 million (EUR +1.3m) representing a loss per share of EUR 0.22 (EUR +0.12).

Cash flow from operating activities rose to EUR 0.3 million having been negative a year earlier (EUR -0.5m). Liquid assets remained stable at around EUR 20m, providing necessary flexibility in terms of our R&D strategy and underpinning our future prospects. The development of our equity ratio was also positive at 72%, well above average.

The segments in detail

SYNTHESIS – Sales lower but in line with expectations

While we are clearly not satisfied with the drop in synthesis revenues to EUR 3.1m from EUR 5.7m, this division was nonetheless again able to report a positive operating result of EUR 0.09m (EUR 2.6m) in contrast to the two preceding quarters. The shortfall of galantamine revenues was partly made up through contract synthesis orders that in turn demonstrated that our strategy of diversification has put us firmly on the right track.

Sanochemia will continue to pursue development orders and conclude further alliances with other pharmaceutical players. Our marketing activities associated with this profitable segment are bearing their first tangible fruit and will continue to be intensified. Through the completion of our galantamine and other APIs, we have clearly demonstrated to potential customers in the pharmaceutical industry our competence in this complex field. This innovative leap will form a springboard for acquiring new orders and the means to achieving new objectives. We aim to build on our existing expertise in a targeted fashion to generate above-average growth and shareholder value in this lucrative business segment.

Considerable potential remains inherent in synthetic galantamine currently used in the Alzheimer's drug ReminylTM. The Alzheimer market continues to grow at an average of 25% per annum, while additional indications are expected to add new impetus.

HUMAN PHARMACEUTICALS

In this business segment it has been possible to largely peg revenues at the previous year's level to 30 June, i.e. EUR 8.0m (EUR 8.1m). This figure is impressive in the light of the current large-scale shutdown of pharmaceutical production in Austria (for a period of at least three months) in the course of a massive construction and upgrading project. Production levels have had to be drastically scaled back.

We are extremely pleased to be able to report the operative breakeven of our German diagnostics subsidiary despite the poor economic climate. While the Human Pharmaceuticals division as a whole reported an operative loss of EUR 2.6m (from EUR -1.9m), we expect to significantly improve on this once the new and far more efficient production facilities in Neufeld are online. Future revenues from this segment should enable us to continue on our way to becoming a fully integrated and profitable pharmaceutical company.

Further good news came from our diagnostics subsidiary SDI where significant progress has been made in establishing itself in key markets. A major milestone was the registration of our aggressively promoted x-ray contrast medium Scanlux in the UK. This represents a decisive step toward achieving EU-wide marketing approval through the mutual recognition procedure (MRP).

For more news about SDI please visit www.sanddiag.com.

RESEARCH AND DEVELOPMENT

Our R&D activities have continued on schedule during the third quarter. The focus remains on projects approaching market maturity in which key phases have already been reached. During the nine months to 30 June 2003, research spendings of EUR 4.0 million have been invested in these projects – this represents more than twice the investment level of a year earlier.

Our strategy is to develop innovative drugs in fields where there is not only medical demand but also attainable short- to mid-term commercial potential. Selected projects meeting these criteria will be advanced to the registration stage in order to ensure that Sanochemia retains a high proportion of the value added in the end product.

The most advanced of our current projects relates to the prevention and treatment of post-operative delirium. Investigations aimed at securing an additional indication for galantamine are entering the final clinical study phase. Patient recruitment is expected to be completed in September with the results of the double-blind, placebo-controlled trials due in the fall. Evaluated findings should be available by the end of the calendar year. This new indication, which Sanochemia is pursuing independently, would significantly increase the global application of synthetic galantamine in a field where the drugs currently administered in this indication are only moderately effective. Sanochemia has already filed for the relevant global patents.

Tolperisone

High priority is also being attached to our muscle relaxant project code-named SPH 3047. This concerns a novel formulation of the tried-and-tested substance tolperisone that has been developed in-house. We now expect to file registration dossiers for selected formulations as early as spring 2004. The worldwide market for muscle relaxants is worth nearly USD 1 billion. The main market, the US, is exhibiting particularly impressive growth rates.

Outlook

Given our focussed research strategy (advancing selected projects through clinical phases to maximize value added), Sanochemia does not expect to report any milestone payments in this financial year. On the basis of the order books in our core segments we look forward to a strong final quarter and restate our sales targets of EUR 5.0m in Synthesis and EUR 12 – 13m in Human Pharmaceuticals despite the adverse economic climate. While it would now appear that operative results for the fourth quarter will improve significantly, those for the financial year as a whole look set to remain negative.

Although we have made considerable progress in terms of corporate development, our share price has yet to reflect this. Improved profitability and concomitantly stronger fundamentals are our top priority. We are confident that these will in turn bring the Company recognition from the capital markets.

Josef Böckmann, CEO

Anton Dallos, Director of Production & Technology

Herbert Frantsits, CFO

Eberhard Pirich, CRO

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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 30 June 2003. 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 Standards on Auditing established by the International Federation of Accountants Committee (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 30 June 2003 do not give a true and fair view in accordance with International Accounting Standards issued by the International Accounting Standards Committee (IASC).

Vienna, August 5th, 2003

 ERNST & YOUNG
WIRTSCHAFTSPRÜFUNGS- UND
STEUERBERATUNGSGESELLSCHAFT MBH


Mag. Isabella Schwartz-Gallée
(Wirtschaftsprüferin)


ppa. Mag. Ernst Schönhuber
(Wirtschaftsprüfer)

IAS Consolidated Profit and Loss Account

	Notes	04/2003-06/2003 T€	04/2002-06/2002 T€	10/2002-06/2003 T€	10/2001-06/2002 T€
Sales revenues	(1)	4.292	4.010	11.100	13.766
<i>of which Research & Development</i>	(3)	0	3	0	3
Changes in inventory and own work capitalised		-351	439	-1.196	753
<i>of which Research & Development</i>	(3)	0	0	-722	0
Investment grants		33	45	99	98
Other operating income	(2)	677	428	1.116	826
<i>of which Research & Development</i>	(3)	441	559	682	422
		<u>4.651</u>	<u>4.922</u>	<u>11.119</u>	<u>15.443</u>
Costs of materials and services		-1.328	-1.751	-3.553	-5.049
<i>of which Research & Development</i>	(3)	-44	-102	-184	-246
Personnel expenses		-1.731	-1.366	-4.537	-3.996
<i>of which Research & Development</i>	(3)	-390	-325	-1.145	-770
Amortisation of intangible assets and depreciation of fixed assets		-995	-928	-3.057	-2.772
<i>of which Research & Development</i>	(3)	-34	-31	-99	-89
Other operating expenses		-2.750	-1.504	-6.466	-4.741
<i>of which Research & Development</i>	(3)	-1.016	-279	-2.566	-1.181
Operating result		-2.153	-626	-6.494	-1.114
<i>of which Research & Development</i>	(3)	-1.043	-175	-4.034	-1.861
Results of direct investment		0	1	0	1
Interest income and other financing income		311	722	2.647	2.006
Income from financing activities		311	723	2.647	2.007
Pre-tax profit / loss		-1.843	98	-3.848	893
Income taxes		573	43	1.464	125
Profit / loss after taxes		-1.270	141	-2.384	1.018
Minority interests		36	135	100	250
Profit / loss for the year		-1.234	275	-2.284	1.268
Earnings per share in EUR	(4)	-0,12	0,03	-0,22	0,12
Weighted number of shares issued		10.155.598	10.155.598	10.155.598	10.155.598

IAS Consolidated Balance Sheet

ASSETS	<i>Notes</i>	30.6.03 T€	30.9.02 T€
		<u> </u>	<u> </u>
Cash and cash equivalents		12.225	10.259
Securities	(5)	8.194	13.368
Receivables from research subsidies	(6)	1.358	890
Accounts receivable - trade		8.759	8.368
Accounts receivable - affiliated companies	(7)	518	101
Other receivables and prepaid expenses		1.848	4.068
Inventory		5.651	5.355
Current assets		<u>38.552</u>	<u>42.410</u>
Leasehold improvements		8.799	8.244
Property, plant and equipment		14.960	13.574
		<u>23.759</u>	<u>21.818</u>
Accumulated depreciation		-8.493	-7.463
Fixed assets		<u>15.265</u>	<u>14.355</u>
Goodwill		8.491	8.491
Capitalised development costs		2.023	1.358
Other intangible assets		17.654	17.164
		<u>28.169</u>	<u>27.013</u>
Accumulated amortisation		-10.923	-8.932
Intangible assets		<u>17.246</u>	<u>18.081</u>
Financial investment		25	25
Deferred taxes		<u>3.773</u>	<u>2.310</u>
Non-current assets		<u>36.309</u>	<u>34.770</u>
Total ASSETS		<u>74.862</u>	<u>77.180</u>

IAS Consolidated Balance Sheet

	Notes	30.6.03	30.9.02
		T€	T€
LIABILITIES & SHAREHOLDERS' EQUITY			
Bank loans and overdrafts		8.688	4.145
Accounts payable - trade		2.024	2.313
Accounts payable - affiliated companies	(8)	0	1.043
Tax liabilities		81	238
Other liabilities		3.828	3.775
Current liabilities		14.621	11.514
Bank loans and overdrafts	(9)	2.992	5.463
Other non-current liabilities		959	1.364
Retirement benefit obligations		467	471
Non-current liabilities		4.419	7.298
Investment grants		1.836	1.935
Share capital		10.156	10.156
Additional paid-in capital		48.761	48.761
Revenue reserves		664	750
Revaluation reserve - available for sale securities		30	94
Foreign currency translations		3	1
Net loss for the year		-5.629	-3.330
Shareholders' equity	(10)	53.986	56.433
Total LIABILITIES & SHAREHOLDERS' EQUITY		74.862	77.180

IAS Consolidated Cashflow Statement

	10/02-06/03 T€	10/01-06/02* T€
Net income before taxes	-3.848	893
Depreciation of fixed assets	3.057	2.772
Write-down / write-up of financial assets	39	61
Gain/loss from the disposal of fixed assets	-14	0
Gain/loss from the disposal of securities	4	0
Interest payments	528	264
Interest receipts	-277	-153
Receipts from securities	-260	-615
Receipts derived from options	-2.361	-1.256
Payments arising out of options	4.334	2.474
Reversal of investment grants	-99	-98
Changes in inventory	-297	-1.131
Changes in receivables, other assets and prepaid expenses	1.275	-6.627
Changes in receivables from research grants	-468	-1.102
Change in liabilities for goods and services	-1.332	423
Change in other liabilities and provisions	43	2.972
Change in retirement benefit provisions	-4	62
Cash flow from operating activities	320	-1.061
Interest payments	-528	-264
Interest receipts	277	153
Receipts from securities	260	615
Income tax payments	-14	24
Cash flow from operating activities	315	-533
Acquisition of shares in Sanochemia Diagnostics Deutschland GmbH	0	-68
Investments in intangible assets	-1.156	-1.828
Investments in fixed assets	-1.977	-2.329
Purchase of securities	-5.826	-1.131
Receipts from the disposal of fixed assets	14	0
Receipts from the disposal of securities	10.890	4.012
Cash flow used for investment	1.945	-1.344
Raising of short-term borrowings	4.543	4.090
Repayment of long-term borrowings	-2.470	-1.044
Financing from investment grants	0	690
Financing from research grants	0	1.626
Repayment of research promotion grants	-395	-493
Payments for foreign exchange options	-4.334	-2.474
Receipts from foreign exchange options	2.361	1.256
Short-term financing through affiliated companies	0	0
Cash flow from / for financing activities	-295	3.651
Change in cash and cash equivalents	1.966	1.774
Cash and cash equivalents		
Balance at beginning of period	10.259	8.447
Balance at end of period	12.225	10.221
Change during the period	1.966	1.774

* The previous year's figures have been adjusted to allow valid comparison.

Sanochemia Pharmazeutika AG

Notes to the Interim Financial Statements at 30 June 2003 Prepared according to International Accounting Standards (IAS)

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 consumption and the synthetic production of galantamine, an active pharmaceutical ingredient used in the treatment of Alzheimer's disease.

The consolidated financial statements of Sanochemia Pharmazeutika AG at 30 June 2003 have been prepared in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and adopted by the International Accounting Standards Board (IASB). In interpreting IAS, the interpretations of the Standing Interpretation Committee (SIC) as taken over by the International Financial Reporting Interpretation Committee (IFRIC) were applied.

The company's balance sheet date is 30 September.

The consolidated interim financial statements are based on the independent financial statements of Sanochemia Pharmazeutika AG and its consolidated subsidiaries: Sanochemia Diagnostics Deutschland GmbH (formerly GOLDHAM Pharma GmbH), Neuss, Sanochemia Diagnostics UK Ltd. (formerly Sanochemia UK Ltd.), London, in which the Company holds a 50% stake, and Sanochemia Diagnostics International Ltd., Zug (in which the Company holds a 99.7% interest).

A further subsidiary, Sanochemia Diagnostics International GmbH, Neuss, Germany, was founded in April 2002 following the signing and registration (Commercial Register in Neuss) of its articles of association.

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 2003:

	Share holding	Option
Dr. Josef Böckmann	0	15,000
Anton Dallos	340	15,000
Herbert Frantsits	170	15,000
Dr. Eberhard Pirich	1,331	15,000
Dr. Werner Frantsits	2,000	
Eveline Frantsits	1,350	
Dr. Horst Reitböck ¹	0	
Wolfgang Stein	680	
Remigi Wagner	0	

¹ Since 17 March 2003, Dr Horst Reitböck has no longer holds a Supervisory Board seat.

Due to the lack of relevant IAS rules, those of US-GAAP, and APB Opinion No. 25 "Accounting for stock issued to employees" in particular, have been applied to and for the valuation of share options held by leading employees. Valuation is based on the intrinsic value i.e. the difference between the price of Sanochemia's stock at the time of valuation and the exercise price (the issuing price of €21.50).

Due to the option plan, the exercising of options is conditional upon the average share price in the month prior to the annual shareholders meeting in January exceeding the issue price (1999) by an additive minimum of 15% p.a. Up to a quarter of each option can be exercised in the month after the annual shareholders' meeting of each respective financial year up to 2007/08.

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 2003, 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 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 INCOME

in T€	<u>10/2002-06/2003</u>	<u>10/2001-06/2002</u>
Income from the disposal of fixed assets	14	0
Royalties	69	97
Income through the write-back of provisions	2	17
Forschungsförderungsfond der gewerblichen Wirtschaft	468	422
Other income	564	290
	<u>1,116</u>	<u>826</u>

(3) RESEARCH AND DEVELOPMENT OPERATING RESULTS

In T€	<u>10/2002-06/2003</u>	<u>10/2001-06/2002</u>
Revenues	0	3
Changes in inventory	-722	0
Other income	682	422
Material costs	-184	-246
Personnel costs	-1,145	-770
Depreciation of fixed assets and amortisation of intangible assets	-99	-89
Other operating expenses	-2,566	-1,181

These research and development costs relate to spendings for R&D purposes booked under the consolidated income and expenditure positions mentioned above.

(4) EARNINGS PER SHARE

The losses / earnings per share (rounded to two decimal places) for the quarters 10/2002 – 06/2003 amount to EUR -0.22 (10/2001 – 06/2002: EUR 0.12 per share) arising out of losses (earnings) in the amount of T€ -2,284 (10/2001 – 06/2002: T€ 1,268).

III. NOTES TO THE BALANCE SHEET

Those balance sheet items which have materially changed are discussed below.

ASSETS

(5) MARKETABLE SECURITIES

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

All securities held have been classified as "available for sale" in accordance with IAS 39, and are initially booked at their acquisition cost, thereafter at their respective current market value. Temporary changes in market value have been included in revaluation reserves so as not to influence the operating result. When disposing of these securities, the appropriate reserve is reversed either as a gain or a loss from the disposal of financial assets.

(6) RECEIVABLES FROM RESEARCH PROMOTION PROGRAMMES

In T€	<u>30.06.2003</u>	<u>30.09.2002</u>
Forschungsförderungsfonds für die gewerbliche Wirtschaft, Vienna	668 690	200 690
Wirtschaftsservice Burgenland AG		
	<u>1,358</u>	<u>890</u>

These receivables are research grants which have been awarded and will become payable in subsequent years.

(7) RECEIVABLES DUE FROM AFFILIATED COMPANIES

in T€	<u>30.06.2003</u>	<u>30.09.2002</u>
Sanochemia Diagnostics Int., Neuss	518	101

SHAREHOLDERS' EQUITY AND LIABILITIES

CURRENT LIABILITIES

(8) ACCOUNTS PAYABLE DUE TO AFFILIATED COMPANIES

In T€	<u>30.06.2003</u>	<u>30.09.2002</u>
Medinger GmbH, Vienna	<u>0</u>	<u>1,043</u>

Medinger GmbH is an affiliated company of Sanochemia Pharmazeutika AG which provides mechanical servicing and building alteration services at the Company's premises and to its facilities.

NON-CURRENT LIABILITIES

(9) LOANS DUE TO BANKS

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

Currency	Balance due As at 31.06.2003 T€	Interest rate	Maturity period	Repayment
<u>Fixed interest rate</u>				
Bank Austria Creditanstalt AG	1,400	4.875%	Grace period 1.7.2002 to 31.12.2004	Repayment as from 31.12.2004 in 6 semi- annual instalments
ERP loan	636	1.5 – 4%	Grace period 1.7. 1998 to 30.06.2001	Repayment as from 1.7.2001 in 10 semi- annual instalments
Bank Austria Creditanstalt AG / FFF loan	799	5.5%	Grace period 1.7.2001 to 31.12.2003	Repayment as from 31.12.2003 in 6 semi- annual instalments
Bank Burgenland/FFF	157	5%	Grace period 1.7. 2000 to 30.06.2002	Repayment as from 30.6.2002 in 6 semi- annual instalments
	<u>2,992</u>			

Currency	Balance due As at 30.09.2002 T€	Interest rate	Maturity period	Repayment
<u>Fixed interest rate</u>				
Bank Austria Creditanstalt AG	1,400	4.875%	Grace period 1.7.2002 to 31.12.2004	Repayment as from 31.12.2004 in 6 semi- annual instalments
Volksbanken	225	0.875% over EURIBOR	5 years	Repayment as from 30.6.2001 in 6 semi- annual instalments
Volksbanken	356	0.875% over EURIBOR	5 years	Repayment as from 30.6.2001 in 6 semi- annual instalments
ERP loan	1,495	1.5 – 4%	Grace period 1.7. 1998 to 30.06.2001	Repayment as from 01.7.2001 in 10 semi- annual instalments
Bank Austria Creditanstalt AG / FFF loan	1,199	5.5%	Grace period 1.7.2001 to 31.12.2003	Repayment as from 31.12.2003 in 6 semi- annual instalments
Bank Burgenland/FFF	788	5 %	Grace period 1.7. 2000 to 30.06.2002	Repayment as from 30.6.2002 in 6 semi- annual instalments
	<u>5,463</u>			

The liabilities due to banks outstanding at 30 June 2003 are, inter alia, secured by a guarantee provided by the companies J. Medinger & Söhne KG, Vienna, Alvetra u. Werfft AG, Vienna and Sanochemia Ltd., Malta, and by a pledge on buildings on non-owned land up to a maximum of TEUR 1,453.

(10) SHAREHOLDERS' EQUITY

in TEUR	Equity Capital	Capital reserves	Revenue reserves	Revaluation reserves	Exchange rate differences	Retained earnings	Total
Balance at 1.10.2001	10,156	48,761	1,016	124	0	-4,187	55,870
Change in revenue reserves	0	0	-266	0	0	266	0
Valuation of securities	0	0	0	-30		0	-30
Exchange rate differences	0	0	0	0	1	0	1
Consolidated result	0	0	0	0		592	592
Balance at 30.09.2002	10,156	48,761	750	94	1	-3,329	56,433
Balance at 1.10.2002	10,156	48,761	750	94	1	-3,329	56,433
Change in revenue reserves	0	0	-86	0	0	86	0
Valuation of securities	0	0	0	-64	0	0	-64
Exchange rate differences	0	0	0	0	2	0	2
Consolidated result	0	0	0	0	0	-2,385	-2,385
Balance at 30.06.2003	10,156	48,761	664	30	3	-5,629	53,986

At the balance sheet date the share capital was divided into 10,155,598 non-par shares.

IV. OTHER INFORMATION

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 first quarter of the business year.

SEGMENT REPORTING

The Company is active in the following business areas:

- **Human Pharmaceuticals** mainly concerns the development, registration, production, sales and marketing of pharmaceuticals, particularly diagnostics and contrast media for radiological purposes.
- **Synthesis** is concerned with applying technically advanced and cost-effective processes in the synthesis of active pharmaceutical ingredients. For reasons of administrative efficiency, the segments Galantamine Synthesis and Synthesis have been integrated.
- **R&D** – the segment previously referred to as *NCEs (New Chemical Entities)* has been renamed Research and Development to reflect the expansion of activities to include several research projects relating to other products, including those derived from the development of the galantamine synthesis process.

At present, the new management information system operated by the Company only supports the reliable recording of net sales, operating result and investments as well as depreciation and amortisation per business division. However, efforts are still being made to also record operating assets and operating liabilities per business division in the new management information system.

DIVISIONAL RESULTS

<i>in T€</i>	Human Pharmaceuticals		Synthesis		R&D		TOTAL	
	1.10.02- 30.06.03	1.10.01- 30.06.02	1.10.02- 30.06.03	1.10.01- 30.06.02	1.10.02- 30.06.03	1.10.01- 30.06.02	1.10.02- 30.06.03	1.10.01- 31.03.02
Sales revenue	8,003	8,089	3,097	5,674	0	3	11,100	13,766
Changes in inventory & others	-311	1,157	370	98	-40	422	19	1,677
Net sales	7,692	9,246	3,467	5,674	-40	425	11,119	15,443
Operating result	-2,554	-1,859	94	2,606	-4,034	-1,861	-6,494	-1,114
Investments	2,115	2,214	266	1,073	752	870	3,133	4,157
Depreciation & amortisation	1,894	1,624	1,064	1,059	99	89	3,057	2,772

FINANCIAL INSTRUMENTS

Derivative financial instruments

During the quarters 10/2002 – 06/2003, the Company invested in derivative financial instruments in the form of foreign exchange options through the agency of Amafin Asset Management und Finance S.A., Zug, Switzerland – as it had in previous financial periods. These transactions involved 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.

	30.06.2003	30.9.2002
	T€	T€
Currency options		
Other receivables arising out of options	691	428
Other liabilities arising out of options	2,261	1,732
Exchange futures		
Other receivables arising out of exchange futures	97	580
Other liabilities arising out of exchange futures	14	540

The currency options and exchange futures have had the following impact on the company's financial position for the period 1 October 2002 to 30 June 2003:

	T€
Currency options	
Expenditure arising out of options	2,146
Income arising out of options	4,263
Exchange futures	
Loss	43
Gain	104

EVENTS AFTER BALANCE SHEET DATE



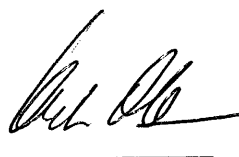

No reportable events have occurred since the balance sheet date.

CONFIRMATION OF BOARD OF MANAGEMENT ON CONFORMITY OF FINANCIAL STATEMENTS WITH IAS STANDARDS

The Board of Management hereby confirms that the financial statements at 30 June 2003 have been prepared in accordance with the principle of fair presentation in strict compliance with IAS standards.

Vienna, 5 August 2003

The Board of Management:

			
Herbert Frantsits	Dr. Eberhard Pirich	Anton Dallos	Dr. Josef Böckmann