



Interim Financial Statements as at 31 December 2007

prepared in accordance with International
Financial Reporting Standards (IFRS)

SANOCHEMIA
Pharmazeutika AG

The Specialty Pharma Company

First Quarter Report 2007/2008

Dear Shareholder,

The last financial year was one characterised by unforeseen events such as the impairment charge taken against our investment in AlcaSynn Pharmaceuticals and the re-alignment of our research and development priorities – events which will continue to have an impact on the current financial year.

Our stake in AlcaSynn, in particular, will continue to be evaluated as to the extent to which this investment, in terms of its long-term nature, is consistent with our leaner R&D strategy, not least because the high potential of this subsidiary's analgesic substances can only be tapped through partnerships and cooperations.

Our progress made in certain business areas nonetheless provides grounds for optimism. Although these successes will not yield any immediate returns, we expect them to play a significant role in shaping commercial results as early as the following financial year.

This optimism is also based on the extremely encouraging sales figures for Viveo®, (Sanochemia's tolperisone formulation) in Germany. Viveo®, the brand name of our partner Orion Corporation, has been approved here since October 2007 in the indication spasticity associated with neurological disorders. Our sales forecasts for the first months post-launch were clearly exceeded, and current sales volumes are approaching six figures.

The first-time reporting of revenues through the sale of Viveo® in the first quarter of the new financial year follows the decision to expand our human pharmaceutical activities into the field of therapeutics. Viveo®, produced exclusively by Sanochemia and despatched from our Neufeld plant as a finished product, will make significant sales revenue and earnings contributions from the current financial year onwards.

The development of business in Q1 2007/08

In line with our expectations, the first quarter of the 2007/2008 period was relatively weak in performance terms given the above-average quarter of the comparative quarter a year earlier in terms of sales revenues (€8.5m). The first quarter of 2006/2007 was one in which sales volumes in the Production Division, particularly in the area of API manufacture, were uncharacteristically high. In comparison with the fourth quarter of the past financial year, with total sales revenues of €5.4m, the figure for the past quarter, €6.3m, is in line with forecast revenue development. The volatility caused by the timing of billing for galantamine production campaigns makes it difficult to draw meaningful comparisons across specific quarters for this division. More valid comparisons are obtained by comparing mid-year figures. We expect this volatility to subside to a certain degree in future as production of tolperisone is stepped up.

EBITDA (earnings before interest, tax, depreciation and amortisation) for the period amounted to € -0.418m (prior year: € 1.654 m) and, due to the lower revenues generated by the Production Division, led to an expected decline in EBIT (earnings before interest and tax) to € -1.6m when compared against the same quarter of the previous financial year (€ 0.8m).

The financial result of € -0.9m (PY: € 0.2m) fell short of our expectations. The abandonment of our long-standing financial strategy (based on forward exchange contracts) is being undertaken progressively in order to minimise the impact of closing out positions and realising losses. We expect to have completed closing out these positions by the end of the 2007/2008 financial year. The revised financial strategy now being pursued aims to invest primarily in funds with capital guarantees, fixed yields and defined bonuses in order to yield more consistent returns in the long term. Following taxes on income in the amount of € 0.077m (PY: € 0.102), the net result for the period was € -2.4m (PY: € 1.1m), which is equivalent to € -0.22 per share, following EPS of € 0.10 twelve months earlier.

Segment reporting

HUMAN PHARMACEUTICALS (diagnostics and therapeutics)

- **Sales revenues: T€3,842 (PY: T€3,010)**
- **EBIT T€550 (PY: T€413)**

The results reported by this division were again more than satisfactory given a 28% increase in sales revenues. The majority of revenues are generated by sales of radiological diagnostics and are spearheaded by the division's top selling product, Scanlux®.

First-time sales of tolperisone (marketed by Orion Corporation under the brand name Viveo®) accounted for revenues of € 0.5m. Following the successful launch of this product and the positive feedback from our marketing partner, we are convinced that this product will boost the results of this segment markedly during the course of the financial year.

Approaching 50% of the revenues in this segment are generated by our subsidiary Sanochemia Diagnostics Deutschland GmbH which, despite the difficult market conditions prevailing in Germany, was nonetheless able to boost sales in this market. There was also a notable increase in export business due to international sales of Scanlux®.

The increasing profitability of this segment can be seen at the level of EBIT following a further increase, 33%, which indicates the acceptance of our imaging agents also on an international level. An additional improvement in margins is being achieved by the in-house production of selected imaging agents at our Neufeld plant.

MR-Lux® - a paramagnetic imaging agent for full-body MRT investigations – has further increased interest in the product range. This product is to be rolled out in Germany in the near future. In the past quarter, we were successful in securing marketing authorisation in Switzerland where we expect to launch the product within the

space of the next twelve months. The application for European marketing authorisation (DCP) is planned as the next step toward establishing another product for wide ranging international markets.

PRODUCTION

Sales revenues: T€2,427 (PY: T€5,509)

EBIT: T€- 992 (PY: T€1,599)

Any comparison with the first quarter of the prior financial year is distorted by the disproportionate increase in sales revenues in the earlier period as a result of higher sales volumes required to fill an unusually large order for API synthesis. This naturally also had an impact in terms of EBIT development (T€-992) given the high margins associated with synthesis products.

The exclusive manufacturing of the API tolperisone will gradually improve the situation in the Production Division not only by increasing the utilisation of synthesis capacity as a result of expanding sales volumes, but also by further reducing our dependence on two large synthesis customers.

The expansion of the Production Division's equipment base now also allows Sanochemia to offer its production expertise in the areas of sterile, liquid and semi-solid products. This will be increasingly valuable both in terms of the manufacture of our own products as well as for those manufactured on a contract basis.

When we select our R&D projects, a key decision-making factor is not only ensuring that we have the necessary development expertise, but also that we have the means to act as an integrated manufacturer of the resulting products.

RESEARCH & DEVELOPMENT

Sales revenues: T€18 (PY: T€0.4)

EBIT: T€-592 (PY: T€-358)

The Research & Development Division generated no revenues in the form of milestone payments during the reporting period. The revenue reported relates solely to the release of deferred income associated with licensing revenues received from Orion Corporation.

- Further national applications are planned for Sanochemia's tolperisone formulation, most notably in Austria and Greece. The start of the MRP procedure is dependent on the preparation of an assessment report by the Federal Institute for Drugs and Medical Devices (BfArM), which is expected to take place in this financial year.
- Planning is ongoing for a randomised, multi-centre Phase II clinical trial to investigate PVP hypericin, being developed for the diagnosis of bladder cancer. PVP hypericin serves as a fluorescent dye for photodynamic diagnoses. During the clinical trial, fluorescence cystoscopy will be compared against white light cystoscopy, which is widely regarded as the gold standard in terms of sensitivity and specificity.

- Preparations are underway for Secrelux® - a pancreatic diagnostic now generating significant revenues - to be submitted for pan-European marketing authorisation.

OUTLOOK – Growth potential in international markets

The operational results in the past quarter were modest. However, it is the future prospects which for us appear more relevant than the results to 31.12.2007. Our optimism remains undiminished given that the start into the new financial year is firmly on track:

- The encouraging results of our subsidiaries that are establishing international market positions on the strength of high-demand products. The expansion of our business as a result of Viveo® and the steadily improving margins associated with x-ray imaging agents are increasingly making Sanochemia Diagnostics a mainstay of the Group's operations.
- Production Division revenues are expected to return to their previous levels in the second quarter based on orders waiting to be filled. This will have a major effect on segment profitability.
- Re-assessment of the R&D portfolio: the leaner cost structures as a result of the optimisation of processes will lead to successive improvements in the financial situation. Our development efforts are now being concentrated on projects fast approaching the market which can be expected to generate commercial revenues in the short to mid-terms.

Despite the difficult circumstances affecting the Production Division, the Board of Management remains confident that revenue growth can be maintained and that the company can return to profitability in the 2007/2008 financial year. The development of the operating result (EBIT) cannot yet be forecast with any degree of accuracy given that neither the effects of the changes made, the cost-cutting programme introduced, nor the possibility of out-licensing revenues can be predicted at this early stage.

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Consolidated Profit and Loss Account

Sanochemia Pharmazeutika AG

IFRS, 10/2007 - 12/2007 and 10/2006 - 12/2006

in T€	Notes	10/07 - 12/07	10/06 - 12/06
Sales revenues	(1)	6,287	8,520
Other income	(2)	676	772
Reversal of investment grants		38	38
Change in inventory		-181	-3
Own work capitalised		262	752
Operating performance		7,082	10,079
Cost of goods and services		-2,874	-3,324
Personnel expenses		-2,188	-2,248
Depreciation on tangible assets and amortisation of intangible assets		-1,174	-885
Other expences		-2,438	-2,853
Operating result		-1,592	769
Interest payments		-294	-186
Interest receipts		395	332
Other financial income / expences		-959	36
Financial result		-858	182
Pre-tax profits		2,450	951
Taxes on income		77	102
Net profit for the year		-2,373	1,053
of which:			
Shareholders of the parent company		-2,285	1,053
Minority interests		-88	0
		-2,373	1,053
Undilutes earnings per share in €	(3)	-0.22	0.10
Dilutes earnings per share in €		-0.22	0.10
Weighted average number of shares		10,155,598	10,155,598

Consolidated Balance Sheet

Sanochemia Pharmazeutika AG

IFRS, 31 December 2007 and 30 September 2007

in T€	Notes	31 12 2007	30 09 2007
Assets			
Buildings on non-owned land		7,416	7,422
Property, plant and equipment		6,884	6,166
Other equipment, furniture and fixtures		847	874
Property, plant and equipment under construction		2,694	3,172
Tangible assets		17,841	17,634
Goodwill		3,391	3,391
Capitalised development costs		15,368	15,347
Other intangible assets		4,094	4,480
Intangible assets		22,853	23,218
Non-current assets		40,694	40,852
Inventory	(4)	9,531	9,753
Accounts receivable - trade		3,709	3,890
Accounts receivable - affiliated companies	(5)	3,743	3,007
Other financial receivables	(6)	2,690	1,118
Other receivables and assets	(7)	2,139	2,278
Income tax receivable		285	285
Receivables from research grants	(8)	397	542
Available for sale securities	(9)	11,708	11,793
Cash and short-term deposits		22,303	24,328
Current assets		56,505	56,994
Total assets		97,199	97,846

Consolidated Balance Sheet

Sanochemia Pharmazeutika AG

IFRS, 31 December 2007 and 30 September 2007

in T€	Notes	31. 12. 07	30. 09. 07
Equity and liabilities			
Equity held by the parent company			
Issued capital		10,156	10,156
Share premium		48,761	48,761
Net gain/loss on available-for-sale securities		-136	118
Currency translation differences		147	6
Profit and loss account		-3,966	-1,681
		54,962	57,360
Minority interests		471	559
Total equity	(10)	55,433	57,919
Financial liabilities	(11)	15,170	13,524
Employee benefit provisions		1,204	1,167
Deferred income	(12)	2,841	3,626
Investment grants		1,532	1,450
Non-current liabilities		20,747	19,767
Financial liabilities	(13)	8,225	8,245
Accounts payable - trade		3,118	3,615
Accounts payable - affiliated companies	(14)	0	45
Other financial liabilities	(15)	6,749	5,284
Other liabilities and accruals	(16)	1,034	1,102
Deferred income	(17)	1,736	1,310
Investment grants		38	152
Income tax payable		119	407
Current liabilities		21,019	20,160

Consolidated Cash Flow Statement

Sanochemia Pharmazeutika AG

IFRS, for the period from 10/07 to 12/07 and 10/06 to 12/06

in T€	10/07 - 12/07	10/06 - 12/06
Net income before taxes	-2,449	951
Depreciation, amortisation and write downs of tangible and intangible assets	1,174	885
Write down of securities	0	29
Proceeds from the disposal of tangible and intangible assets	-3	0
Income from the disposal of securities	-133	0
Interest payments	294	186
Interest receipts	-395	-332
Purchase of securities	-9	-60
Net gain / loss through foreign currency translation	246	24
Reversal of investment grants	-33	-9
Change in inventories	222	634
Change in receivables and other assets	-1,968	5,130
Change in receivables from research grants	144	-70
Change in accounts payable including those due to affiliated companies	-246	-1,410
Change in other liabilities and accruals	720	-2,465
Change in other provisions	0	-70
Change in provisions for employee benefits	37	20
Net cash flow from current operating activities	-2,399	3,443
Interest payments	-270	-191
Interest receipts	328	319
Receipts from the sale of securities	56	113
Income tax paid	-295	0
Net cash flow from operating activities	-2,580	3,684
Purchase of investments held for sale	-315	-887
Purchase in tangible assets	-757	-468
Purchase of securities	-4,100	-4
Receipts from the disposal of tangible assets	30	0
Receipts from the disposal of available-for-sale securities	4,147	0
Net cash flow from investment activities	-995	-1,359
Raising of non-current borrowings	0	1,024
Raising of current borrowings	2,330	0
Repayment of non-current borrowings	-704	0
Repayment of research grants	0	-100
Net cash flow from financing activities	1,626	924
Net change in cash and cash equivalents	-1,949	3,249
Net cash and cash equivalents		
Balance at beginning of the period	24,328	21,432
Change in cash and cash equivalents	-1,949	3,249
Influence of foreign exchange differences on cash and cash equivalents	-76	-59
of which assets held for sale	0	0
Balance at end of period as per Balance Sheet ¹⁾	-22,303	24,622

¹⁾ The available funds include cash on hand and on deposit

Consolidated Statement of Changes in Equity

SANOCHEMIA PHARMAZEUTIKA AG

for the period from 01 October 2006 to 31 December 2007 (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		
Balance at 01.10.2006	10,156	48,761	64	-48	2,831	61,764	755	62,519
Valuation of available-for-sale financial assets	0	0	54	0	0	54	0	54
Foreign currency translation	0	0	0	54	0	54	0	54
Total income/expenses for the year recognised directly in equity	0	0	54	54	0	108	0	108
Net result for the period	0	0	0	0	-4,512	-4,512	-494	-5,006
Consolidated result for the period	0	0	54	54	-4,512	-4,404	-494	-4,898
Minority interest of assets classified as held for sale	0	0	0	0	0	0	298	298
Balance at 30.09.2007	10,156	48,761	118	6	-1,681	57,360	559	57,919
Valuation of available-for-sale financial assets	0	0	-145	0	-109	-254	0	-254
Foreign currency translation	0	0	0	141	0	141	0	141
Total income/expenses for the year recognised directly in equity	0	0	-145	141	-109	-113	0	-113
Net result for the period	0	0	-109	0	-2,176	-2,285	-88	-2,373
Consolidated result for the period	0	0	-254	141	-2,285	-2,398	-88	-2,486
Balance at 31.12.2007	10,156	48,761	-136	147	-3,966	57,360	471	55,433

Sanochemia Pharmazeutika AG

Notes to the Interim Financial Statements at 31 December 2007 Prepared in accordance with 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 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable for the 2007/2008 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 2007:

	Share holding	Option
Anton Dallos	25,340	15,000
Herbert Frantsits	25,170	15,000
Maximilian Hudl	11,350	0
Dr. Werner Frantsits	2,100	0
Eveline Frantsits	1,350	0
Dr. Johannes Respondek	2,000	0
Dr. Heinrich Unger-Krayer	500	0
Günter Kahler	615	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 2007, these options cannot be exercised in 2007.

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 2007, 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>10/2007-12/2007</u>	<u>10/2006-12/2006</u>
Income from the disposal and write-up of tangible and intangible assets	3	0
Reversal of deferred income	341	527
<i>Forschungsförderungsfond der gewerblichen Wirtschaft</i>	106	41
Personnel costs passed on to third parties	80	64
Income through currency differences	50	26
Other income	96	114
Total	<u>676</u>	<u>772</u>

(3) RESULT PER SHARE

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

The result per share (rounded to two decimal places) for the quarters 12/2007 – 12/2007 amount to € - 0.22 (10/2006 – 12/2006: € 0.10 per share) arising out of losses in the amount of € - 2,373 (10/2006 – 12/2006: EPS of T€ 1,053).

III. NOTES TO THE BALANCE SHEET

Significant balance sheet items are discussed below.

ASSETS

(4) INVENTORY

in T€	31/12/2007	30/09/2007
Merchandise	4,015	3,775
Raw materials, excipients & supplies	1,278	1,365
Unfinished goods	1,979	2,087
Finished goods	1,253	1,501
Miscellaneous	1,006	1,025
Total	9,531	9,753

(5) RECEIVABLES DUE FROM AFFILIATED COMPANIES

in T€	31.12.2007	30.09.2007
Alvetra und Werfft AG	495	392
J.Medinger & Söhne	1,643	1,411
Anton von Waldheim	1,605	1,201
Comtel Air Luftverkehr GmbH	0	3
Total	3,743	3,007

(6) OTHER FINANCIAL RECEIVABLES

in T€	31.12.2007	30.09.2007
Forex options / forward exchange contracts	2,518	948
Forward contracts	0	15
Interest receivable on securities	172	155
Total	2,690	1,118

(7) OTHER RECEIVABLES AND ASSETS

in T€	31.12.2007	30.09.2007
Receivables due from the financial authorities	1,241	1,435
Deferred expenses	288	197
Other	610	646
Total	2,139	2,278

(8) RECEIVABLES FROM RESEARCH PROMOTION PROGRAMMES

In T€	31.12.2007	30.09.2007
<i>Forschungsförderungsfonds für die gewerbliche Wirtschaft, Vienna</i>	306	362
<i>Wirtschaftsservice Burgenland AG</i>	91	180
Total	397	542

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.

(9) 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€ 3,289 (previous year T€ 7,427) 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

(10) SHAREHOLDERS' EQUITY

For details of changes in shareholders' equity during the financial year refer to the relevant page of this report.

As in the previous financial year, on the balance sheet date the share capital consisted of 10,155,598 nonpar shares equivalent to an amount of € 1.00 per share.

At the close of this reporting period (31 December 2007), 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.

(11) LIABILITIES DUE TO BANKS (NON-CURRENT)

The following analysis sets forth non-current bank loans according to currency and interest rates outstanding at 31 December 2007 and 30 September 2007 respectively:

in T€	31.12.2007	30.09.2007	Interest rate	Maturity
Loans linked to research promotion	367	367	3.63% - 5.5%	2009
Loans linked to ERP funds	5,867	6,300	1% - 1.25%	2009 - 2012
Equity financing	5,390	5,390	2.4%	31.05.2010
Other bank loans	3,546	1,467	6.75% - 8.5%	2009 - 2013
Total	<u>15,170</u>	<u>13,524</u>		

The financial liabilities at 31 December 2007 set out above are secured as follows:

in T€	book value 31.12.2007	book value 30.09.2007
A guarantee in favour of Austria Wirtschaftsservice GmbH	2,500	2,500
A guarantee in favour of Österreichische Forschungsförderungsgesellschaft mbH	367	367
A liability due to the Republic of Austria	7,630	5,390
A guarantee and payment obligation of Sanochemia Ltd., Malta	867	1,300

(12) DEFERRED INCOME

An amount of T€ 2,841 (previous year: T€ 3,626) 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

(13) LOANS DUE TO BANKS AND CREDIT INSTITUTIONS

The following overview shows the non-current liabilities due to banks in terms of currencies and interest rates at 31 December 2007 and 30 September 2007 respectively:

in T€	31.12.2007	30.09.2007	Interest rate	Maturity
Bank loans and overdrafts	0	6	8 -10%	on request
Bank loans and overdrafts	3,449	3,440	6% - 7%	on request
Bank loans and overdrafts	3,443	3,899	3.39 - 5.5%	on request
Bank loans and overdrafts	433	0	4%	on request
Research promotion loans	900	900	3.63% - 5.5%	of which T€ 450 - 31.03.2008 & T€ 450 - 30.09.2008
Total	8,225	8,245		

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

The financial liabilities set out above are secured as follows:

in T€	book value 31.12.2007	book value 30.09.2007
A guarantee in favour of Österreichische Forschungsförderungsgesellschaft mbH	900	900
A guarantee and payment obligation of Sanochemia Ltd., Malta	910	477

(14) LIABILITIES DUE TO AFFILIATED COMPANIES

in T€	31.12.2007	30.09.2007
Medinger GmbH, Vienna	0	45
Total	0	45

(15) LIABILITIES DUE TO AFFILIATED COMPANIES

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

(16) OTHER LIABILITIES AND ACCRUALS

in T€	31.12.2007	30.09.2007
Provisions for employee benefits	149	165
Tax liabilities	90	102
Vacation entitlements	437	377
Special payments	71	458
Other liabilities	287	0
Total	1.034	1.102

17) DEFERRED INCOME

An amount of T€ 1,736 (previous year: T€ 1,310) 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.

IV. OTHER INFORMATION

RESEARCH AND DEVELOPMENT COSTS

in T€	10/2007-12/2007	10/2006-12/2006
Revenues	20	0
Changes in inventory	-9	0
Miscellaneous income	315	176
Own work capitalised	263	752
Cost of materials	-206	-36
Personnel expenses	-391	-344
Depreciation of tangible assets and amortisation of intangible assets	-20	-22
Other operating expenses	-564	-884
Total	-592	-358

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

<i>in T€</i>	<i>Human Pharmaceuticals</i>		<i>Production</i>		<i>R&D</i>		<i>Reconciliation</i>		<i>TOTAL</i>	
	01.10.07- 31.12.07	01.10.06- 31.12.06	01.10.07- 31.12.07	01.10.06- 31.12.06	01.10.07- 31.12.07	01.10.06- 31.12.06	01.10.07- 31.12.07	01.10.06- 31.12.06	01.10.07- 31.12.07	01.10.06- 31.12.06
<i>Sales revenue – ext.</i>	3,842	3,010	2,427	5,509	18	0	0	1	6,287	8,520
<i>Sales revenue – int.</i>	9	57	1,533	1,155	2	0	-1,544	-1,212	0	0
<i>Total sales revenue</i>	3,851	3,067	3,960	6,664	20	0	1,544	1,211	6,287	8,520
<i>Operating performance</i>	4,040	3,294	4,153	7,200	589	927	-1,700	-1,342	7,082	10,079
<i>Operating result</i>	550	413	-992	1,599	-592	-358	-558	-885	-1,592	769
<i>Investment</i>	0	0	692	440	289	827	91	88	1,072	1,355
<i>Depreciation & amortisation</i>	436	195	631	589	20	22	87	79	1,174	885
<i>Segment assets</i>	11,218	13,861	27,439	28,594	18,366	24,448	40,176	35,713	97,199	102,616
<i>Segment liabilities</i>	2,162	1,908	5,317	5,697	2,528	714	31,759	28,859	41,766	37,178

FINANCIAL INSTRUMENTS

Derivative financial instruments

During the quarter 10/2007 – 12/2007, 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.

Interest rate, foreign exchange and credit risks

With the exception of a decline in receivables and liabilities arising out of option contracts, there have been no significant changes in the risks mentioned above since 30.09.2007. 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 30.09.2007 resulting in the associated currency exchange risks also remaining unchanged.

	31.12.2007	30.09.2007
Foreign exchange options	T€	T€
Other receivables arising out of foreign exchange options	2,518	948
Other liabilities arising out of foreign exchange options	6,749	5,284

All of the foreign exchange options are either exercisable or will mature within a period of one year.

The foreign exchange options and forward exchange contracts have had the following impact on the company's financial position for the period 1 October 2007 to 31 December 2007:

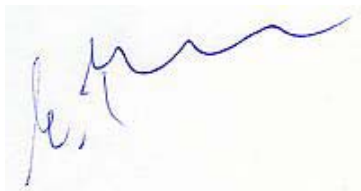
	31.12.2007 T€
Foreign exchange options	
<hr/>	
Expenditure arising out of foreign exchange options	-2,795
Income arising out of foreign exchange options	2,070
Forward exchange contracts	
<hr/>	
Loss	-71
Gain	81

EVENTS AFTER THE BALANCE SHEET DATE

No reportable events have occurred since the balance sheet date.

Vienna, 19 February 2008

The Board of Management:



Herbert Frantsits



Anton Dallos



Maximilian Hudl