

## Corporate News

### Information for private and institutional investors

#### Report on Sanochemia's 2007 Annual Shareholders' Meeting:

- Growth in turnover and profitability in all segments
- R&D projects advanced further

*Vienna, 19 March 2007* - The annual shareholders' meeting of Sanochemia Pharmazeutika AG took place on 15 March 2007 in Eisenstadt, Austria. All of the shareholders present and represented approved the proposals put forward by the Board of Management and the Supervisory Board with clear majorities and released both administrative bodies from their collective responsibilities for the financial year 2005/2006. A total of 53 shareholders were present, representing 7,744,341 voting rights, as were numerous guests and journalists. The opportunity was taken to express the shareholders' gratitude to Mr. Wolfgang Stein for his many years of service on the Supervisory Board following his decision to resign from his post for personal reasons with effect from 31.8.2006. The Supervisory Board is now composed of five members under the chairmanship of Dr. Werner Frantsits.

Particular attention was drawn to the Company's sustained profitability and the fact that, for the first time, all of the business segments reported positive results: Production, Human Pharmaceuticals and R&D. The key strategic decisions reached in 2006 were also highlighted. These represent important steps to underpin the company's future products and growth. Never before has Sanochemia achieved so much in a single year: visible progress in all projects and a well-filled R&D pipeline with numerous promising drug candidates, to paraphrase one shareholder present.

The development of the share price was met with mixed sentiments. Although the share price added 30% in the previous financial year, Sanochemia's stock has fallen significantly in value in recent weeks following slumps on the global stock markets.

Further details including the agenda and minutes of the shareholders' meeting and the accompanying presentation may be requested directly from the company or downloaded from the website at

[www.sanochemia.at/Investors/Keyupcomingevents/Annualshareholders'meeting](http://www.sanochemia.at/Investors/Keyupcomingevents/Annualshareholders'meeting).

#### **Highlights 2005/2006 Tolperisone and AlcaSynn**

In his report to shareholders, CEO Dr. Josef Böckmann reviewed the highlights of the past financial year. All in all, it was the most successful year in the company's development – one in which important steps were taken as the precursors for Sanochemia realising its future expansion plans.

The licensing out of tolperisone (muscle relaxant) has secured Sanochemia revenue flows that are expected to last a number of years and generate significant improvements in terms of EBIT margin.

The molecular library secured through the acquisition of a majority stake in AlcaSynn offers numerous opportunities for growth in interesting therapeutic areas such as acute and inflammatory pain and Parkinson's Disease. Through its development of new analgesics, Sanochemia aims to secure an important position in the pain market in the mid-term. The commercial exploitation of its in-house substances is safeguarded by a range of awarded substance and synthesis patents, while the compatibility of its existing production facilities with the new substances is expected to yield a high degree of extra added value.

Sanochemia also continues to generate significant cash flows through the products it has already firmly established in the market, including its high-margin synthesis products with above-average growth potential and its leading x-ray imaging agent, Scanlux, that is expected to experience a marked increase in turnover following a launch in the USA scheduled for 2008.

**Review of 2005/2006: Sales revenues €30.3m, EBIT €2.2m**  
**Q1 2006/2007: Sales revenues +19%, EBIT doubled**

The Chief Financial Officer, Herbert Frantsits, highlighted in his presentation "the first year in which all of Sanochemia's segments reported positive operating results," despite unanticipated costs such as those associated with the acquisition of a 60% stake in AlcaSynn (with an option to acquire a further 20%). The fire at the production facility in Neufeld in February 2006 also had an impact on the year's results given that the damage caused resulted in a loss of synthesis business that was not entirely indemnified by the Company's insurers. Reference was also made to the fact that comparisons with the previous financial period are distorted by the receipt of a significant prepayment for galantamine deliveries in 2004/2005. Despite all of these factors, it still proved possible to record net profits of €3.0m in the 2005/2006 financial year.

The current financial year got off to an excellent start following a 19% rise in sales revenues to €8.5m and a doubling of EBIT to €0.8m.

## **Outlook**

Due to its strategic realignment to become a specialty pharmaceuticals company with a clear focus on the CNS and pain markets and on development and production activities, Sanochemia is now in an excellent position for the years ahead. The robust R&D pipeline with numerous product candidates at various stages of clinical development provides a solid basis for further successful out-licensing deals.

The rapid growth in its selected markets and indications (CNS: +14% and pain: +9%) and the urgent medical need for innovative drugs, combined with lucrative partnerships and cooperations, are predicted to yield Sanochemia above-average returns in the mid-term and beyond.

The new financial year will be notable for the launch of tolperisone in Germany and the rest of Europe accompanied by higher profitability for the Production division as it engages in pipeline filling activities. In addition, Sanochemia also expects to sign further licensing deals for tolperisone in the remaining markets of Europe as well as Latin America and Asia.

The profitability of the company's diagnostics business is predicted to continue improving following higher volumes and the launch of its leading product, Scanlux, in high-margin markets such as the USA.

A further area of intense activity will be the preparations for the analgesic AS006 to enter clinical trials. AS006 is the lead substance of AlcaSynn, and an innovative and extremely potent painkiller devoid of the side effects on the central nervous system associated with conventional opiates.

Additional revenues may result from the out-licensing of further pipeline substances, foremost among which are the projects liposomal galantamine and PVP hypericin, both of which have attracted considerable interest at recent international biotech events.

On the basis of the above, the Board of Management expects 2006/2007 to see high single-digit growth in revenue terms and positive EBIT for the third consecutive year - this despite higher R&D spendings. Sanochemia plans to continue investing heavily in research and development as the key to underpinning its mid- and long-term success.

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