



Report on the First Six Months

2007

## STADA DEVELOPMENT AT A GLANCE

- Strong Group growth continues on broad international basis in the first half of 2007
- Group sales +27%, net income +38%
- International sales increase by +35%
- Outstanding sales growth (+77%) from the STADA sales company ALIUD PHARMA in German generics market in the second quarter
- Russian business is strengthened by the acquisition of the pharmaceutical group MAKIZ in the current third quarter
- For 2007, the twelfth record year in a row for sales and earnings is expected

Key figures for the Group from Jan. 1 – June 30 in € million	2007	2006	± %
Group sales	737.4	580.0	+27%
Sales in core segments, total	697.0	543.8	+28%
• Generics	554.9	414.1 <sup>1)</sup>	+34%
• Branded Products	142.1	129.7 <sup>1)</sup>	+10%
Operating profit	101.6	74.7	+36%
EBITDA (Earnings before interest, taxes, depreciation and amortization)	139.5	103.9	+34%
EBIT (Earnings before interest and taxes)	101.6	74.9	+36%
EBT (Earnings before taxes)	85.5	69.1	+24%
Net income <sup>2)</sup>	58.3	42.2	+38%
Cash flow (gross)	99.0	72.3	+37%
Equity capital (June 30)	887.6	705.9	+26%
Capital expenditure	45.5	37.2	+22%
Depreciation/amortization	37.8	29.0	+30%
Average number of employees (Jan. 1 – June 30)	7,518	3,999	+88%

Key share figures Jan. 1 – June 30	2007	2006	± %
Market capitalization in € million (as of June 30)	2,756.0	1,671.7	+65%
Closing price (XETRA <sup>3)</sup> ) in € (as of June 30)	47.24	31.18	+52%
Average number of shares not including own shares (Jan. 1 – June 30)	58,223,021	53,422,444	+9%
Basic earnings per share in € <sup>3)</sup>	1.00	0.79	+27%
Diluted earnings per share in € <sup>4)</sup>	0.96	0.73	+32%

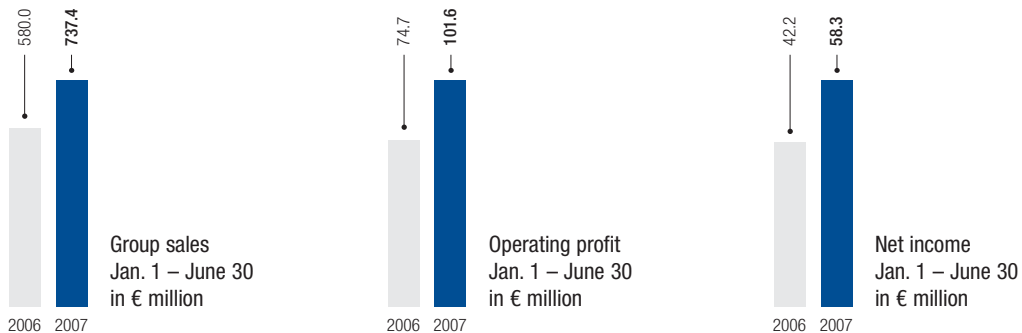
1) Taking effect for the first time in the full fiscal year 2006, the former core segment Specialty Pharmaceuticals, due to its low significance for sales (share of Group sales in 2006: 2%), was allocated to the two other core segments Generics and Branded Products in accordance with the respective market positioning of the individual products; simultaneously, the segment definitions of these primary segments were updated (see STADA Annual Report 2006). In this six month report, all previous year figures for the primary segment reporting have been retrospectively adjusted.

2) Unless otherwise stated, "net income" in this six month report refers to income attributable to the shareholders' stake in STADA Arzneimittel AG, which under IFRS also represents the basis for calculating earnings per share and diluted earnings per share.

3) In accordance with IAS 33.10.

4) In accordance with IAS 33.31.

## MANAGEMENT REPORT



### Continuation of successful development in the first half of 2007

As expected, the STADA Group continued the successful business development in the first half of 2007. Significant increases were again recorded both in sales and net income. For 2007, STADA's Executive Board continues to expect to achieve the twelfth record year in a row in both sales and earnings.

### High increase in Group sales

**Group sales** increased by 27% to € 737.4 million in the first six months of the current fiscal year (first half of 2006: € 580.0 million).<sup>1)</sup> Accordingly adjusted organic sales growth amounted to 12% in the first half of 2007; for this, sales contributions in the amount of € 106.8 million from acquisitions made by the Group during the previous twelve months (Serbian Hemofarm Group as of August 1, 2006) and sales contributions in the first half of the previous year from disposals made during the previous 12 months (including the US subsidiary STADA Inc. as of August 21, 2006 and Defibrotide branded products in Italy as of December 28, 2006) as well as product sales given up (among other things, two Spanish branded products) in the total amount of € 17.5 million were deducted.

The share of the two **core segments**<sup>2)</sup>, Generics and Branded Products, in Group sales totaled 94.5% in the reporting period (first half of 2006: 93.8%<sup>3)</sup>). Sales of the significantly larger core segment, **Generics**, rose by 34% to € 554.9 million in the first half of 2007 (first half of 2006: € 414.1 million<sup>4)</sup>). Thus, Generics contributed 75.2% to Group sales in the first six months of 2007 (first half of 2006: 71.4%<sup>5)</sup>). Sales of the second core segment **Branded Products** increased by 10% to € 142.1 million in the first half of the current fiscal year (first half of 2006: € 129.7 million<sup>6)</sup>). Thus, Branded Products had a share of 19.3% in Group sales in the reporting period (first half of 2006: 22.4%<sup>7)</sup>).

1) Not including initial consolidations made in the current fiscal year since STADA did not make any acquisitions in the first half of 2007.

2) Taking effect for the first time in the full fiscal year 2006, the former core segment Specialty Pharmaceuticals, due to its low significance for sales (share of Group sales in 2006: 2%), was allocated to the two other core segments Generics and Branded Products in accordance with the respective market positioning of the individual products; simultaneously, the segment definitions of these primary segments were updated (see STADA Annual Report 2006). In this half-year report, all previous year figures for the primary segment reporting have been retrospectively adjusted.

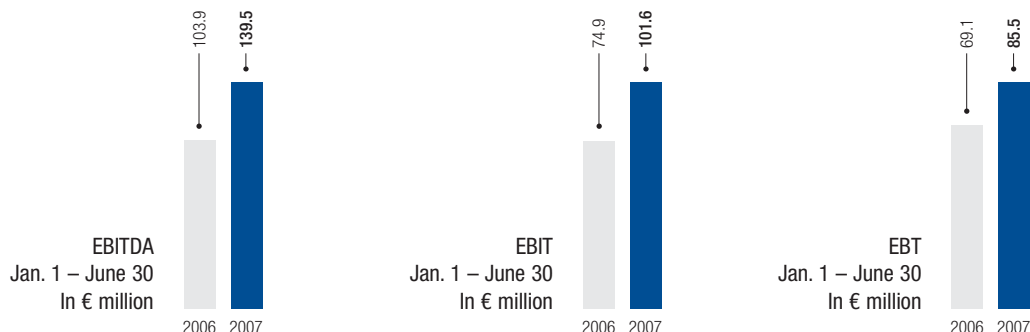
3) Including sales contributions from the former core segment Specialty Pharmaceuticals, which were retrospectively allocated to these two segments.

4) Including sales contributions in the amount of € 10.7 million from the former core segment Specialty Pharmaceuticals, which were retrospectively allocated to these two segments.

5) Including sales contributions from the former core segment Specialty Pharmaceuticals, which were retrospectively allocated to these two segments.

6) Including sales contributions in the amount of € 2.2 million from the former core segment Specialty Pharmaceuticals, which were retrospectively allocated to these two segments.

7) Including sales contributions from the former core segment Specialty Pharmaceuticals, which were retrospectively allocated to these two segments.



Sales from STADA's **international business activities** amounted to 60.5% of Group sales in the first six months of 2007 (first half of 2006: 56.9%). Thus, sales contributions generated outside of Germany again, as expected, rose at a stronger rate in the reporting period as compared to overall sales of the Group. This development continues to confirm the Group's long-term growth-oriented course of internationalization.

#### One-time special effects

No **one-time special effects** occurred in the first quarter of 2007; the second quarter of 2007 and thereby also the first half of 2007 resulted in a net burden due to one-time special effects in the amount of € 2.6 million before taxes. Burdening factors in this context were € 2.3 million in connection with not realized acquisition projects and an expected total of approx. € 0.8 million for the adjustment of the sales force structure in the generics sector (see "Regional development in the STADA Group – Germany"). Additional burdening factors, totaling € 1.8 million, were one-time special effects for projects for optimizing Group logistics, especially also in connection with the introduction of SAP software for central Group structures, which was carried out on July 1, 2007. Positive one-time special effects in the amount of € 2.3 million were achieved through the sale of a subsidiary from the Serbian Hemofarm Group (see "Regional development in the STADA Group – Serbia"). The one-time special effects of the first six months of 2006 had resulted at the time in a net burden in the total amount of € 11.9 million before taxes.<sup>1)</sup>

Subsequently, the Group's key earning figures and the year-on-year comparison are disclosed both unadjusted and adjusted for these one-time special effects.

#### Clear increase in net income

**Net income** was increased by 38% to € 58.3 million in the first half of 2007 (first half of 2006: € 42.2 million), **net income adjusted** for one-time special effects by 16% to € 59.2 million (first half of 2006: € 50.8 million). **Earnings per share** amounted to € 1.00 in the first six months of the current fiscal year (first half of 2006: € 0.79), **adjusted earnings per share** were € 1.02 (first half of 2006: € 0.95). Here, it must be taken into consideration that the average number of STADA shares increased by 9% as compared to the first half of 2006 due to the exercise of options since then. **Diluted earnings per share**<sup>2)</sup> amounted to € 0.96 in the first half of 2007 (first half of 2006: € 0.73), **adjusted diluted earnings per share** were € 0.97 (first half of 2006: € 0.88).

The other key earnings figures also showed clear growth in the reporting period. **Operating profit** rose by 36% to € 101.6 million in the first half of 2007 (first half of 2006: € 74.7 million), **adjusted operating profit** went up by 20% to € 104.2 million (first half of 2006: € 86.6 million). **Earnings before taxes (EBT)** recorded growth by 24% to € 85.5 million in the first six months of the current fiscal year (first half of 2006: € 69.1 million), **adjusted earnings before taxes** grew by 9% to € 88.1 million (first half of 2006: € 81.0 million). **Earnings before interest and taxes (EBIT)** rose by 36% to € 101.6 million in the first half of 2007 (first half of 2006: € 74.9 million), **adjusted earnings before interest and taxes** rose by 20% to

1) Thereof, € 10.0 million related to unscheduled depreciation and € 1.9 million to compensation payments.

2) In accordance with IAS 33.31.

€ 104.2 million (first half of 2006: € 86.8 million). **Earnings before interest, taxes, depreciation and amortization (EBITDA)** increased by 34% to € 139.5 million in the first six months of 2007 (first half of 2006: € 103.9 million), **adjusted earnings before interest, taxes, depreciation and amortization** increased by 34% to € 142.1 million (first half of 2006: € 105.8 million).

The sales-related **operating profit margin** was 13.8% in the first half of 2007 (first half of 2006: 12.9%), the **adjusted operating profit margin** amounted to 14.1% (first half of 2006: 14.9%). The other sales-related profit margins in the reporting period were as follows: **EBITDA margin** 18.9% (first half of 2006: 17.9%), **adjusted EBITDA margin** 19.3% (first half of 2006: 18.2%), **EBIT margin** 13.8% (first half of 2006: 12.9%), **adjusted EBIT margin** 14.1% (first half of 2006: 15.0%), **EBT margin** 11.6% (first half of 2006: 11.9%), **adjusted EBT margin** 12.0% (first half of 2006: 14.0%), **net profit margin** 7.9% (first half of 2006: 7.3%), **adjusted net profit margin** 8.0% (first half of 2006: 8.8%).

**Operating profit in the Generics segment** grew by 64% to € 100.5 million in the first half of 2007 (first half of 2006: € 61.3 million, thereof, a € 2.5 million profit contribution resulted from the former Specialty Pharmaceuticals segment). **Operating profit in the Branded Products segment** went up by 3% to € 24.2 million in the reporting period (first half of 2006: € 23.6 million, thereof, a € 0.2 million profit contribution resulted from the former Specialty Pharmaceuticals segment).

Thus, the **operating profit margin of Generics** was 18.1% in the first six months of 2007 (first half of 2006: 14.8%). The **operating profit margin of Branded Products** was 17.1% in the first half of 2007 (first half of 2006: 18.2%).

#### Regional development in the STADA Group

In **Germany**, which continues to be STADA's biggest national market, Group sales recorded clear growth of 16% to € 291.0 million in the first half of the current fiscal year (first half of 2006: € 250.1 million). However, as expected, the share of the German business activities in Group sales – due to STADA's increasing internationalization – decreased from 43.1% in the first half of 2006 to the current 39.5% in the first half of 2007 since the international business grew stronger.

Here, the growth driver in Germany was the strong increase of the Group's German generics business, which went up by 23% to € 236.9 million in the first half of 2007 (first half of 2006: € 193.2 million). Sales in Germany in the Branded Products segment slightly declined by 4% to € 52.2 million in the first six months of the current fiscal year (first half of 2006: € 54.3 million).

In the Generics segment, the Group's two large generics sales lines reported growth in the first half of 2007. At the traditional generics sales line STADapharm, which continues to place its focus on a strongly service-oriented concept of support for doctors with a country-wide sales force, sales, at € 127.9 million in the first half of 2007 (first half of 2006: € 120.6 million), were 6% above the level of the previous year. STADA's second German generics sales line ALIUD PHARMA, which operates in the market without a sales force, based on mailing concepts and which thus, due to low-price cost structures, is able to pursue more price-aggressive sales strategies, reported an outstanding sales increase, far exceeding the forecast<sup>1)</sup>, of 77% to € 56.6 million in the second quarter of 2007 (second quarter of 2006: € 31.9 million), thereby achieving in the first half of the current fiscal year, with sales of € 96.5 million (first half of 2006: € 60.7 million), growth of 59%.

This sales growth was achieved against the backdrop of a German generics market, which – after strong price reductions by numerous generics suppliers<sup>2)</sup> in the previous year – declined by 11%<sup>3)</sup> in the first half of 2007. According to data provided by IMS Health, a worldwide leading pharmaceutical market research institute, the STADA Group was thus able to

1) See the company's ad hoc release of July 2, 2007.  
2) In 2006, in the course of the implementation of the AWWG, which took effect on May 1, 2006, STADA's generics sales companies had also carried out comprehensive price reductions, in parti-

cular as of July 1, 2006; simultaneously, the ban on the granting of discounts to distribution channels, which was introduced by the AWWG, is, however, beneficial.  
3) Data from IMS Health at ex-factory prices.

clearly increase its overall market share in the German generics market to 10.8%<sup>1)</sup> in the first half of 2007 (first half of 2006: 9.2%).

With a market share of 5.8%<sup>1)</sup> in the first half of 2007 (5.9% in the first half of 2006), STADApHarm continues to occupy position 3 in the German generics market. ALIUD PHARMA, with a market share of 4.2%<sup>1)</sup> in the first half of 2007 (first half of 2006: 2.6%), for the first time in a six-month period, occupies position 4 in the German generics market.

From the STADA Executive Board's perspective, the primary reason for ALIUD PHARMA's strong development in sales and market share is the high number of discount agreements concluded with health insurance organizations, which are now increasingly taking effect under the conditions of the GKV-WSG<sup>2)</sup>, which has been effective since April 1, 2007. As of August 1, 2007, the number of discount agreements concluded by ALIUD PHARMA amounted to 58 with a total of approx. 41.8 million persons insured. In the short term, these discount agreements clearly effect sales and the number of units sold; taken alone, the market share of ALIUD PHARMA even reached 4.6%<sup>1)</sup> in the second quarter of 2007 (second quarter of 2006: 2.8%). STADApHarm in contrast, which due to its concept concluded only 17 discount agreements with a total of approx. 13.3 million persons insured so far, recorded a moderate decrease of its market share in the second quarter of 2007 to now 5.5%<sup>1)</sup> (second quarter of 2006: 6.3%).

Overall, the effects of such discount contracts, but also the complex consequences of all other GKV-WSG regulations for the German generics market will not depend on the short-term but more significantly on the medium and long-term reactions of all market participants. Thereby, in view of the doctors' legal possibility to exclude each prescription individually from the discount agreement regulations, it will be of significant importance in how far doctors, pharmacists and patients in terms of product choice and product acceptance, not only in the current initial phase of the GKV-WSG, but also in the long term, will comply with the discount agreements and how much lasting purchase power the discount agreements will thus have in the German generics market.

Against this backdrop, STADA will, in view of the market and competition, continue to consistently examine and, if necessary, also adjust at short notice the Group's operative alignment – with regard to securing profitability as well. Significant personnel cuts in sales could not be avoided at the German generics sales companies if the demand for the Group's generics was, in the long term, generated to a significant degree via discount agreements and thus clearly lower than previously via communication measures at doctors' offices. Since the beginning of the current third quarter, STADApHarm, against this backdrop, has already reduced the plan sales force by more than 20%. This was done both in the scope of normal fluctuation and also by means of severance payments, which were associated with one-time costs in the expected total amount of approx. € 0.8 million.

Overall, from today's perspective STADA continues to assume that, also against the backdrop of the GKV-WSG, the Group's sustained growth course can be continued – also due to the consistently pursued internationalization and the associated broader risk spreading.

In **Serbia**, STADA's second largest national market after the acquisition of the Serbian Hemofarm Group in the third quarter of 2006<sup>3)</sup>, the Group recorded sales in the amount of RSD 5,241.9 million<sup>4)</sup> or € 65.7 million in the first half of 2007. Hemofarm thus remains the clear market leader in the overall Serbian pharmaceutical market.

In the scope of the planned concentration on the core business, Hemofarm sold its subsidiary Multivita d.o.o.<sup>5)</sup>, which is active in the area of nutritional supplements, in the second quarter of 2007 for a price of approx. € 6.0 million and with a book profit in the amount of approx. € 2.3 million.

1) Data from IMS Health at ex-factory prices.

2) Act for strengthening competition in public health insurance.

3) Comprehensive information on the acquisition of the Hemofarm Group can be found in the STADA Annual Report 2006, which is also published on the company's website at [www.stada.de](http://www.stada.de) and [www.stada.com](http://www.stada.com).

4) In the first half of 2006, Hemofarm in Serbia achieved, under its former owners and adjusted for disposals carried out since then, sales in the amount of RSD 4,668.7 million.

5) Up to the date of sale at the end of May 2007, Multivita sales in the total amount of € 2.0 million, thereof approx. € 1.8 million in Serbia, were generated within the STADA Group in fiscal year 2007.

After the successful integration of all the Hemofarm Group's essential administrative functions, the focus of operating integration is now placed on transfer processes of production and development activities, which have so far been awarded to external third parties, into existing Hemofarm units. In particular in 2008 and 2009, this should lead to further cost optimizations. Within the first three full fiscal years after the acquisition, the Group continues to expect a positive profit contribution in a clear double-digit euro million amount before taxes due to the integration of the Hemofarm Group.

In **Belgium**, sales rose to € 56.5 million in the first half of 2007 (first half of 2006: € 50.8 million). Against the backdrop of temporarily diminishing sales in the first quarter of 2007 – caused, still in the fourth quarter of 2006, by stockpiling activities on the part of the pharmacy and wholesaler distribution channels in the scope of the change of local sales concepts – sales growth in Belgium thus amounted to 11% in the first half of 2007.

In **Russia**, STADA was able to increase the Group's local sales – also due to the inclusion of the Hemofarm Group's Russian sales line and regardless of a high level in the previous year<sup>1)</sup> – by 36% to € 49.3 million in the first half of 2007 (first half of 2006: € 36.3 million).

STADA considers Russia an important growth market and therefore expanded its local Group presence by means of an additional acquisition in the current third quarter. On August 3, 2007, STADA acquired the Russian pharmaceutical group MAKIZ via a contract<sup>2/3)</sup>, which was concluded by STADA's Russian subsidiary Nizhpharm OAO, Nizhny Novgorod. The staggered purchase price, which partly depends on the results of fiscal year 2007, is expected to amount to a total of approx. € 125 million less net debt of the Group at closing, but will be € 135 million at maximum. The agreement will take effect subject to the contract implementation provisions.

In 2006, the MAKIZ group was one of the fastest-growing suppliers in the Russian pharmaceutical market. With a growth rate of +95% in local currency or in Euro of +102% compared to the previous year, the Group achieved annual sales of a total of RUB 1,756.4 million or € 51.5 million in 2006; after tax profits increased to RUB 241.9 million (+98% compared to the previous year) or € 7.1 million (+104% compared to the previous year) according to IFRS audited report 2006. For 2007, a further slight sales growth of the MAKIZ group is expected – despite current significant changes in the market and customer structure.

The product portfolio of the MAKIZ group currently consists of over 50 products with off-patent active ingredients, approx. one half of which are positioned as generics and half as branded products. With a share of 95% prescription products, the focus of the portfolio is on the indication areas cardiovascular diseases, central nervous system, tuberculosis and urology. The Group has strong positions with products in both, government programs as well as in segments of the Russian pharmaceutical market, where patients have to pay themselves.

The MAKIZ group currently has more than 600 employees, of these approx. one-third work in marketing and sales. The Group's sales force covers all the important Russian centers with approx. 130 employees. The two production locations of the MAKIZ group in Moscow and in the area of Ryazan produce the company's own products in addition to external products in contract manufacturing. Over 40 projects are currently being followed in the product development of the MAKIZ group; more than 30 products are currently in the regulatory drug approval process for the Russian market.

1) The biggest local Nizhpharm product Chondroside has, as is known, no longer been part of the Russian reimbursement program since June 1, 2006; in the first half of 2006, sales of approx. € 5.9 million were still achieved for this product in the scope of this program.

2) See the company's ad hoc release of August 3, 2007.

3) The acquisition of MAKIZ is carried out via the purchase of respectively 100% of the shares in the companies ZAO MAKIZ-Pharma, ZAO Skopinpharm and ZAO Biodyne Pharmaceuticals. The sellers are several private investor companies.

STADA is strengthening the Group's activities in the important Russian growth market through the acquisition of the MAKIZ group. At the same time, the STADA Group also gains access to further low-cost production units and development centers in this region. The MAKIZ group shall be quickly integrated into the Group structures of STADA under the direction of the existing management after completion of the contract implementation provisions that are expected at the latest in the fourth quarter 2007. The company will continue to operate independently in the market.

In **Italy**, STADA achieved, with 5%, a slight sales plus to € 52.1 million in the first six months of the current fiscal year (first half of 2006: € 49.7 million). Adjusted for the Defibrotide brand products sold at the beginning of the year, sales in Italy increased by 7%.

In **France**, STADA was able to increase sales by 14% to € 36.8 million in the first half of 2007 (first half of 2006: € 32.4 million). After comprehensive stockpiling activities on the part of the pharmacy and wholesaler distribution channels, which were carried out at the end of 2006 – in advance of regulatory restrictions for the granting of discounts – had been temporarily noticeable as a diminishing effect for the development of sales in the first quarter of 2007, the French STADA subsidiary recorded again a very pleasing development in the second quarter of 2007.

In **Spain**, sales in the first six months of the current fiscal year grew despite significant price reductions due to regulatory measures in the local generics market as of March 1, 2007, by 8% to € 33.8 million (first half of 2006: € 31.4 million). Here, it must still be taken into account that the sales licenses for two local branded products with an annual sales volume of € 2.3 million expired at the end of 2006. Adjusted for this sales disposal, sales of STADA's Spanish business grew by 12% in the first half of 2007.

Other European STADA sales companies also reported pleasing sales growth in the reporting period: Growth in the double-digit percentage range was thereby achieved in the **United Kingdom** (+20%), in **Ireland** (+11%), in **Austria** (+35%), and in **Portugal** (+32%).

In the **Asian countries**, sales generated by STADA decreased by 17% to € 21.4 million during the first six months of 2007 (first half of 2006: € 26.0 million). It must still be taken into account here that STADA had achieved exceptionally high sales in Vietnam in fiscal year 2006 – due to a one-time tender business in the first six months of 2006.

In the first half of 2007 the Group generated **export sales** in 39 countries, achieving, with an increase of 169%, sales in the total amount of € 24.0 million<sup>1)</sup> (first half of 2006: € 9.0 million).

#### Continuous product launches through well-filled product pipeline

Research and development costs amounted to € 17.9 million in the reporting period (first half of 2006: € 15.5 million). In the first half of 2007, STADA's comprehensive development and approval activities led to the launch of 192 new products on the basis of individual approvals (first half of 2006: 176 product launches). Also for future launches, STADA's product pipeline is well-filled with a focus on the Generics segment.

In addition, via BIOCEUTICALS Arzneimittel AG, a company initiated by STADA and predominantly financed via venture capital, STADA also continues to pursue the development of two biosimilar products.

For Erythropoietin-zeta (Epo-zeta)<sup>2)3)</sup>, based on information and interim reports provided by the responsible EU approval agency EMEA in the course of the regulatory drug approval process, which has been going on since June 30, 2006, STADA

1) This includes export sales from the USA in the amount of € 4.3 million and from Switzerland in the amount of € 2.4 million. In the first half of 2006, in these two countries local sales in the amount of € 13.2 million in the USA and in the amount of € 4.2 million in Switzerland were achieved which – since they were mostly generated via own sales companies at the time – were not reported under export sales in 2006.

2) Erythropoietin is used, among other things, for dialysis patients to stimulate hematopoiesis as well as in cancer therapy.

3) For Epo-zeta, as is known, comprehensive international distribution rights were transferred to the clinic specialist Hospira in November 2006 (see ad hoc release of November 20, 2006 – also published on the company's website at [www.stada.de](http://www.stada.de) and [www.stada.com](http://www.stada.com)).

and BIOCEUTICALS continue to assume that there is a chance to obtain an approval for the indication "dialysis" by the end of the current fiscal year 2007. For the indication "oncology", BIOCEUTICALS is currently carrying out complimentary studies, and for this also continues to strive for an EMEA approval for Epo-zeta in the foreseeable future. After the so-called Assessment Report, which was set up by the EMEA in the scope of the approval process for Epo-zeta, was answered in due time by BIOCEUTICALS in the second quarter of 2007, the next step, which is outstanding, is the response to further questions from EMEA which, as expected, they had posed by EMEA in the current approval process.

For the second biosimilar project Filgrastim<sup>1)</sup>, first clinical studies, as is known, have been going on since the second quarter of 2007.

#### Financial position and cash flow

In the STADA Executive Board's view, the STADA Group's financial position continues to be healthy and stable.

Thus, as of June 30, 2007 the equity-to-assets ratio amounted to 39.6% (December 31, 2006: 40.1%). Net debt was € 848.9 million on this date (December 31, 2006: € 773.0 million). Also after the acquisition of the MAKIZ group, STADA expects an equity-to-assets ratio of clearly above 30% for the end of the current third quarter.

In the first half of 2007, due to the improved earnings situation and higher depreciation and amortization as compared to the first half of the previous year, gross cash flow increased to € 99.0 million (first half of 2006: € 72.3 million). The unadjusted operating cash flow was € 4.3 million in the first half of 2007 (first half of 2006: € -1.3 million); adjusted for special effects from payments made or still outstanding from acquisitions and disposals, the operating cash flow reached € 29.3 million in the first half of 2007 (first half of 2006: € 37.6 million).

#### Continuation of active acquisition policy

Also after the current acquisition in the ongoing third quarter, STADA will continue its active acquisition policy to further accelerate Group growth. In this context, growth opportunities lie on the one hand in the further expansion of the international sales structure, particularly in the East-European markets. On the other hand, economy of scale effects in connection with acquisitions can open up additional sales and earnings potential, for example through the acquisition of suitable products or companies. Furthermore, from the Executive Board's perspective, the growing size of the company also makes acquisitions or closer cooperations for vertical integration thinkable, in the area of the production of active ingredients for example. To create a sufficient financial framework, appropriate capital measures continue to be imaginable for corresponding acquisition projects.

#### STADA share

On June 30, 2007, the price of STADA's registered common share was € 47.24, whereas it had still been listed at € 43.45 on December 31, 2006. In the current third quarter the STADA share price reached a new all-time high of € 51.13 on July 19, 2007.

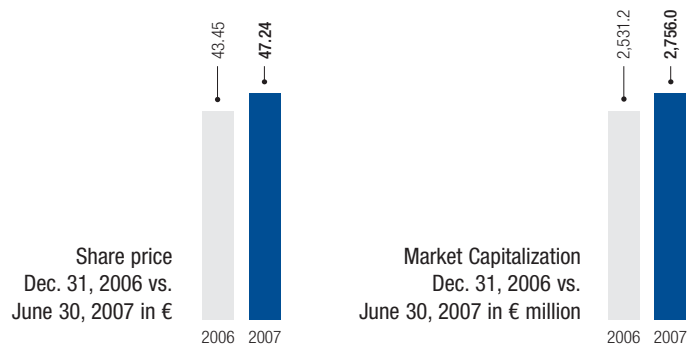
As of June 30, 2007, share capital of the STADA Arzneimittel AG consisted of 58,340,680 restricted<sup>2)</sup> registered common shares, each with an arithmetical share in share capital of € 2.60 (December 31, 2006: 58,256,400 registered common shares). As of June 30, 2007, the number of shares was increased by 84,280 shares to 58,340,680 shares and share capital by approx. 0.14% to € 151,685,768. This increase is entirely due to the exercise of 4,214 options from STADA warrants 2000/2015<sup>3)</sup>. Thus, as of June 30, 2007, 202,477 warrants 2000/2015 for the subscription of 4,049,540 STADA registered common shares were still outstanding.

1) Filgrastim is used, among other things, in the treatment of a neutropenia, for example following cytotoxic chemotherapy and bone marrow transplants.

2) Under the company's statutes, STADA's restricted registered common shares can only be transferred in the share register with the consent of the company and, pursuant to the statutes, grant one vote each in the Shareholders' Meeting. Shareholders are exclusively persons who are

listed in the share register as such, and only such persons are entitled to participate in the company's Annual Shareholders' Meeting and to exercise their voting rights.

3) The legally binding option terms and conditions are published on the company website under [www.stada.de](http://www.stada.de) and [www.stada.com](http://www.stada.com).



STADA's market capitalization grew – in particular due to the increase of the share price – to € 2.756 billion at the end of the first half of 2007. As of December 31, 2006 STADA's enterprise value had still amounted to € 2.531 billion.

In the first six months of the current fiscal year, STADA did not purchase any of its own shares and sold 1,550 of its own shares at an average price of € 41.18. As of June 30, 2007, 115,796 of its own shares were thereby held by STADA, compared to 117,346 shares which the company had held as of December 31, 2006. Taking into account these non-voting own shares, 58,224,884 STADA common shares were thus entitled to vote as of June 30, 2007.

In the current second quarter of 2007, Deutsche Bank AG announced, for its subsidiary, DWS Investment GmbH, Frankfurt am Main, Germany, that it had exceeded the legal reporting threshold of 3% of shareholdings. In accordance with legal provisions, UBS AG, Zurich, Switzerland, had also made announcements regarding the threshold of 3% of shareholdings in STADA in the second quarter of 2007; accordingly, in the reporting period this threshold was twice first exceeded before again falling below. In addition, Morgan Stanley, The Corporation Trust Company, Wilmington, USA, announced in the second quarter of 2007, for its subsidiary, Morgan Stanley & Co. International Plc, London, United Kingdom, that the legal reporting threshold of 5% had first been exceeded and then falling below. Thus, at the end of the second quarter STADA held respectively one announcement by DWS and Morgan Stanley on shareholdings of over 3%. The free float of STADA Arzneimittel AG, in accordance with the regulations of the Deutsche Börse AG, thus remains unchanged at 100%.

STADA's Annual Shareholders' Meeting this year on June 20, 2007<sup>1)</sup> was characterized by high approval rates in voting during this meeting. Thereby, among other things, the authorization for the purchase and sale of own shares was renewed. The dividend for the fiscal year 2006 amounts, in accordance with the Annual Shareholders' Meeting's decision, to € 0.62 per common share (previous year: € 0.39) and was paid on June 21, 2007. Total dividend payments in this context, amounting to € 36.0 million, correspond to approx. 39% of net income in fiscal year 2006.

#### Positive outlook

The Executive Board continues to consider the STADA Group's future business development positive.

As compared to the overall assessment of business risks presented in the Annual Report 2006<sup>2)</sup> in the Risk Report, at this point of time, in the Executive Board's view, no significant changes beyond the developments presented in this half-year report have occurred. Accordingly, the Executive Board continues to assume, among other things, that significant regulatory measures and intensive competition, in particular also price wars, will always occur in individual national markets in which the STADA Group is active.

1) The wording of the decisions of the Annual Shareholders' Meeting of June 20, 2007 as well as all voting results are published on the company's website at [www.stada.de](http://www.stada.de) and [www.stada.com](http://www.stada.com) until the end of the current fiscal year.

2) Published on the company website at [www.stada.de](http://www.stada.de) and [www.stada.com](http://www.stada.com).

In view of the strategic positioning and the numerous operative strengths – which are comprehensively presented in the Annual Report 2006 and also in the Prognosis Report contained therein – the Executive Board, however, also continues to assume that STADA's business model will remain sustainable and viable for the future. Thus, growth and value enhancement continue to be goals for the Group which, also in the years to come, STADA will be able to achieve on its own. For 2007, the Executive Board continues to expect to achieve the twelfth record year in a row in both sales and earnings.

### 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.

H. Retzlaff

W. Jeblonski

Dr. A. Oehmichen

C. Schumann

Dr. H.-M. Schwarm

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**Members of the Executive Board:** Hartmut Retzlaff (Chairman), Wolfgang Jeblonski, Dr. Alexander Oehmichen, Christof Schumann, Dr. Hans-Martin Schwarm

**Members of the Supervisory Board:** Dr. med. Eckhard Brüggemann (Chairman), Karl Hertle<sup>1)</sup> (Vice Chairman), Dr. Martin Abend, Heike Ebert<sup>1)</sup>, Uwe E. Flach, Dr. K. F. Arnold Hertzsch, Dieter Koch, Constantin Meyer, Adolf Zissel<sup>1)</sup>

Forward-looking statements: This six months report of STADA Arzneimittel AG contains certain statements regarding future events (as understood in the U.S. Private Securities Litigation Reform Act of 1995) that express the beliefs and expectations of management. Such statements are based on current expectations, estimates and forecasts on the part of company management and imply various known and unknown risks and uncertainties, which may result in actual earnings, the financial situation, growth or performance to be materially different from the estimates expressed or implied in the forward-looking statements. Statements with respect to the future are characterized by the use of words such as "expect", "intend", "plan", "anticipate", "believe", "estimate" and similar terms. STADA is of the opinion that the expectations reflected in forward-looking statements are appropriate; however, it cannot guarantee that these expectations will actually materialize. Risk factors include in particular: The influence of regulation of the pharmaceutical industry; the difficulty in making predictions concerning approvals by the regulatory authorities and other supervisory agencies; the regulatory environment and changes in the health-care policy and in the health care system of various countries; acceptance of and demand for new drugs and new therapies; the influence of competitive products and prices; the availability and costs of the active ingredients used in the production of pharmaceutical products; uncertainty concerning market acceptance when innovative products are introduced, presently being sold or under development; the effect of changes in the customer structure; dependence on strategic alliances; exchange rate and interest rate fluctuations, operating results, as well as other factors detailed in the annual reports and in other Company statements. STADA Arzneimittel AG does not assume any obligation to update these forward-looking statements or adapt them to future events and developments.

Rounding: The key performance indicators presented in this six months report are occasionally stated in euro millions, while in the interim financial statements presented at the end of this report the same figures are generally stated more precisely in euro thousands. Thus, some rounding differences may occur, although they are not material by their nature.

This six months report is published in German (original version) and English (non-binding translation) and is subject to German law.

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Always up-to-date – STADA on the Internet: [www.stada.com](http://www.stada.com)

1) Employee representatives.

# CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST SIX MONTHS OF 2007 (CONDENSED)

10

## Consolidated Income Statement

in € 000s	H1 2007	H1 2006	Q2 2007	Q2 2006
01. Sales	737,426	579,986	377,338	280,359
02. Cost of sales	377,443	293,782	196,197	141,071
<b>03. Gross profit</b>	<b>359,983</b>	<b>286,204</b>	<b>181,141</b>	<b>139,288</b>
04. Other operating income	18,657	10,503	10,922	5,490
05. Selling expenses	172,772	145,668	84,901	73,389
06. General and administrative expenses	58,624	39,694	29,561	19,503
07. Research and development expenses	17,856	15,529	9,076	7,638
08. Other operating expenses	27,762	21,140	15,888	7,817
<b>09. Operating profit</b>	<b>101,626</b>	<b>74,676</b>	<b>52,637</b>	<b>36,431</b>
10. Investment income		250		198
11. Interest result	-16,108	-5,834	-7,748	-3,168
<b>12. Financial result</b>	<b>-16,108</b>	<b>-5,584</b>	<b>-7,748</b>	<b>-2,970</b>
<b>13. Earnings before taxes</b>	<b>85,518</b>	<b>69,092</b>	<b>44,889</b>	<b>33,461</b>
14. Taxes on income	26,366	26,774	13,058	13,391
<b>15. Net income<sup>1)</sup></b>	<b>59,152</b>	<b>42,318</b>	<b>31,831</b>	<b>20,070</b>
<i>thereof</i>				
• net income distributable to shareholders of STADA Arzneimittel AG	58,296	42,230	31,413	20,166
• net income relating to minority interests	856	88	418	-96
16. Earnings per share in € (in accordance with IAS 33.10)	1.00	0.79	0.54	0.38
17. Earnings per share in € (diluted) (in accordance with IAS 33.31)	0.96	0.73	0.52	0.35

1) Unless otherwise stated, "net income" in this six month report refers to income attributable to the shareholders' stake in STADA Arzneimittel AG, which under IFRS also represents the basis for calculating earnings per share and diluted earnings per share.

## Consolidated Balance Sheet

Assets € 000s	June 30, 2007	Dec. 31, 2006
<b>A. Non-current assets</b>	<b>1,323,685</b>	<b>1,294,672</b>
1. Intangible assets	944,681	944,675
2. Property, plant and equipment	263,091	260,351
3. Financial assets	46,935	39,027
4. Non-current trade accounts receivable	922	1,002
5. Other non-current assets	51,622	36,214
6. Deferred tax assets	16,434	13,403
<b>B. Current assets</b>	<b>918,007</b>	<b>855,551</b>
1. Inventories	318,929	295,610
2. Current trade accounts receivable	419,583	355,063
3. Other current assets	73,363	75,416
4. Current securities	32	33
5. Cash and cash equivalents	106,100	129,429
<b>Total assets</b>	<b>2,241,692</b>	<b>2,150,223</b>
<b>Equity and Liabilities</b>		
<b>A. Shareholders' equity</b>	<b>887,614</b>	<b>863,086</b>
1. Share capital	151,686	151,467
2. Reserves and unappropriated retained earnings	716,530	691,960
3. Minority interests	19,398	19,659
<b>B. Non-current liabilities and provisions</b>	<b>726,305</b>	<b>795,038</b>
1. Non-current provisions	33,235	28,230
2. Non-current financial liabilities	622,586	701,345
3. Non-current trade accounts payable	1,488	1,088
4. Other non-current liabilities	2,944	3,133
5. Deferred tax liabilities	66,052	61,242
<b>C. Current liabilities and provisions</b>	<b>627,773</b>	<b>492,099</b>
1. Current provisions	8,381	6,787
2. Current financial liabilities	332,417	201,157
3. Current trade accounts payable	163,505	156,850
4. Other current liabilities	123,470	127,305
<b>Total equity and liabilities</b>	<b>2,241,692</b>	<b>2,150,223</b>

## Consolidated Cash Flow Statement

in € 000s (excerpt)	H1 2007	H1 2006
Cash flow (gross)	98,978	72,252
Cash from operating activities	4,269	-1,312
Cash from investing activities	-45,475	-37,197
Cash from financing activities	17,842	39,634
Other changes in shareholders' equity / currency translation	35	-2,778
Net cash for the period	-23,329	-1,653

## Statement of Recognized Income and Expenses

in € 000s	H1 2007	H1 2006
Currency translation differences	1,859	-268
Cash flow hedges	342	-
Actuarial gains (+) and losses (-) from provisions for pensions (based on internal estimates for the current fiscal year)	-1,510	-360
Deferred taxes	467	144
<b>Income and expenses recognized directly in shareholders' equity</b>	<b>1,158</b>	<b>-484</b>
Net income	59,152	42,318
<i>thereof</i>		
• net income distributable to shareholders of STADA Arzneimittel AG	58,296	42,230
• net income relating to minority interests	856	88
<b>Total of all recognized income and expenses</b>	<b>60,310</b>	<b>41,834</b>

## Appendix

### 1. General

#### 1.1. Accounting policies

The half-year report as of June 30, 2007 is prepared in accordance with the International Financial Reporting Standards (IFRS).

In the half-year report, the same accounting policies were applied as in the consolidated financial statements for the fiscal year 2006. For further information, you are referred to the Group's consolidated financial statements as of December 31, 2006, which was the basis for this half-year report. In accordance with IAS 34, a condensed scope of reporting as compared to the financial statements was selected for the presentation of the consolidated financial statements of STADA Arzneimittel AG as per June 30, 2007.

For provisions for pensions, the same interest rates and remuneration assumptions as on December 31, 2006 were used. As opposed to previous accounting periods, STADA decided, as of fiscal year 2007, to disclose interest expenses of the current period, which incur in the evaluation of provisions for pensions, in the financial result. This corresponds to common practices as well as the general principles of the IFRS.

The condensed financial statements and the interim management report, which are published in this report, were not subject to a voluntary audit in accordance with § 37w of the German Securities Trading Act (WpHG) in connection with § 317 of the German Commercial Code (HGB).

#### 1.2. Scope of consolidation

The consolidated financial statements of STADA have been prepared for STADA Arzneimittel AG as parent company. As of the balance sheet date on June 30, 2007, 58 companies are consolidated fully and 3 on a pro rata basis; this results in the following changes as compared to the balance sheet date on December 31, 2006: deconsolidated were Multivita d.o.o. (disposal) and Panfarma d.o.o. (liquidation).

### 2. Consolidated Income Statement: Summary

#### 2.1. Sales

Sales are recorded in this half-year report in accordance with the principle of revenue recognition: Revenues from the sale of products, goods and services are recognized when goods have been delivered and/or services rendered and both risk and title have passed to the buyer.

## 2.2. Research and development expenses

In the case of research and development expenses, it must be considered that it is only a matter of development expenses because STADA, due to its business model, does not carry out any research into new active pharmaceutical ingredients.

## 2.3. Taxes on income

Taxes on income are recognized in each reporting period based on the best estimate of the weighted average annual income tax rate expected for the full year. This tax rate is applied to the earnings before taxes of the Group's consolidated financial statements for the first half of 2007.

## 3. Consolidated balance sheet: Summary

### 3.1. Intangible assets

The intangible assets include € 288.9 million (December 31, 2006: € 289.3 million) goodwill.

### 3.2. Consolidated statement of changes in shareholders' equity

Shareholders' equity developed as follows:

in € 000s	H1 2007	H1 2006
Shareholders' equity	863,086	684,811
Net income distributable to shareholders of STADA Arzneimittel AG	58,296	42,230
Capital increase through the exercising of warrants	1,387	1,879
Change in the provision for cash flow hedges	205	0
Dividend of STADA Arzneimittel AG	-36,047	-20,819
Other changes/currency translation	687	-2,240
Shareholders' equity	887,614	705,861

### 3.3. Financial liabilities

Financial liabilities include current and non-current financial liabilities of STADA Arzneimittel AG in the amount of € 286.1 million and € 570.0 million (December 31, 2006: € 154.9 million and € 637.0 million).

### 3.4. Other financial obligations

Other financial obligations mainly relate to liabilities from bank guaranties and warranty contracts; as compared to December 31, 2006, these obligations decreased by approx. € 34.9 million to approx. € 182.0 million.

## 4. Cash flow statement: Summary

### 4.1. Cash flow from operating activities

Cash flow from operating activities consists of changes in items not affected by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or through the scope of consolidation or measurement-related changes in positions covered.

### 4.2. Cash flow from investing activities

Cash flow from investment activities reflects the cash outflows for investments adjusted for inflows from divestments.

### 4.3. Cash flow from financing activities

Cash flow from financing activities encompasses changes in financial liabilities, as well as dividend payments or capital increases or related transaction costs.

### 4.4. Net cash flow for the period

Cash flow for the period is the balance of cash inflows and outflows from operating activities, financing activities and investing activities, as well as from other changes in shareholders' equity and from currency translation as well as the influence of changes in the balance sheet by companies consolidated for the first time.

## 5. Segment reporting

### 5.1. Primary segmentation

in € 000s		H1 2007	H1 2006
1. Generics <sup>1)</sup>	Sales	554,908	414,074
	Operating profit	100,548	61,334
	Contribution to net income for the period	64,281	33,978
	Segment assets (June 30)	609,120	464,591
	Liabilities (June 30)	210,277	166,517
2. Branded Products <sup>1)</sup>	Sales	142,071	129,723
	Operating profit	24,237	23,594
	Contribution to net income for the period	14,915	14,769
	Segment assets (June 30)	216,504	158,752
	Liabilities (June 30)	103,430	65,169
3. Commercial business	Sales	33,541	32,018
	Operating profit	2,470	695
	Contribution to net income for the period	1,558	257
	Segment assets (June 30)	11,009	4,606
	Liabilities (June 30)	9,330	10,579
4. Group holding company / other	Sales	6,906	4,171
	Operating profit	-25,629	-10,947
	Contribution to net income for the period	-22,458	-6,774
	Segment assets (June 30)	34,547	65,259
	Liabilities (June 30)	923,373	394,651

1) Taking effect for the first time in the full fiscal year 2006, the former core segment Specialty Pharmaceuticals, due to its low significance for sales (share of Group sales in 2006: 2%), was allocated to the two other core segments Generics and Branded Products in accordance with the respective market positioning of the individual products; simultaneously, the segment definitions of these primary segments were updated (see STADA Annual Report 2006). In this half-year report, all previous year figures for the primary segment reporting from have been retrospectively adjusted.

2) Broken down according to the national market in which the sales were achieved.

### 5.2. Secondary segmentation: Regional sales<sup>2)</sup>

in € 000s	H1 2007	H1 2006	± %
Europe	709,050	539,922	+31%
• Belgium	56,524	50,797	+11%
• Bosnia-Herzegovina <sup>3)</sup>	9,507	151	-
• Denmark	11,259	12,280	-8%
• Germany	291,032	250,090	+16%
• Finland	3,820	1,813	+111%
• France	36,815	32,365	+14%
• UK	23,432	19,497	+20%
• Ireland	9,347	8,396	+11%
• Italy	52,059	49,728	+5%
• Lithuania	528	421	+25%
• Macedonia <sup>3)</sup>	1,431	-	-
• Montenegro <sup>3)</sup>	4,383	-	-
• The Netherlands	20,473	19,212	+7%
• Austria	6,645	4,918	+35%
• Portugal	6,458	4,909	+32%
• Rumania <sup>3)</sup>	2,889	358	-
• Russia	49,293	36,262	+36%
• Serbia <sup>3)</sup>	65,681	44	-
• Spain	33,782	31,367	+8%
• Czech Republic	4,113	3,469	+19%
• Ukraine	5,757	3,974	+45%
• Rest of Europe	13,822	9,871	+40%
Africa	2,324	679	+242%
Americas	4,631	13,424	-66%
Asia	21,421	25,960	-17%
• China	3,960	2,381	+66%
• Kazakhstan	2,619	1,640	+60%
• The Philippines	4,900	3,369	+45%
• Thailand	1,469	901	+63%
• Vietnam	5,216	15,801	-67%
• Rest of Asia	3,257	1,868	+74%
Rest of World	0	1	-100%

3) Hemofarm consolidated since August 1, 2006.

