

-----  
**Strong 3<sup>rd</sup> Quarter  
Return to Profitability**  
-----



**Interim Financial Report  
01. April – 30. June 2008**

prepared in accordance with International  
Financial Reporting Standards (IFRS)

**SANO**CHEMIA  
Pharmazeutika AG

The Specialty Pharma Company

## TABLE OF CONTENTS

<b>Investor Relations .....</b>	<b>2</b>
▪ Letter to shareholders .....	2
▪ Milestones in the third quarter .....	4
▪ Key facts and figures .....	5
<b>Consolidated interim management report .....</b>	<b>7</b>
▪ Economic environment .....	7
▪ Share price developments during the reporting period .....	7
▪ Earnings, financial and asset positions .....	8
▪ Segment reporting .....	10
▪ Capital investments .....	11
▪ Headcount .....	11
▪ Events after the interim balance sheet date .....	12
▪ Opportunities and risk report .....	12
▪ Outlook .....	12
<b>Interim consolidated financial statements .....</b>	<b>13</b>
▪ Consolidated profit and loss statements .....	13
▪ Consolidated balance sheet .....	14
▪ Consolidated cash flow statement .....	16
▪ Statement of changes in shareholders' equity .....	17
▪ Notes to the consolidated financial statements .....	18
<b>Other information .....</b>	<b>29</b>
▪ Responsibility Statement .....	29
▪ Auditing principles and valuation methods .....	29
▪ Upcoming financial events .....	29
▪ Investor Relations .....	29

## INVESTOR RELATIONS

- **Letter to shareholders**

### **Dear Shareholder**

Following a significant increase in sales revenues, positive EBIT and an encouraging financial result, we achieved a return to profitability in the third quarter.

The first half of the financial year was a difficult one due to the re-alignment of our R&D efforts, patents expiring on previously important revenue drivers and delays in securing regulatory approvals. Yet, these times are now behind us and the steps taken are having a tangible effect on the development of business. Furthermore, we were also recently able to report on progress made in the US development project for tolperisone and the expansion of our European market position in the radiological sector.

### **Strong third quarter with a return to revenue growth and profitability**

Following the successful strategic realignment of our R&D activities and in response to the rapid market penetration achieved by our new products, we were able to achieve a significant improvement in terms of all key performance indicators in the third quarter. A 19% increase in sales revenues to T€8,034 led to a positive operating result of T€103 after an operating loss of T€834 in the same period of the previous financial year. The financial result also developed in the right direction to yield T€833 compared to T€697 a year earlier. The net result for the third quarter of just under one million euro is equivalent to earnings per share of €0.09 and rounds off the return to revenue growth and profitability.

The individual divisions within the Group played divergent roles in shaping the overall positive development of operations. The Human Pharmaceuticals Division broke the four-million-euro revenue barrier for the first time in the third quarter which, in turn, led to a doubling of segment EBIT to €1.7m. This is attributable to steadily improving margins in this constantly growing business segment. Although the Production Division reported its strongest quarter in terms of revenues in the financial year to date, with T€3,472, this division is only expected to grow moderately in the coming months due to a range of external factors.

### **Important R&D milestones**

One of the particular highlights of the past quarter was the progress made in developing a new, highly pure form of tolperisone. This innovative and technically challenging achievement marks a milestone in the US development strategy and is being safeguarded by the filing of several substance patents. Furthermore, the significantly improved chemical API has been classified as a new chemical entity (NCE) in the US, allowing the market exclusivity to be extended to 2027. Following the conclusion of negotiations with Avigen, we were able to publish details of a revision to our existing

---

contract with this company in July which involved us securing additional funding of up to five million USD (refer to 'Events after the interim balance sheet date').

SANOCHEMIA's tolperisone formulation has been marketed in Germany under the Orion brand Viveo® since the beginning of the current financial year and has already been able to generate revenues of one million euro in the first three quarters.

**Confident outlook for the final quarter**

The dynamic development of results in the third quarter indicates that SANOCHEMIA is on track to reaching its sales revenue targets and sustainable profitability despite short-term market volatilities. The well-filled order books and the apparently rapid pace of the marketing efforts for our new revenue drivers allow us to predict similar results in the final quarter.

We would like to take this opportunity to express our thanks to all our shareholders, customers and personnel for their past, present and future trust and support.

The Board of Management

- **Milestones in the third quarter**

**(01.04.2008 – 30.06.2008)**

**Profitability in Q3: significant improvement relative to the same period of the previous financial year**

**Selected performance indicators**

in T€	04/2008 – 06/2008	04/2007 – 06/2007
Sales revenues	8,034	6,752
EBIT	103	-834
Financial result	833	697
Net result for the period	949	-233
Net result per share (in €)	0.09	-0.02

**Consolidation of European market position for radiological products**

Accelerated development of international markets for the imaging agents Scanlux® and MR-Lux® / Intensified marketing and sales efforts / Implementation of European registration strategy for MR-Lux® in 13 territories / 50% increase in revenues forecast by 2010

**SANOCHEMIA acquires major new customer in the USA**

The American Red Cross places its first order for SANOCHEMIA's AIDS test

**PVP hypericin: for earlier and improved diagnosis of bladder cancer**

Developing ideas into new therapeutic concepts / Significant interest in SANOCHEMIA's key project / US patent granted for the formulation and the use of the active ingredient PVP hypericin

**Additional financing secured from US partner Avigen for the re-development of tolperisone for the North American market > refer to 'Events after the interim balance sheet date'**

▪ **Key facts and figures**

In T€

**Performance data**

	<b>Q1 2007/08</b>	<b>Q2 2007/08</b>	<b>Q3 2007/08</b>	<b>Q1-Q3 2007/08</b>	<b>Q1-Q3 2006/07</b>	<b>Change as %</b>	<b>2006/07</b>	<b>2005/06</b>
	Oct.07-Dec.07	Jan.08-Mar.08	Apr.08-Jun.08	Oct.07-Jun.08	Oct.06-Jun.07		Oct.06-Sep.07	Oct.05-Sep.06
<b>Sales revenues</b>	<b>6,287</b>	<b>6,153</b>	<b>8,034</b>	<b>20,474</b>	<b>24,244</b>	<b>-16%</b>	<b>29,634</b>	<b>30,295</b>
Sales&Marketing (Human Pharmaceuticals)	3,842	3,106	4,134	11,082	9,459	17%	12,731	12,254
Production	2,427	3,029	3,472	8,928	13,784	-35%	16,849	15,589
R&D	18	18	428	464	1,000	-54%	53	2,452
Reconciliation	0	0	0	0	1	0%	1	0
<b>EBITDA</b>	<b>-418</b>	<b>-237</b>	<b>1,315</b>	<b>660</b>	<b>3,055</b>	<b>-78%</b>	<b>-1,808</b>	<b>5,981</b>
<b>Depreciation / amortisation</b>	<b>-1,174</b>	<b>-1,190</b>	<b>-1,212</b>	<b>-3,576</b>	<b>-2,684</b>	<b>-33%</b>	<b>-3,693</b>	<b>-3,775</b>
<b>EBIT</b>	<b>-1,592</b>	<b>-1,427</b>	<b>103</b>	<b>-2,916</b>	<b>371</b>	<b>-</b>	<b>-5,501</b>	<b>2,206</b>
Sales&Marketing (Human Pharmaceuticals)	550	281	829	1,660	793	109%	1,713	1,099
Production	-992	157	28	-807	2,539	-	2,212	3,283
R&D	-592	-440	-508	-1,540	514	-	-5,056	1,023
Reconciliation	-558	-1,425	-246	-2,229	-3,475	36%	-4,370	-3,199
<b>Financial result</b>	<b>-858</b>	<b>-557</b>	<b>833</b>	<b>-582</b>	<b>1,492</b>	<b>-</b>	<b>497</b>	<b>1,516</b>
<b>Pre-tax profit / loss</b>	<b>-2,450</b>	<b>-1,984</b>	<b>936</b>	<b>-3,498</b>	<b>1,863</b>	<b>-</b>	<b>-5,004</b>	<b>3,722</b>
<b>Net profit / loss</b>	<b>-2,373</b>	<b>-2,161</b>	<b>949</b>	<b>-3,585</b>	<b>1,464</b>	<b>-</b>	<b>-5,006</b>	<b>2,957</b>
<b>Earnings / losses per share</b>	<b>-0.21</b>	<b>-0.21</b>	<b>0.09</b>	<b>-0.33</b>	<b>0.14</b>	<b>-</b>	<b>-0.44</b>	<b>0.29</b>

## Structural data

	2007/08	2006/07	Change as %	2006/07	2005/06
	30.06.2008	30.06.2007		30.09.2007	30.09.2006
Balance sheet total	91,187	100,746	-9%	97,846	104,583
Tangible assets	17,505	16,221	8%	17,634	16,277
Intangible assets	21,797	23,040	-5%	23,218	21,650
Shareholders' equity	54,517	63,621	-14%	57,919	62,519
Equity ratio	59.8%	63.1%	-5%	59.2%	59.8%

## IFRS Cash flow

	Q1-Q3 2007/08	Q1-Q3 2006/07	Change as %	2006/07	2005/06
	Oct.07-Jun.08	Oct.06-Jun.07		Oct.06-Sep-.07	Oct.05-Sep.06
Cash flow from operating activities	-9,030	5,573	-	8,384	3,770
Cash flow from investment activity	-1,659	-5,005	67%	-7,684	-1,819
Cash flow from financing activity	-70	69	-	2,143	2,340

Some minor changes may be due to rounding cumulative figures.  
Due to the application of new IFRS guidelines, it was necessary to restate the figure of the previous year.

## CONSOLIDATED INTERIM MANAGEMENT REPORT

### ▪ Economic environment

The economic environment in which SANOCHEMIA operates has become more challenging. The international financial crisis and inflation in the US will have a significant impact and result in a changing economic environment. While the US economy in particular has been hit hard by these changes, their impact in the euro zone and the growth markets of Asia, Central and Eastern Europe has been considerably less dramatic. Austria is also expected to escape largely unscathed.

### **Risk mitigation through internationalisation**

We now have a presence in many international markets around the world, either through our subsidiaries or through global partnerships. As a flexible specialty pharmaceuticals company, we regard ourselves as well positioned due to our range of innovative drugs and diagnostics and our roles as a provider of high quality development services and as a partner to major international pharmaceutical players.

### **Stable growth set to continue**

Despite the difficult circumstances prevailing in global markets due to the financial crisis, we continue to be confident with regard to the commercial development of SANOCHEMIA. Although we have not reached the sales revenue levels of the previous financial year as a result of the expiry of patents on former top-selling products and are feeling the effects of the strong euro on exports, demand remains high for SANOCHEMIA's specialty imaging agents. We therefore expect to close the financial year with steady growth driven by our global strategy and the opening up of new markets.

### ▪ Share price developments during the reporting period

Against the background of nervous capital markets and despite our efforts to successively improve quarterly results, SANOCHEMIA's share price was unable to hold its ground and declined further.

Having quoted at a price of €10.35 at the beginning of the financial year, the share price fell during the period to reach a low of €5.30 on 10 June, before recovering somewhat to stand at €6.07 at the close of the period.

We are confident that the share price will again stabilise on the grounds of the considerably improved financial results and the latest research analyses.

### **Regular coverage is provided by the following banks and analysts:**

Erste Bank, Vladimira Urbankova	0043 / (0) 221010 - 555
LBBW, Hanns Frohmeyer	0049 / (0) 711 127 - 0
Lang & Schwarz, Björn Wolber	0049 / (0) 211 13840-513

- **Earnings, financial and asset positions**

### Profit and Loss Account

- **Strong third quarter (1 April 2008 – 30 June 2008)**  
**Sales revenues rise by 19 percent to eight million euro / positive EBIT / healthy financial result / return to profitability**

The third quarter was the strongest to date in the current financial year with results that were significantly higher than those of twelve months earlier. Sales revenues were 19 percent higher than in the same quarter of the prior year at T€8,034 (PY: T€6,752), while the operating performance rose to T€9,383 (PY: T€8,619). Following EBIT in the amount of T€103, the operating result was again positive following negative EBIT (T€-834) a year earlier and in the first half of the current financial year. The financial result was also positive and, at T€833, was higher than in the same quarter of the preceding financial year (PY: T€697). The net result for the third quarter of T€949 (PY: T€-233) is equivalent to earnings per share of €0.09.

In T€	Q1	Q2	Q3
Sales revenues	6,287	6,153	8,034
EBIT	-1,592	-1,427	103
Pre-tax result	-2,373	-2,161	949

Although the third quarter was the strongest in terms of sales revenues and earnings, both compared with the previous two quarters and that of the previous financial year, the nine-month report for the 2007/08 financial period reveals sales revenues of €20.5m, lower than those of the first three quarters of 2006/07 (PY: €24.2m). This difference in sales revenues, and in due course also at the EBIT level, compared with the same period of the previous year is predominantly accounted for by a decline in sales revenues generated by a single synthesis product. Although the Production Division has improved results significantly both year-on-year and quarter-on-quarter, it was not possible to achieve the revenue levels previously achieved by this specific synthesis product due to the expiry of patent protection.

In line with expectations, the main revenue engines were radiological products and tolperisone (Viveo®), the latter achieving seven-digit sales revenues for the first time as a pharmaceutical product.

Furthermore, due to the launch of Viveo® (tolperisone), it was not possible to capitalise any additional development costs associated with this product during the period under review. Own work capitalised consequently fell to €0.7m from €2.4m a year earlier, a difference of €1.7m. Despite the strong third quarter, it was not possible to wholly offset the impact of this at the EBIT level in the nine-month report. The operating performance also fell in line with the lower sales revenues to 23.7 million euro (PY: €29.6m).

As a result of the product launch, amortisation of intangible assets rose from T€905 to T€1,212. The other operating expenses, €2.4m, were considerably lower following savings in the areas of consultancy, contract research and other third-party services.

The forecast receipt of milestone payments by the Research & Development Division did not materialise in the past quarter but are still expected before the close of the financial year. R&D spending was nonetheless influenced by the scheduled spendings associated with the development programme of our AlcaSynn Pharmaceuticals subsidiary.

Over the course of the first three quarters and despite the positive EBIT in the third quarter, the above factors culminated in a **negative operating** result of €-2.9m (PY: €0.4m).

The **financial result** for the year to date of €-0.6m (PY: €1.5m) is attributable to the negative result of other financial income / expenses. The poor performance in the first half was partially offset by the changes in the foreign exchange and investment strategy which is already having a positive effect and, in fact, yielded a financial result of €0.8m (PY: 0.7m) in the third quarter.

The above factors culminated in a **pre-tax loss** in the first three quarters of €-3.5m (PY: +1.9m) which, after taxes, equated to a **net loss for the period** of €-3.6m or losses per share of €0.33.

### **The Balance Sheet**

As a consequence of the revised investment strategy detailed in the six-month report, the carrying value of other financial receivables rose to seven million euro, a change which was accompanied by a drop in the value of cash and cash in bank to 13.6 million euro (PY: €22.1m). The value of other intangible assets fell from 4.8 to 3.1 million euro as a result of the scheduled amortisation of patents, licenses and software.

Shareholders' equity also declined in value when compared to the balance at the start of the financial year to 54.5 million euro (€57.9m at 30 September 2007) due to the net loss accumulated during the period. This, in turn, reduced the equity ratio to 60%.

## Cash Flow Statement

The cash flow from operating activities increased by €0.9m in the third quarter, a trend which is expected to continue.

### ▪ Segment reporting

The **Human Pharmaceuticals Division** increased its sales revenues during the reporting period (1.10.2007 – 30.6.2008) by 17% to €11.1m (PY: €9.5m). In the third quarter, the four-million-euro barrier was broken for the first time, something which is indicative of the success of the specialty pharmaceuticals strategy and the growing importance of SANOCHEMIA's in-house products.

This division accounted for 54% of consolidated revenues. More than two thirds of these revenues were generated by radiological products foremost among which was Scanlux<sup>®</sup>. Other products of growing importance in revenue terms include the in-house production of imaging agents such as Gastrolux<sup>®</sup> and, most recently, MR-Lux<sup>®</sup>, which are marketed and sold by our SANOCHEMIA Diagnostics subsidiaries. Despite the difficult circumstances prevailing in the market, the German subsidiary was again able to boost sales while, after a weak Q2, the export business also enjoyed strong double-digit growth in the third quarter. Viveo<sup>®</sup> (tolperisone) has been marketed in Germany by Orion Pharma GmbH since October 2007 and was able to reach the sales target of one million euro for the first three quarters.

The operating result (EBIT) for the segment more than doubled to €1.7m (PY: 0.8m) and is indicative of the growing profitability of this steadily growing division. Rising interest in the product portfolio and rapid roll outs allow us to predict a further acceleration in terms of growth in this segment. Following the successful registration and launch in Germany of MR-Lux<sup>®</sup>, an imaging agent for magnetic resonance tomography, regulatory steps have been initiated for a further 13 European markets.

Despite reporting the strongest quarter in the current financial years in terms of sales revenues, this was not sufficient to offset the weak first half in the nine-month report. During the period under review (1.10.2007 – 30.6.2008), this division generated revenues of €8.9m (PY: €13.8m) and EBIT of €0.8m (PY: €2.5m).

This result is foremostly attributable to synthesis production activities and the expiry of a patent on a major contract manufacturing product. As a result of this loss of patent protection for the so-called Form 2 of torsemide manufactured by Sanochemia, the production of this API will no longer be able to reach the levels seen in the past. Generally, it should be noted that the top-selling synthesis products of previous years now only account for around 30% of current sales and consequently are of significantly less importance than was earlier the case.

A range of changes, including the expansion of pharmaceutical production activities and the increased in-house production of imaging agents, not to mention that of tolperisone, an in-house development of SANOCHEMIA, have led to an underlying shift in segment results. These products are now manufactured at the Neufeld facility and are recognised as medical products in the Human Pharmaceuticals reporting segment.

The **Research and Development Division** did not secure any milestone payments during the period under review and, consequently, posted an EBIT loss of €-1.5m (PY: €+0.5m). The costs and expenses associated with R&D activities fell significantly due to the re-evaluation of the project pipeline.

Considerable progress was made during the period under review with regards to the development of a new and highly pure form of tolperisone. This achievement was a major element of the development plan for the US and is the precondition for a comprehensive patent strategy to ensure the exclusivity of this API. Furthermore, this innovative product improvement formed the basis for an amendment to the contract with our US partner Avigen (refer to 'Events after the interim balance sheet date').

The granting of a US patent for the formulation and use of the active pharmaceutical ingredient PVP hypericin was an important milestone in the third quarter. The patent protection of hypericin formulations and their use until at least 2020 has been secured and will allow us to forge ahead with the further development of this substance for use in photodynamic diagnostic procedures and, in due course, as a potential bladder cancer therapeutic.

No progress of particular note was made with regard to other development projects in the three months to 30 June 2008.

- **Capital investments**

During the reporting period, capital investments with a value of around two million euro were largely focussed on maintaining, expanding and renewing technical facilities. In the corresponding period of the previous financial year, investment expenditure totalled around twice this amount due to the construction of a new logistics warehouse.

- **Headcount**

The average headcount did not change significantly compared to the first half and stood at 180 at the close of the period under review.

---

- **Events after the interim balance sheet date**

On 23 July 2008, SANOCHEMIA announced that it had agreed terms with Avigen, Inc. on an amendment to their contract for the North American market. As a result of this, SANOCHEMIA will receive an amount of up to five million USD, in addition to previously agreed payments, for the development of a highly pure form of tolperisone for the North American market.

- **Opportunities and risk report**

There have been no significant changes in terms of risk exposure since the publication of a detailed analysis of risks in the Annual Report 2006/07.

- **Outlook**

SANOCHEMIA has achieved a significant improvement in all key performance indicators and a return to profitability in the third quarter, somewhat earlier than forecast.

This dynamic development trend highlights that, despite short-term market volatility, SANOCHEMIA remains firmly on track to hit its sales revenue targets and achieve sustainable profitability. Given our healthy order books and the rapid progress made in marketing our new growth drivers, we are well set to achieve similar results in the final quarter of our financial year.

We are convinced that the preconditions for accelerated growth in the financial year ahead are in place and have set ourselves the goals of achieving a high single-digit increase in sales revenues and significantly improved earnings in 2008/09.

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated profit and loss statements

in T€	Notes	04/08-06/08	04/07-06/07	10/07 - 06/08	10/06 - 06/07
Sales revenues	(1)	8,034	6,752	20,474	24,244
Other income	(2)	925	850	2,530	2,346
Reversal of investment grants		36	39	108	115
Change in inventory		119	224	-115	486
Own work capitalised		269	754	689	2,389
<b>Operating performance</b>		<b>9,383</b>	<b>8,619</b>	<b>23,686</b>	<b>29,580</b>
Cost of goods and services		-3,328	-2,974	-8,525	-10,022
Personnel expenses		-2,390	-2,263	-6,807	-6,844
Depreciation on tangible assets and amortisation of intangible assets		-1,212	-905	-3,576	-2,684
Other expenses		-2,350	-3,311	-7,694	-9,659
<b>Operating result</b>		<b>103</b>	<b>-834</b>	<b>-2,916</b>	<b>371</b>
Interest payments		-231	-178	-802	-552
Interest receipts		264	338	1,041	934
Other financial income / expenses		800	537	-821	1,110
<b>Financial result</b>		<b>833</b>	<b>697</b>	<b>-582</b>	<b>1,492</b>
<b>Pre-tax result</b>		<b>936</b>	<b>-137</b>	<b>-3,498</b>	<b>1,863</b>
Taxes on income		13	-96	-87	-399
<b>Net profit for the year</b>		<b>949</b>	<b>-233</b>	<b>-3,585</b>	<b>1,464</b>
of which:					
Shareholders of the parent company		1,035	-233	-3,321	1,464
Minority interests		-86	0	-264	0
		<b>949</b>	<b>-233</b>	<b>-3,585</b>	<b>1,464</b>
Undiluted earnings per share in €	(3)	0.09	-0.02	-0.33	0.14
Diluted earnings per share in €		0.09	-0.02	-0.33	0.14
Weighted average number of shares		10,155,598	10,155,598	10,155,598	10,155,598

▪ **Consolidated balance sheet**

**IFRS, 30 June 2008 and 30 September 2007**

in T€	Notes	30. 06. 08	30. 09. 07
<b>Assets</b>			
Buildings on non-owned land		6,998	7,422
Property, plant and equipment		6,515	6,166
Other equipment, furniture and fixtures		869	874
Property, plant and equipment under construction		3,123	3,172
<b>Tangible assets</b>		<b>17,505</b>	<b>17,634</b>
Goodwill		3,391	3,391
Capitalised development costs		15,326	15,347
Other intangible assets		3,080	4,480
<b>Intangible assets</b>		<b>21,797</b>	<b>23,218</b>
<b>Non-current assets</b>		<b>39,302</b>	<b>40,852</b>
Inventory	(4)	8,746	9,753
Accounts receivable - trade		3,923	3,890
Accounts receivable – affiliated companies	(5)	5,961	3,007
Other financial receivables	(6)	6,966	1,118
Other receivables and assets	(7)	1,034	2,278
Income tax receivable		295	285
Receivables from research grants	(8)	234	542
Available-for-sale securities	(9)	11,157	11,793
Cash and short-term deposits		13,569	24,328
<b>Current assets</b>		<b>51,885</b>	<b>56,994</b>
<b>Summe Vermögenswerte</b>		<b>91.187</b>	<b>97.846</b>

**IFRS, 30 June 2008 and 30 September 2007**

in T€	Notes	30. 06. 08	30. 09. 07
<b>Equity and liabilities</b>			
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		-114	118
Currency translation differences		421	6
Profit and loss account		-5,002	-1,681
		54,222	57,360
Minority interests		295	559
<b>Total equity</b>	(10)	54,517	57,919
Financial liabilities	(11)	11,860	13,524
Employee benefit provisions		1,278	1,167
Deferred income	(12)	2,467	3,626
Investment grants		1,192	1,450
<b>Non-current liabilities</b>		16,797	19,767
Financial liabilities	(13)	9,839	8,245
Accounts payable - trade		2,414	3,615
Accounts payable - affiliated companies	(14)	0	45
Other financial liabilities	(15)	4,718	5,284
Other liabilities and accruals	(16)	1,394	1,102
Deferred income	(17)	1,167	1,310
Investment grants		217	152
Income tax payable		124	407
<b>Current liabilities</b>		19,873	20,160
<b>Total equity and liabilities</b>		91,187	97,846

▪ **Consolidated cash flow statement**

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

in T€	10/07 - 06/08	10/06 - 06/07
<b>Net income before taxes</b>	-3,497	1,862
Depreciation, amortisation and write downs of tangible and intangible assets	3,576	2,684
Write down of securities	0	33
Write down of assets held for sale (IFRS 5)	0	640
Proceeds from the disposal of tangible and intangible assets	-7	-42
Income from the disposal of securities	-104	0
Interest payments	802	552
Interest receipts	-1,041	-934
Purchase of securities	-72	-172
Net gain / loss through foreign currency translation	486	-82
Reversal of investment grants	-194	-41
Change in inventories	1,007	-813
Change in receivables and other assets	-7,593	6,508
Change in receivables from research grants	308	-126
Change in accounts payable including those due to affiliated companies	-950	46
Change in other liabilities and accruals	-1,887	-5,117
Change in other provisions	0	-70
Change in provisions for employee benefits	111	75
<b>Net cash flow from current operating activities</b>	<b>-9,055</b>	<b>5,003</b>
Interest payments	-789	-544
Interest receipts	969	927
Receipts from the sale of securities	139	191
Income tax paid	-294	-4
<b>Net cash flow from operating activities</b>	<b>-9,030</b>	<b>5,573</b>
Purchase of intangible assets	-629	-2,642
Purchase of tangible assets	-1,497	-1,401
Purchase of securities	-4,164	-1,004
Receipts from the disposal of tangible assets	36	42
Receipts from the disposal of available-for-sale securities	4,595	0
<b>Net cash flow from investment activities</b>	<b>-1,659</b>	<b>-5,005</b>
Raising of current borrowings	1,009	819
Repayment of current borrowings	-1,079	-750
<b>Net cash flow from financing activities</b>	<b>-70</b>	<b>69</b>
<b>Net change in cash and cash equivalents</b>	<b>-10,759</b>	<b>637</b>
<b>Net cash and cash equivalents</b>		
Balance at beginning of the period	24,328	21,432
Change in cash and cash equivalents	-10,759	637
Influence of foreign exchange differences on cash and cash equivalents	0	-9
Balance at end of period as per Balance Sheet <sup>1)</sup>	13,569	22,060

<sup>1)</sup> The available funds include cash on hand and on deposit

▪ **Statement of changes in shareholders' equity**

for the period from 01 October 2006 to 30 June 2008 (IFRS)

in T€	Relating to the equity owned by shareholders of the parent company						Minority interests	Total equity (10)
	Issued Capital	Share premium	Net gain/loss on available-for-sale financial assets	Foreign currency translation	Accumulated result	Profit/loss for the year		
<b>Balance at 01.10.2006</b>	<b>10,156</b>	<b>48,761</b>	<b>64</b>	<b>-48</b>	<b>2,831</b>	<b>61,764</b>	<b>755</b>	<b>62,519</b>
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
<b>Balance at 30.09.2007</b>	<b>10,156</b>	<b>48,761</b>	<b>118</b>	<b>6</b>	<b>-1,681</b>	<b>57,360</b>	<b>559</b>	<b>57,919</b>
Valuation of available-for-sale financial assets	0	0	-232	0	0	-232	0	-232
Foreign currency translation	0	0	0	415	0	415	0	415
Total income/expenses for the year recognised directly in equity	0	0	-232	415	0	183	0	183
Net result for the period	0	0	0	0	-3,321	-3,321	-264	-3,585
Consolidated result for the period	0	0	-232	415	-3,321	-3,138	-264	-3,402
<b>Balance at 30.06.2008</b>	<b>10,156</b>	<b>48,761</b>	<b>-114</b>	<b>421</b>	<b>-5,002</b>	<b>54,222</b>	<b>295</b>	<b>54,517</b>

- **Notes to the consolidated financial statements**

**Notes to the Interim Financial Statements at 30 June 2008 prepared in accordance with International Financial Reporting Standards (IFRS)**

**GENERAL INFORMATION**

**Information on the Company**

SANOCHEMIA Pharmazeutika AG, Vienna, and its subsidiaries are engaged in the production and sale of pharmaceuticals and diagnostics for human medicine and the synthetic production of galantamine, an active pharmaceutical ingredient used in a drug to treat Alzheimer's disease.

The consolidated financial statements of SANOCHEMIA Pharmazeutika AG at 30 June 2008 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 are held by the company's executive officers at 30 June 2008:

	Share holding
Anton Dallos	25,340
Herbert Frantsits	25,170
Maximilian Hudl	11,350
Dr. Werner Frantsits	2,100
Eveline Frantsits	1,350
Dr. Johannes Respondek	2,000
Dr. Heinrich Unger-Krayer	500
Günter Kahler	615

## Accounting and valuation principles

The interim financial statements have generally been prepared according to the same accounting and valuation principles as applied in the last annual consolidated financial statements.

Fluctuations in the regularity of receipts and expenses with concomitant impact on quarterly results are confined to the area of synthesis production.

## NOTES TO THE PROFIT AND LOSS ACCOUNT

### Operating result

#### (1) Sales revenues

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

#### (2) Other operating income

in T€	10/07-06/08	10/06-06/07
Income from the disposal and write-up of tangible and intangible assets	7	42
Reversal of deferred income	1,248	1,196
Forschungsförderungsfond der gewerblichen Wirtschaft	134	219
Personnel costs passed on to third parties	232	197
Income through currency differences	113	121
Other income	796	571
<b>Total</b>	<b>2,530</b>	<b>2,346</b>

#### (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 10/2007 – 06/2008 amount to € -0.33 (10/2006 – 06/2007: € 0.14 per share) arising out of losses in the amount of T€ -3,585 (10/2006 – 06/2007: EPS of T€ 1,464).

## NOTES TO THE BALANCE SHEET

Significant balance sheet items are discussed below.

### Assets

#### (4) Inventory

in T€	30.06.2008	30.09.2007
Merchandise	4,486	3,775
Raw materials, excipients & supplies	1,551	1,365
Unfinished goods	1,754	2,087
Finished goods	955	1,501
Miscellaneous	0	1,025
<b>Total</b>	<b>8,746</b>	<b>9,753</b>

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

in T€	30.06.2008	30.09.2007
Alvetra und Werfft AG	2,309	392
J. Medinger & Söhne KG	1,750	1,411
Anton von Waldheim	1,902	1,201
Comtel Air Luftverkehr GmbH	0	3
<b>Total</b>	<b>5,961</b>	<b>3,007</b>

#### (6) Other Financial receivables

in T€	30.06.2008	30.09.2007
Forex options / forward exchange contracts	6,806	948
Forward contracts	0	15
Interest receivable on securities	160	155
<b>Total</b>	<b>6,966</b>	<b>1,118</b>

#### (7) Other receivables and assets

in T€	30.06.2008	30.09.2007
Receivables due from the financial authorities	414	1,435
Deferred expenses	390	197
Other	230	646
<b>Total</b>	<b>1,034</b>	<b>2,278</b>

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

in T€	30.06.2008	30.09.2007
Forschungsförderungsfonds für die gewerbliche Wirtschaft, Vienna	234	362
Wirtschaftsservice Burgenland AG	0	180
<b>Total</b>	<b>234</b>	<b>542</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.

## **(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€5,790 (previous year T€3,664) 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 (30 June 2008), 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 30 June 2008 and 30 September 2007 respectively:

in T€	30.06.2008	30.09.2007	Interest rate	Maturity
Loans linked to research promotion	183	367	3,63% - 5,5%	2009
Loans linked to ERP funds	5,650	6,300	1% - 1,25%	2009 - 2012
Equity financing	5,390	5,390	2%	31.05.2010
Other bank loans	637	1,467	6,75% - 8,5%	2009 - 2013
<b>Total</b>	<b>11,860</b>	<b>13,524</b>		

The financial liabilities at 30 June 2008 set out above are secured as follows:

in T€	book value 30.06.2008	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	183	367
A liability due to the Republic of Austria	5,390	5,390
A guarantee and payment obligation of Sanochemia Ltd., Malta	1,629	1,300

### (12) Deferred income

An amount of T€ 2,467 (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 current liabilities due to banks in terms of currencies and interest rates at 30 June 2008 and 30 September 2007 respectively:

in T€	30.06.2008	30.09.2007	Interest rate	Maturity
Bank loans and overdrafts	0	6	8% - 10%	on request
Bank loans and overdrafts	2,437	3,440	6% - 7%	on request
Bank loans and overdrafts	6,246	3,899	3,39% - 5,5%	on request
Bank loans and overdrafts	433	0	4%	on request
Research promotion loans	723	900	3,63% - 5,5%	of wich T€ 450 - 30.9.08 T€ 273 - 31.3.09
<b>Total</b>	<b>9,839</b>	<b>8,245</b>		

The financial liabilities set out above are secured as follows:

in T€	book value 30.06.2008	book value 30.09.2007
A guarantee in favour of Österreichische Forschungsförderungsgesellschaft mbH	633	900
A guarantee and payment obligation of Sanochemia Ltd., Malta	220	477

#### (14) Liabilities due to affiliated companies

in T€	30.06.2008	30.09.2007
Medinger GmbH, Wien	0	45
<b>Summe</b>	<b>0</b>	<b>45</b>

#### (15) Liabilities due to affiliated companies

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

#### (16) Other liabilities and accruals

in T€	30.06.2008	30.09.2007
Provisions for employee benefits	310	165
Tax liabilities	170	102
Vacation entitlements	517	377
Special payments	128	458
Other liabilities	269	0
<b>Total</b>	<b>1,394</b>	<b>1,102</b>

## (17) Deferred income

An amount of T€ 1,167 (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.

## OTHER INFORMATION

### Research and development costs

in T€	10/07-06/08	10/06-06/07
Revenues	464	1,000
Changes in inventory	-29	-8
Miscellaneous income	964	1,162
Own work capitalised	689	2,389
Cost of materials	-458	-186
Personnel expenses	-1,097	-1,010
Depreciation of tangible assets and amortisation of intangible assets	-66	-63
Other operating expenses	-2,007	-2,770
<b>Total</b>	<b>-1,540</b>	<b>514</b>

### Cash Flow Statement

The cash flow statements are prepared in accordance with IAS 7 and show changes in the balance sheet position "cash and cash equivalents" over the course of the quarter.

## SEGMENT REPORTING

The Company operates in the following business areas:

- **Human Pharmaceuticals** covers all pharmaceutical activities with the main focus being on the area of imaging with contrast agents for x-ray, CT and in-vitro diagnostics. These products are marketed and sold partly through subsidiaries (SANOCHEMIA Diagnostics) and through cooperation agreements with selected marketing partners.
- **Production** encompasses synthesis (synthetic galantamine, contract synthesis, internal requirements) and pharmaceutical production. This also includes research and development expenditure and income relevant to production.
- **Research and Development** concentrates on identifying and advancing substances for the treatment of central nervous system disorders and on the innovative further development of tried-and-tested substances. This segment is largely responsible for the Company's own research and development activities. Only minimal externally-generated revenues have as yet obtained through contract R&D activities.
- **Reconciliation** is a segment created to record all income, expenses, assets and liabilities which cannot be directly allocated to the segments listed above.

Cost accounting between the segments is calculated using the market rates and conditions applicable to transactions with third parties.

## Divisional results

in T€	Human Pharmazeuticals		Production		R & D		Reconciliation		Total	
	10.07-06.08	10.06-06.07	10.07-06.08	10.06-06.07	10.07-06.08	10.06-06.07	10.07-06.08	10.06-06.07	10.07-06.08	10.06-06.07
Sales revenue - ext.	11,082	9,459	8,928	13,784	464	1,000	0	1	20,474	24,244
Sales revenue - int.	235	205	3,921	4,042	0	0	-4,156	-4,247	0	0
<b>Sales revenue</b>	<b>11,317</b>	<b>9,664</b>	<b>12,849</b>	<b>17,826</b>	<b>464</b>	<b>1,000</b>	<b>-4,156</b>	<b>-4,246</b>	<b>20,474</b>	<b>24,244</b>
<b>Operating performance</b>	<b>12,367</b>	<b>10,209</b>	<b>14,043</b>	<b>19,632</b>	<b>2,088</b>	<b>4,543</b>	<b>-4,812</b>	<b>-4,804</b>	<b>23,686</b>	<b>29,580</b>
<b>Operating result</b>	<b>1,660</b>	<b>793</b>	<b>-807</b>	<b>2,539</b>	<b>-1,540</b>	<b>514</b>	<b>-2,229</b>	<b>-3,475</b>	<b>-2,916</b>	<b>371</b>
<b>Investment</b>	<b>-186</b>	<b>47</b>	<b>1,259</b>	<b>1,085</b>	<b>776</b>	<b>2,508</b>	<b>277</b>	<b>403</b>	<b>2,126</b>	<b>4,043</b>
<b>Depreciation &amp; amortisation</b>	<b>1,304</b>	<b>586</b>	<b>1,920</b>	<b>1,811</b>	<b>66</b>	<b>63</b>	<b>286</b>	<b>224</b>	<b>3,576</b>	<b>2,684</b>
<b>Segments assets</b>	<b>11,676</b>	<b>13,465</b>	<b>25,568</b>	<b>27,361</b>	<b>18,391</b>	<b>20,668</b>	<b>35,552</b>	<b>39,252</b>	<b>91,187</b>	<b>100,746</b>
<b>Segment liabilities</b>	<b>3,241</b>	<b>2,607</b>	<b>4,553</b>	<b>4,534</b>	<b>2,679</b>	<b>1,218</b>	<b>26,197</b>	<b>26,791</b>	<b>36,670</b>	<b>35,150</b>

## **FINANCIAL INSTRUMENTS**

### **Derivative financial instruments**

During the quarter 10/2007 – 06/2008, 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.

**Foreign exchange options**

in T€	30.06.2008	30.09.2007
Other receivables arising out of foreign exchange options	6,806	948
Other liabilities arising out of foreign exchange options	4,718	5,284

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 30 June 2008:

**Foreign exchange options**

in T€	30.06.2008
Expenditure arising out of foreign exchange options	-24,474
Income arising out of foreign exchange options	25,554

**Forward exchange contracts**

in T€	30.06.2008
Loss	-243
Gain	213

**EVENTS AFTER THE BALANCE SHEET DATE**

On 23 July 2008, SANOCHEMIA announced that it had agreed terms with Avigen, Inc. on an amendment to their contract for the North American market. As a result of this, SANOCHEMIA shall receive an amount of up to five million USD, in addition to previously agreed payments, for the development work on a highly pure form of tolperisone for the North American market.

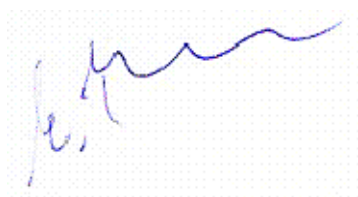
## OTHER INFORMATION

### ▪ Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.”

Vienna, 26 August 2008  
SANOCHEMIA Pharmazeutika AG

The Board of Management



Herbert Frantsits



Anton Dallos



Maximilian Hudl

### ▪ Auditing principles and valuation methods

This interim financial report and statements are based on the same accounting principles and valuation methods applied to the consolidated financial statements of the 2006/07 financial year. This consolidated interim financial report has not been audited.

### ▪ Upcoming financial events

12 November 2008: Analysts' conference at the German Equity Forum  
December 2008: Publication of provisional results for the 2007/08 financial year

### ▪ Investor Relations

Margarita Hoch  
[m.hoch@sanochemia.at](mailto:m.hoch@sanochemia.at)  
Tel.: +43/1/319 14 56 - 335