STADA
Arzneimittel

Report on the First Nine Months

2007

STADA DEVELOPMENT 2007 AT A GLANCE

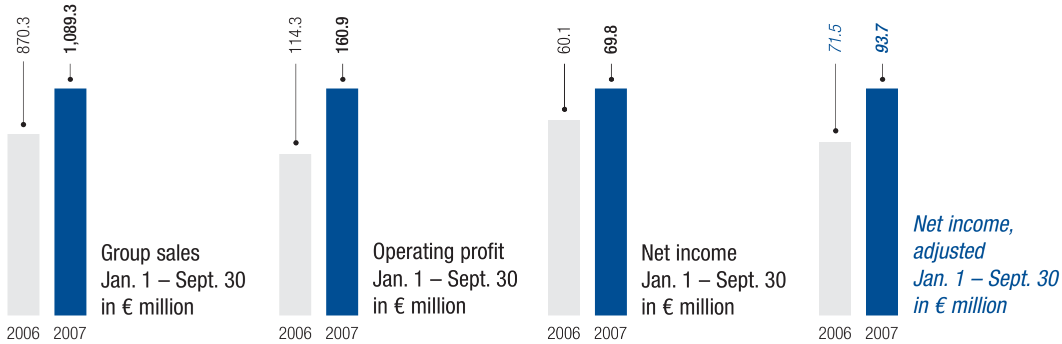
- Strong operative growth in the first nine months of 2007[1]:
  - · Group sales +25%
  - · Operating profit +41% or adjusted +40%
  - · Net income +16% or adjusted +31%
- Continuation of active acquisition policy: Purchase of the Russian pharmaceutical group MAKIZ and the British pharmaceutical group Forum Bioscience in Q3/2007
- Regulatory market changes require restructuring of German generics sales with high one-time expenses in Q3/2007
- Successful approval process for Epo-zeta: "positive opinion" from EMEA in current Q4/2007
- Positive outlook for fiscal year 2007: Strong growth in sales and all key earnings figures to new record levels in the company's history expected

Key figures for the Group from Jan. 1 – Sept. 30 in € million	2007	2006	± %
Group sales	1,089.3	870.3	+25%
Sales in core segments, total	1,029.7	816.0	+26%
• Generics	821.5	624.7[2]	+32%
• Branded Products	208.2	191.3[2]	+9%
Operating profit	160.9	114.3	+41%
Operating profit, adjusted[3]	*170.9*	*122.3*	*+40%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	193.7	144.7	+34%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[3]	*217.9*	*153.8*	*+42%*
EBIT (Earnings before interest and taxes)	132.0	102.5	+29%
EBIT (Earnings before interest and taxes), adjusted[3]	*171.2*	*122.6*	*+40%*
EBT (Earnings before taxes)	104.4	89.2	+17%
EBT (Earnings before taxes), adjusted[3]	*143.6*	*109.2*	*+31%*
Net income[4]	69.8	60.1	+16%
Net income[4], adjusted[3]	*93.7*	*71.5*	*+31%*
Cash flow (gross)	135.7	104.8	+29%
Equity capital (Sept. 30)	899.3	749.2	+20%
Capital expenditure[5]	88.5	63.2	+40%
Depreciation / amortization	61.8	42.2	+46%
Average number of employees (Jan. 1 – Sept. 30)	7,606	4,814	+58%

Key share figures Jan. 1 – Sept. 30	2007	2006	± %
Market capitalization in € million (as of Sept. 30)	2,677.9	2,169.6	+23%
Closing price (XETRA®) in € (as of Sept. 30)	45.73	40.29	+14%
Average number of shares not including own shares (Jan. 1 – Sept. 30)	58,254,549	53,477,538	+9%
Basic earnings per share in €[6]	1.20	1.12	+7%
Basic earnings per share in €[6] adjusted[3]	*1.61*	*1.34*	*+20%*
Diluted earnings per share in €[7]	1.15	1.03	+12%
Diluted earnings per share in €[7] adjusted[3]	*1.54*	*1.22*	*+26%*

1) Changes as compared to the first nine months of 2006; adjusted figures by deducting all one-time special effects of the first nine months of the respective year.
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). All previous year figures for the primary segment reporting have been retroactively adjusted in this quarterly report.
3) Adjusted for all one-time special effects of the first nine months of 2007 and 2006.
4) Unless otherwise stated, "net income" in this quarterly 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.
5) Without investments/disposals in initially consolidated and deconsolidated companies.
6) In accordance with IAS 33.10.
7) In accordance with IAS 33.31.

MANAGEMENT REPORT



Strong operative growth continues in fiscal year 2007

After nine months of the current fiscal year 2007 the STADA Group's sales and profit showed, as expected, clear double-digit growth rates as compared to the corresponding period in the previous year. The clear growth in profit was achieved despite an overall significantly high burden on earnings due to one-time special effects (including in particular a high one-time expense for the restructuring of the German generics sales incurred in the third quarter of 2007[1]). In the current fiscal year, the Group's growth has thus again proven to be sustainable and robust.

Also for the overall fiscal year 2007, STADA's Executive Board continues to expect, from today's perspective, strong growth in sales and all key earnings figures to respectively new record levels in the company's history.

Group sales record strong growth

Group sales were increased by 25% to € 1,089.3 million (1-9/2006: € 870.3 million) in the reporting period. Adjusted organic sales growth thereby amounted to 13%; for this, Group sales were adjusted for the sales contributions from acquisitions[2] and disposals[3] made by the Group in the previous twelve months as well as from products sold[4] in this period.

The Group's two **core segments**[5], Generics and Branded Products, achieved a total share of 94.5% of Group sales in the first three quarters of 2007 (1-9/2006: 93.8%[6]). The clearly larger core segment, **Generics**, recorded sales growth of 32% to € 821.5 million in the reporting period (1-9/2006: € 624.7 million[7]). Thus, in the first nine months of the current fiscal year, Generics had a share in Group sales of 75.4% (1-9/2006: 71.8%[8]). Sales of the second core segment, **Branded**

1) See the company's ad hoc release of September 28, 2007.
2) Serbian Hemofarm Group consolidated since August 1, 2006 as well as Russian MAKIZ Group consolidated since September 1, 2007.
3) Including the US subsidiary STADA Inc. as of August 21, 2006, Defibrotide branded products in Italy as of December 28, 2006 and the Serbian Hemofarm subsidiary Multivita in the second quarter of 2007.
4) Including two Spanish branded products as of January 1, 2007.
5) 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 quarterly report after nine months, all previous year figures for the primary segment reporting have been retrospectively adjusted.
6) Including sales contributions from the former core segment Specialty Pharmaceuticals, which were retrospectively allocated to these two segments.
7) Including sales contribution in the amount of € 15.0 million from the former core segment Specialty Pharmaceuticals, which was retrospectively allocated to this segment.
8) Including sales contribution from the former core segment Specialty Pharmaceuticals, which was retrospectively allocated to this segment.

Products, increased by 9% to € 208.2 million in the first nine months of 2007 (1-9/2006: € 191.3 million[1]). Thus, Branded Products contributed 19.1% to Group sales in the reporting period (1-9/2006: 22.0%[2]).

In the first nine months of 2007, sales STADA achieved outside of Germany in the scope of **international business activities** rose with 30%, as expected, at a higher rate as compared to Group sales and reached a share of 61.8% (1-9/2006: 59.6%) in Group sales. The STADA Group's long-term oriented internationalization thus continued to prove an important growth factor.

One-time special effects

Due to several one-time special effects, the Group reported a net burden of earnings in the total amount of € 39.2 million before taxes or approx. € 23.9 million after taxes in the first nine months of 2007[3]. The one-time special effects in the first nine months of 2006 had resulted at the time in a net burden in the total amount of € 20.0 million before taxes or € 11.4 million after taxes[4].

One-time special effects in the first nine months of 2007 comprised in detail:

- A burden in the total amount of € 29.2 million before taxes[5] or approx. € 18.5 million after taxes resulted from the current restructuring measures of the German STADA generics sales (see "Regional development in the STADA Group – Germany"). This one-time restructuring expense was, in accordance with IAS 19, classified as an expense in the scope of personnel measures and was presented in accordance with IAS 1 (framework) as a separate line below operating profit. Thus, operating profit is not affected by this.

- A burden in the amount of € 15.1 million before taxes[6] or approx. € 9.9 million after taxes resulted from unscheduled depreciation on intangible assets, most of which occurred particularly also in connection with earlier so-called "early entry" launches[7]. In the past, STADA made significant payments to initial suppliers to acquire the approvals for such "early entry" launches each time, thus respectively creating intangible assets; since, under the changed German market conditions (see "Regional development in the STADA Group – Germany"), the originally expected market success, which was also the basis for the amount paid to the initial supplier at the time, will no longer, with reasonable assurance, be sustainable in the future, the associated intangible assets had to be adapted in the scope of impairment tests.

- A relief in the amount of € 9.0 million before taxes[6] or approx. € 5.4 million after taxes resulted from patent litigation that was won; this sum was contractually accepted by competitors as a one-time compensation payment for violating a patent for a specific dosage form held by STADA[8].

1) Including sales contribution in the amount of € 3.4 million from the former core segment Specialty Pharmaceuticals, which was retrospectively allocated to this segment.
2) Including sales contribution from the former core segment Specialty Pharmaceuticals, which was retrospectively allocated to this segment.
3) € 2.6 million before taxes or € 0.9 million after taxes thereof related to the first half of 2007. No one-time special effects occurred in the first quarter of 2007. The one-time special effects in the second quarter of 2007 amounted to a net burden in the amount of € 2.6 million before taxes (see the company's half year report 2007).
4) € 12.0 million thereof related to the closing of the US activities which was reported below operating profit as a separate line in the income statement.
5) Thereof, after six months 2007, € 0.8 million has already been reported as a one-time special effect which at that time was still presented above operating profit and which is now shown below operating profit.
6) Thereof, after six months 2007, € 0.0 million has already been reported as a one-time special effect.
7) Early entry: Early product launch of a first generic with approval of the initial supplier before expiration of the relevant commercial property right.
8) In addition, sales-related royalty payments were agreed upon until patent expiration.

- A relief in the amount of € 4.8 million before taxes[1] or approx. € 4.3 million after taxes resulted from a book profit from the sale of two subsidiaries of Hemofarm, Multivita d.o.o. as well as Symbiofarm d.o.o. (see "Regional development in the STADA Group – Serbia").

- A burden in the amount of € 3.9 million before taxes[2] or approx. € 2.3 million after taxes resulted from an accrual for a packaging defect of a branded product caused by a pre-supplier. The costs that have been incurred so far and are still expected for the future probably cannot be paid by the pre-supplier in the amount of the current accrual.

- A burden in the amount of € 2.9 million before taxes[3] in connection with not realized acquisition projects.

- A burden in the amount of € 2.0 million before taxes[4] for projects for the optimization of Group logistics, particularly also in connection with the introduction of SAP software for central Group structures, which was carried out on July 1, 2007.

Subsequently, the key earning figures for the first nine months of 2007 and for the corresponding period of the previous year are disclosed both unadjusted and also adjusted for one-time special effects.

Further earnings growth in the Group

Despite the aforementioned high one-time special effects, **net income** further continued to grow clearly by 16% to € 69.8 million in the reporting period (1-9/2006: € 60.1 million). **Net income adjusted** for these one-time special effects increased even more strongly by 31% to € 93.7 million in the first nine months of the current fiscal year as compared to the same period in the previous year (1-9/2006: € 71.5 million). **Earnings per share** in the first nine months of 2007 amounted to € 1.20 (1-9/2006: € 1.12), **adjusted earnings per share** were € 1.61 (1-9/2006: € 1.34). Here, it must be taken into consideration that the average number of STADA shares increased by 9% in the reporting period as compared to the first three quarters of 2006 due to the exercise of options since that time. **Diluted earnings per share**[5] amounted to € 1.15 in the first nine months of 2007 (1-9/2006: € 1.03); **adjusted diluted earnings per share** were € 1.54 (1-9/2006: € 1.22).

Development of the STADA Group's key earnings figures Jan. 1 – Sept. 30

				Adjusted for one-time special effects				
in € million	2007	2006	± %	*2007*	*2006*	*± %*	*Margin[6] 2007*	*Margin[6] 2006*
Operating profit	160.9	114.3	+41%	*170.9*	*122.3*	*+40%*	*15.7%*	*14.1%*
EBITDA	193.7	144.7	+34%	*217.9*	*153.8*	*+42%*	*20.0%*	*17.7%*
EBIT	132.0	102.5	+29%	*171.2*	*122.6*	*+40%*	*15.7%*	*14.1%*
EBT	104.4	89.2	+17%	*143.6*	*109.2*	*+31%*	*13.2%*	*12.6%*
Net income	69.8	60.1	+16%	*93.7*	*71.5*	*+31%*	*8.6%*	*8.2%*
Basic earnings per share in €[7]	1.20	1.12	+7%	*1.61*	*1.34*	*+20%*		
Diluted earnings per share in €[5]	1.15	1.03	+12%	*1.54*	*1.22*	*+26%*		

1) Thereof, after six months 2007, € 2.3 million has already been reported as a one-time special effect.
2) Thereof, after six months 2007, € 0.0 million has already been reported as a one-time special effect.
3) Thereof, after six months 2007, € 2.3 million has already been reported as a one-time special effect.
4) Thereof, after six months 2007, € 1.8 million has already been reported as a one-time special effect.
5) In accordance with IAS 33.31.
6) Related to Group sales.
7) In accordance with IAS 33.10, treasury shares held are not considered in the earnings per share (EPS) calculation. Calculation of earnings per share is thereby based on an average of 58,254,549 outstanding shares as of (corresponding number of outstanding shares: 53,477,538).

The other key earnings figures also showed, as expected, further strong growth despite the high one-time special effects in the first nine months of 2007. In detail the following items grew in the reporting period as compared to the same period of the previous year: **Operating profit** by 41% to € 160.9 million (1-9/2006: € 114.3 million), **adjusted operating profit** by 40% to € 170.9 million (1-9/2006: € 122.3 million), **earnings before taxes** (EBT) by 17% to € 104.4 million (1-9/2006: € 89.2 million), **adjusted earnings before taxes** by 31% to € 143.6 million (1-9/2006: € 109.2 million), **earnings before interest and taxes** (EBIT) by 29% to € 132.0 million (1-9/2006: € 102.5 million), **adjusted earnings before interest and taxes** by 40% to € 171.2 million (1-9/2006: € 122.6 million), **earnings before interest, taxes, depreciation and amortization** (EBITDA) by 34% to € 193.7 million (1-9/2006: € 144.7 million) and **adjusted earnings before interest, taxes, depreciation and amortization** by 42% to € 217.9 million (1-9/2006: € 153.8 million).

The sales-related profit margins of the first three quarters thus resulted in the following: **Operating profit margin** 14.8% (1-9/2006: 13.1%), **adjusted operating profit margin** 15.7% (1-9/2006: 14.1%), **EBITDA margin** 17.8% (1-9/2006: 16.6%), **adjusted EBITDA margin** 20.0% (1-9/2006: 17.7%), **EBIT margin** 12.1% (1-9/2006: 11.8%), **adjusted EBIT margin** 15.7% (1-9/2006: 14.1%), **EBT margin** 9.6% (1-9/2006: 10.2%), **adjusted EBT margin** 13.2% (1-9/2006: 12.6%), **net profit margin** 6.4% (1-9/2006: 6.9%), **adjusted net profit margin** 8.6% (1-9/2006: 8.2%).

Operating profit in the **Generics segment** grew by 60% to € 152.8 million in the first nine months of 2007 (1-9/2006: € 95.7 million[1)]). **Operating profit** in the **Branded Products segment** decreased by 3% to € 31.5 million in the first three quarters of the current fiscal year (1-9/2006: € 32.6 million[2)]).

The **operating profit margin** of **Generics** thus amounted to 18.6% in the first nine months of 2007 (1-9/2006: 15.3%). The **operating profit margin** of **Branded Products** was 15.1% in the reporting period (1-9/2006: 17.0%).

Regional development in the STADA Group

In **Germany**, which continues to be STADA's largest national market, the Group recorded sales growth of 19% to € 416.4 million in the first nine months of 2007 (1-9/2006: € 351.3 million). Due to the Group's increasing internationalization and thus a more strongly growing international business, the share of the German business activities in Group sales, as expected, further decreased and now amounts to 38.2% (1-9/2006: 40.4%).

The increase in the German generics business, which grew by 25% to € 343.4 million (1-9/2006: € 274.3 million), continued to be significantly responsible for growth in Germany. According to data provided by IMS Health[3)], in the first nine months of 2007 the STADA Group thus increased the overall market share – with a total decline of the German generics market of 6% – to 10.7% (1-9/2006: 9.2%)[4)].

In the third quarter of 2007 it turned out that in the German market, under the conditions of the GKV-WSG[5)], which has been in effect since April 1, 2007, the regulating instrument of discount agreements (direct contractual discount agreements between pharmaceutical companies, thereby in particular generics suppliers, and health insurance organizations) has gained great importance for the market success of generics suppliers. Products without discount agreements, which are prescribed by doctors, are to be replaced when dispensed at the pharmacy by exchangeable competitive products which are covered by discount agreements and contain the same active ingredient (so-called substitution) if doctors do not explicitly rule this out in each case by marking it on the prescription.

1) Thereof, a € 2.9 million profit contribution resulted from the former Specialty Pharmaceuticals segment.
2) Thereof, a € 0.3 million profit contribution resulted from the former Specialty Pharmaceuticals segment.
3) IMS Health: a worldwide leading pharmaceutical market research institute.
4) Data from IMS Health at ex-factory prices.
5) Act for strengthening competition in public health insurance.

STADA initially responded by means of differentiated reactions from the Group's various German generics sales lines to the GKV-WSG and its effects, which were still unclear in the first months. In particular STADA's 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, concluded discount agreements early to great extent, thus having more than 64 discount agreements with a total of approx. 42.1 million publicly insured persons[1] as of November 1, 2007. The traditional generics sales line STADApharm (including the secondary sales line STADA Medical which is in particular focused on the indications diabetes and vaccines) had initially continued to place the sales focus on the established and until then successful service-oriented concept of support for doctors with a country-wide sales force. In the market, however, it became clear that prescribing doctors in the long term apparently make only limited use of the possibility of ruling out the substitution despite respective sales pitches, thus giving away the decision on the final generics choice. As a result, STADApharm also accelerated the conclusion of such discount agreements and achieved the conclusion of 36 discount agreements with a total of approx. 16.4 million publicly insured persons as of November 1, 2007. According to preliminary information from September 17, 2007, AOK provided information it intended to award relevant contracts to STADA for 23 active ingredients[2] (13 for STADApharm, 10 for ALIUD PHARMA). Of these, contracts have been awarded for 3 active ingredients in the current fourth quarter (1 for STADApharm, 2 for ALIUD PHARMA); the further contract awards can be expected if final contract completions are deemed legally permissible following the current legal review of the tenders.

Against the background of these market changes, in particular the sales line ALIUD PHARMA, which is especially oriented to discount agreements, achieved a strong sales increase of 65% to € 140.4 million in the first nine months of 2007 (1-9/2006: € 85.0 million); sales growth in the third quarter of 2007 was thereby 81% as compared to the corresponding quarter in the previous year. Sales supported by STADApharm (incl. STADA Medical) recorded a total increase of 5% to € 183.9 million in the first three quarters of 2007 (1-9/2006: € 175.6 million) and by comparing the third quarter of 2007 and the third quarter of 2006 they showed growth of 2%.

In the Executive Board's assessment these results confirm that the GKV-WSG has led to sustained structural changes in the German generics market: For business success and in particular growth opportunities in this market, the form and the scope of the discounts granted to the individual health insurance organizations and the selection of the pharmacy among competing products with a discount agreement are now increasingly playing the central role in sales, while the importance of the doctor's product selection and of the sales measures targeted toward this has strongly decreased.

From the Executive Board's perspective, the operating structures of German generics sales had to be immediately adapted to these serious market changes. On September 28, 2007 the Executive Board therefore initiated a comprehensive restructuring of parts of its German generics sales. Within the scope of this restructuring, 230 jobs in doctors-related sales forces and related sales functions in STADA's two German sales companies, STADApharm GmbH and STADA Medical will be eliminated until the end of the year 2007. In accordance with a reconciliation of interests and a social compensation plan reached with the Workers' Council in the current fourth quarter, the employment relations of employees concerned are transferred, in the scope of a partial company change, to a subsidiary of pharmexx GmbH[3], Hirschberg[4]; for employees who object to this change within the legal deadline of one month and whose jobs then made redundant, an adequate compensation arrangement has been agreed on.

1) Total of publicly insured persons in Germany: approx. 70 million.
2) Market volume of these 23 active ingredients at ex-factory prices according to STADA estimates more than approx. € 260 million p.a.
3) pharmexx has, for many years, been an established provider of pharmaceutical sales force services for third parties, temporarily and for a fee (so-called leasing sales force).
4) STADA has reached a contractually-fixed job guarantee with pharmexx whereby all transferred employees continue to be employed by pharmexx and are protected from operations-related redundancies for a period of one year.

As of 2008 STADApharm and STADA Medical will bundle their sales activities in the scope of the restructuring and will conceptually reorganize them without own sales employees targeting doctors. STADApharm's existing nationwide pharmacy sales force will remain unchanged and, in accordance with the great importance of pharmacies for the selection of generics in the scope of discount agreements, will play a central role in the future sales concept. Other sales companies of the Group, in particular also ALIUD PHARMA, are not affected by the restructuring.

In connection with this restructuring STADA expects, from today's perspective, a one-time expense in a total amount of approx. € 29.2 million before taxes or approx. € 18.5 million after taxes. This one-time restructuring expense has been, in accordance with IAS 19, classified as an expense in the scope of personnel measures and has been presented in accordance with IAS 1 (framework) as a separate line below operating profit; thus, operating profit is not affected by this (see „One- time special effects").

The goal of the restructuring is, by adapting the sales structures to the changed demand mechanisms, to consistently reduce the fixed sales costs of the German generics business in the STADA Group. Regardless of the expected burdens on the sales-related gross margin through existing and future discount agreements, the German generics business should, also in the future, be able to contribute its significant share to the operating profit of the STADA Group. The current far-reaching changes in the structure of the German generics market will thus, in the view of the Executive Board, from today's perspective, not lastingly influence the sustained growth course of the STADA Group.

In the second core segment of the Group, Branded Products, sales decreased slightly by 3% to € 70.7 million in the German market in the first nine months of 2007 (1-9/2006: € 72.7 million).

In Serbia, which continues to be STADA's second largest national market – after the acquisition of the Serbian Hemofarm Group in the third quarter of 2006[1] – the Group recorded sales in the amount of RSD 7,842.2 million[2] or € 98.3 million in the first nine months of 2007. Hemofarm thus remains the clear market leader in the overall Serbian pharmaceutical market.

For the integration of Hemofarm – following successful completion of the administrative integration – the focus continues to be placed on the transfer processes from production and development activities, which have so far been awarded to external third parties, into existing Hemofarm units, which should lead to further cost optimizations in particular in 2008 and 2009.

In the course of the planned focus on the core business, Hemofarm sold its subsidiary, Symbiofarm d.o.o.[3], which is active in the area of herbicide, in the third quarter of the current fiscal year for a price of approx. € 4.2 million and with a book profit of approx. € 2.4 million before taxes, after the subsidiary Multivita d.o.o.[4] was sold already in the second quarter of 2007.

In Belgium, sales went up by 1% to € 77.1 million in the reporting period (1-9/2006: € 75.9 million). Thereby, bringing-forward effects due to stockpiling on the part of distribution channels at the end of 2006 must still be considered. In addi-

1) 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 and www.stada.com.
2) In the first nine months of 2006, Hemofarm in Serbia achieved – partly under its former owners – and adjusted for disposals carried out since then, sales in the amount of RSD 6,602.5 million.
3) Up to the date of sale on September 25, 2007, Symbiofarm sales in the total amount of € 2.3 million in Serbia, were generated within the STADA Group in fiscal year 2007.
4) At a price of approx. € 6.0 million and a book profit of approx. € 2.4 million.

tion, a clearly curbed growth dynamic can be observed in the overall Belgian market in 2007. An improvement in the local market conditions can be expected only some time after the establishment of a new Belgian government. However, the local STADA management has, in a timely manner, taken appropriate measures to secure local earnings goals in the current fiscal year.

In Russia, in the first nine months of 2007 STADA increased overall sales generated there by the Group – partly also due to the first-time inclusion of acquired sales[1)] and despite a high sales level in the corresponding period of the previous year[2)] – by 46% to € 84.5 million (1-9/2006: € 57.8 million).

STADA considers Russia an important growth market and therefore further expanded its Group presence by means of an acquisition in the third quarter of 2007. On August 31, 2007, STADA completed the acquisition of the Russian pharmaceutical group MAKIZ, which was contractually arranged by STADA's Russian subsidiary Nizhpharm OAO on August 3, 2007; MAKIZ has thus been consolidated in the STADA Group since September 1, 2007. 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.

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; according to the IFRS audited report 2006 after-tax profits thereby grew to RUB 241.9 million (+98% increase compared to the previous year) or € 7.1 million (+104% increase compared to the previous year). 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 consists of over 50 products with off-patent active ingredients, approx. one half of which are positioned as generics and one 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 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 being pursued in the product development of the MAKIZ Group; more than 30 products are in the approval process for the Russian market. The MAKIZ Group is currently being quickly integrated into the Group structures of STADA under the direction of the existing management; the company will, however, continue to operate independently in the market.

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.

1) Initially consolidated sales in Russia 2007: For January to July: € 21.0 million Hemofarm sales, for September: € 4.0 million MAKIZ sales.

2) The biggest local Nizhpharm product Chondroxide has, as is known, not been part of the Russian reimbursement program since June 1, 2006; in the first nine months of 2006, sales of approx. € 5.8 million were still achieved for this product in the scope of this program.

In Italy, STADA recorded sales growth of 7% to € 80.4 million the first three quarters of 2007 (1-9/2006: € 75.0 million). Adjusted for the Defibrotide branded products sold at the beginning of the year, sales in Italy increased by 9%. A growth driver was the generics segment which, in terms of sales, went up in the double-digit percentage range with 29% in the first nine months of 2007.

In France, STADA reported a sales plus of 13% to € 59.3 million in the first nine months of this fiscal year (1-9/2006: € 52.2 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 sales in the first quarter of 2007, the development of the French STADA sales company was again very pleasing in the two subsequent quarters.

In Spain, sales in the first nine 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 4% to € 48.1 million (1-9/2006: € 46.1 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 9% in the first nine months of 2007.

In the United Kingdom, in the reporting period sales went up very strongly by 24% to € 36.5 million (1-9/2006: € 29.3 million). The local sales company Genus continues to pursue a sales concept targeted toward niches for off-patent active ingredients in the area between generics and branded products.

STADA has further expanded this sales presence by means of a suitable acquisition in the third quarter of 2007. On September 21, 2007, STADA completed via subsidiaries the acquisition of 100% of the shares in the British pharmaceutical Group Forum Bioscience Holdings Ltd., Redhill, which was contractually agreed on August 31, 2007[1)2)]. The purchase price, following purchase price adjustments due to changes in working capital, amounted to GBP 36.0 million or approx. € 51.3 million.

In the fiscal year from April 1, 2006 to March 31, 2007, the Forum Bioscience Group achieved, primarily in the United Kingdom, with adjusted annual sales of approx. GBP 55.6 million or approx. € 82.0 million (approx. 3% decrease as compared to fiscal year April 1, 2005 to March 31, 2006) and an operating profit of approx. GBP 4.3 million or approx. € 6.3 million (approx. 41% increase as compared to the previous fiscal year), net profit of approx. GBP 3.0 million or approx. € 4.5 million (approx. 48% increase as compared to the previous fiscal year). The re-statements carried out in connection with these sales relate to an adjustment of an income stream of a commercial business on a commission basis which will not be prolonged after the acquisition.

The acquired Forum Bioscience Group consists of various companies, which are divided into two divisions, the Britannia division and the Forum Products division. In fiscal year 2006, there were approx. 125 people employed in the Group, which has no production facilities of its own.

The Britannia division, which is smaller in terms of sales (share of adjusted Forum Bioscience Group sales approx. 35%) but generates all of the Group's profits, is focused on the sale of – partially licensed – branded products with off-patent active ingredients in market niches of the British pharmaceutical market; by far the biggest product is APO-go® (active

1) See the company's ad hoc releases of August 31 and September 21, 2007. The Forum Group has been consolidated in the STADA Group since October 1, 2007.

2) The sellers are the Japanese company Ajinomoto Co. Inc. and the co-founder Peter Duckworth.

ingredient apomorphine, for the treatment of Parkinson's disease) with annual sales of approx. GBP 14.3 million or approx. € 21.1 million. The Britannia business model thus fits in well with the existing STADA sales concept in the United Kingdom. Consequently, Britannia will likely be integrated into the local STADA sales structures quickly.

The Forum Products division (share of adjusted Forum Bioscience Group sales approx. 65%), which was also acquired, is trading with active and supplementary ingredients among other things, mainly in the area of veterinary medicine. When share of Group overheads are taken into account, this division's profitability is currently slightly under the break even point. For STADA, Forum Products will not be part of the core business and will also continue to operate separately. The costs of separating the two divisions and integrating Britannia are currently estimated by STADA at a mid single-digit million amount.

For STADA, with the acquisition of the Forum Bioscience Group, the clear focus of interest is on the Forum Bioscience division Britannia. With Britannia, the sales structures of the Group in the United Kingdom will be further strengthened by products which fit in well with the existing STADA business there and thus prepared for what appears to be a clearly more intensive local competitive situation.

Other European STADA sales companies also recorded pleasing sales growth in the first nine months of 2007: Growth in the double-digit percentage range was thereby achieved, among other places in **Austria** (+32%), in **Portugal** (+28%), in the **Ukraine** (+41%) and in **Finland** (+18%).

In the **Asian countries**, sales generated by STADA decreased by 6% to € 31.9 million in the reporting period (1-9/2006: € 34.0 million). It must still be taken into account here that STADA had achieved exceptionally high one-time sales due to a one-time tender business in Vietnam in fiscal year 2006. By deducting this tender business sales in Asia went up by 39% in the first nine months of 2007 as compared to the same period in the previous year.

In the first nine months of the current fiscal year the Group generated **export sales** to 41 countries, thereby achieving, with an increase of 135%, sales in the total amount of € 35.6 million[1)] (1-9/2006: € 15.2 million).

Well-filled product pipeline continues to ensure new product launches

Research and development costs amounted to € 27.0 million in the first nine months of 2007 (1-9/2006: € 22.6 million). Due to STADA's comprehensive development and approval activities, the Group was able to launch, on the basis of individual approvals, 270 new products into the market in the reporting period (1-9/2006: 250 product launches). Thus, in the current fourth quarter, the local German sales company STADApharm was able as the first supplier to launch a generic with the active ingredient Olanzapine[2)] in the German market. STADA's product pipeline continues to be well-filled for future launches with a focus on the Generics segment.

Furthermore, via BIOCEUTICALS Arzneimittel AG, a company initiated by STADA and predominantly financed via venture capital, STADA continues to pursue the development of two biosimilar products. As of September 30, 2007, STADA holds 14.99% of all shares[3)] in BIOCEUTICALS. In addition, STADA continues to hold a call option which can be exercised yearly from 2011, according to which STADA can acquire all shares in BIOCEUTICALS at a price which is already defined via a formula.

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1) This includes export sales from the USA in the amount of € 5.2 million and from Switzerland in the amount of € 3.4 million. In the first nine months of 2006, in these two countries local sales in the amount of € 16.6 million in the USA and in the amount of € 5.4 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) Drug for the treatment of schizophrenia. Current market volume in Germany over € 200 million at ex-factory prices according to data from various international market research institutes.

3) Payments in the total amount of € 16.3 million were made for these shares. STADA also continues to provide BIOCEUTICALS with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 29.6 million had been used as of September 30, 2007. In addition, a capital guarantee from STADA for the benefit of BIOCEUTICALS exists, of which € 12.8 million had been used as of September 30, 2007.

STADA controls and conducts the two development projects on behalf of BIOCEUTICALS. For Erythropoietin-zeta (Epo-zeta)[1] STADA thereby received, as expected, on October 18, 2007, a "positive opinion" from the responsible EU approval agency EMEA in the ongoing EU-wide approval process.

The "positive opinion" covers the indications nephrology (dialysis) and oncology. Thus, an EU-wide approval of Epo-zeta for these indications can still be expected in the current year.

Additionally, in Serbia, the first national approval for Epo-zeta outside the EU was obtained in the current fourth quarter.

As is known, STADA also holds semi-exclusive distribution rights for Epo-zeta in Germany in the form of a license from BIOCEUTICALS, whereas BIOCEUTICALS, at the end of 2006, awarded the world-wide exclusive distribution rights for Epo-zeta for the EU countries (except for Germany, where the distribution rights are semi-exclusive), several other European countries as well as the USA and Canada to the US hospital products company Hospira, against one-time payments, some of which have already been received and some of which are still outstanding depending on the further progress of the project, as well as sales-related royalty payments[2]. For all other countries Hospira has a "right of first refusal".

After the positive decision by EMEA, STADA will probably be able to market Epo-zeta in Germany in the first quarter of 2008 via the Group-owned sales company cell pharm GmbH. In addition, STADA will market Epo-zeta in Serbia via the local STADA sales company as of 2008. Hospira is also preparing a market launch of Epo-zeta in various EU countries in the first quarter of 2008.

For the second biosimilar project Filgrastim[3], first clinical studies, as is known, have been going on since the second quarter of 2007.

Financial position and cash flow

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

With 36.0% as of September 30, 2007 (December 31, 2006: 40.1%), the equity-to-assets ratio, – also after the acquisitions of the MAKIZ Group and the Forum Bioscience Group – was clearly above 30% and thus, from the Executive Board's perspective, in a satisfying area. Net debt amounted to € 948.2 million on this date (December 31, 2006: € 773.0 million).

In the first nine months of 2007, due to the once again improved earnings situation and higher depreciation and amortization as compared to the first nine months of the previous year, gross cash flow was increased to € 135.7 million (1-9/2006: € 104.8 million). The unadjusted operating cash flow was € 111.1 million in the first three quarters of the current fiscal year (1-9/2006: € -5.6 million); adjusted for special effects from payments made or still outstanding from acquisitions and disposals, the operating cash flow reached € 106.5 million in the reporting period (1-9/2006: € 33.3 million).

Active acquisition policy will be continued

Also after the current acquisitions in the 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

1) Erythropoietin is used, among other things, in nephrology for dialysis patients to stimulate hematopoieses as well as in cancer therapy.
2) See the company's ad hoc release of November 20, 2006.
3) Filgrastim is used, among other things, to treat neutropenia, e.g. following cytotoxic chemotherapy and bone marrow transplants.

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 September 30, 2007, the price of STADA's registered common share was € 45.73, whereas it had still been listed at € 43.45 on December 31, 2006.

As of September 30, 2007, share capital of the STADA Arzneimittel AG consisted of 58,558,320 restricted[1] registered common shares with voting rights, each with an arithmetical share in share capital of € 2.60 (December 31, 2006: 58,256,400 registered common shares). As of September 30, 2007, the number of shares increased by 301,920 shares to 58,558,320 shares and share capital by approx. 0.52% to € 152,251,632. This increase is based entirely on the exercise of 15,096 options from STADA warrants 2000/2015[2]. Thus, as of September 30, 2007, 191,595 warrants 2000/2015 for the subscription of 3,831,900 STADA registered common shares were still outstanding.

As of September 30, 2007, the enterprise value of STADA increased to € 2.678 billion. As of December 31, 2006, STADA's market capitalization amounted to € 2.531 billion.

In the reporting period, STADA did not purchase any of its own shares and sold 1,981 of its own shares at an average price of € 42.29. As of September 30, 2007, 115,365 of its own shares were thereby held by STADA, compared to 117,346 shares which the company had held as of December 31, 2006.

According to Deutsche Börse AG regulations, the STADA Arzneimittel AG's free float remains 100%.

In the third quarter of 2007, in accordance with legal requirements numerous announcements on exceeding or falling below the 3% threshold of shareholdings in STADA Arzneimittel AG were made. Both Deutsche Bank AG, for its subsidiary, DWS Investment GmbH, Frankfurt am Main, and UBS AG, Zurich, Switzerland, announced each twice exceeding and falling below this legal reporting threshold in the third quarter of 2007; Fidelity International Limited, Hamilton, Bermuda, informed STADA first about initially exceeding and then falling below the 3% reporting threshold in the reporting period. Thus, as of September 30, 2007, STADA only had one announcement from Morgan Stanley on shareholdings of more than 3%; the corresponding announcement on exceeding this threshold stems from the second quarter of 2007.

Positive outlook

In the Executive Board's view, the STADA Group will continue to develop positively and to further benefit from sustained operative growth in the future, too. In addition, growth acceleration by means of acquisitions will continue to be strived for.

As compared to the overall assessment of business risks presented in the Risk Report of the Annual Report 2006[3], at this point of time, in the Executive Board's view, no significant developments beyond the developments presented in the previous reports of this fiscal year[4] and in this quarterly report have occurred. Accordingly, the Executive Board continues to

1) 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.

2) The legally binding option terms and conditions are published on the company website under www.stada.de and www.stada.com.

3) Published on the company website at www.stada.de and www.stada.com.

4) Quarterly report from May 15, 2007, half year report from August 14, 2007, published on the company website at www.stada.de and www.stada.com.

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. If necessary, STADA will need to react flexibly, also by means of adaptations of own operating structures, to this.

Due to 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 expect that STADA's business model will remain sustainable and viable for the future. Thus, further sustained operative growth continues to be the central goal for the Group which, in the Executive Board's unchanged assessment, STADA will be able to achieve on its own in the years to come.

Thus, STADA's Executive Board continues to expect, also for the overall fiscal year 2007, strong growth in sales and in all key earnings figures to respectively new record highs in the company's history.

H. Retzlaff W. Jeblonski Dr. A. Oehmichen C. Schumann Dr. H.-M. Schwarm

Publisher: STADA Arzneimittel AG, Stadastrasse 2–18, D-61118 Bad Vilbel, Phone: +49 (0) 61 01/6 03-0, Fax: +49 (0) 61 01/6 03-2 59, E-Mail: info@stada.de

Contact: STADA Arzneimittel AG · STADA Corporate Communications · Phone: +49 (0) 61 01/6 03-1 13 · Fax: +49 (0) 61 01/6 03-5 06 · E-Mail: communications@stada.de

STADA on the Internet: www.stada.de (German) and www.stada.com (English)

1) Employee representatives.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2007

Consolidated Income Statement

in € 000s	1/1-9/30/2007	1/1-9/30/2006	7/1-9/30/2007	7/1-9/30/2006
01. Sales	1,089,272	870,254	351,846	290,268
02. Cost of sales	557,108	445,202	179,665	151,420
03. Gross profit	**532,164**	**425,052**	**172,181**	**138,848**
04. Other operating income	35,540	21,737	16,883	11,234
05. Selling expenses	252,564	220,265	79,792	74,597
06. General and administrative expenses	83,863	64,300	25,239	24,606
07. Research and development expenses	26,965	22,646	9,109	7,117
08. Other operating expenses	43,421	25,265	15,659	4,125
09. Operating profit	**160,891**	**114,313**	**59,265**	**39,637**
10. Personnel measures in German generics business (in accordance with IAS 19)	-29,163	-	-29,163	-
11. Closing of US Activities	-	-12,042	-	-12,042
12. Investment income	250	250	250	-
13. Interest result	-27,573	-13,330	-11,465	-7,496
14. Financial result	**-27,323**	**-13,080**	**-11,215**	-7,496
15. Earnings before taxes	**104,405**	**89,191**	**18,887**	**20,099**
16. Taxes on income	33,130	28,921	6,764	**2,147**
17. Net income[1)]	**71,275**	**60,270**	**12,123**	17,952
thereof				
• net income distributable to shareholders of STADA Arzneimittel AG	69,757	60,127	11,461	17,897
• net income relating to minority interests	1,518	143	662	55
18. Earnings per share in € (in accordance with IAS 33.10)	1.20	1.12	0.20	0.33
19. Earnings per share in € (diluted) (in accordance with IAS 33.31)	1.15	1.03	0.19	0.31

1) Unless otherwise stated, "net income" in this quarterly 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	Sept. 30, 2007	Dec. 31, 2006
A. Non-current assets	1,527,122	1,294,672
1. Intangible assets	1,049,780	944,675
2. Property, plant and equipment	289,408	260,351
3. Financial assets	103,247	39,027
4. Non-current trade accounts receivable	1,134	1,002
5. Other non-current assets	57,393	36,214
6. Deferred tax assets	26,160	13,403
B. Current assets	967,817	855,551
1. Inventories	363,550	295,610
2. Current trade accounts receivable	403,875	355,063
3. Other current assets	86,920	75,416
4. Current securities	1,710	33
5. Cash and cash equivalents	111,762	129,429
Total assets	2,494,939	2,150,223
Equity and Liabilities		
A. Shareholders' equity	899,288	863,086
1. Share capital	152,252	151,467
2. Reserves and unappropriated retained earnings	725,268	691,960
3. Minority interests	21,768	19,659
B. Non-current liabilities and provisions	755,845	795,038
1. Non-current provisions	36,162	28,230
2. Non-current financial liabilities	617,734	701,345
3. Non-current trade accounts payable	224	1,088
4. Other non-current liabilities	23,081	3,133
5. Deferred tax liabilities	78,644	61,242
C. Current liabilities and provisions	839,806	492,099
1. Current provisions	34,964	6,787
2. Current financial liabilities	443,957	201,157
3. Current trade accounts payable	190,983	156,850
4. Other current liabilities	169,902	127,305
Total equity and liabilities	2,494,939	2,150,223

Consolidated Cash Flow Statement

in € 000s (excerpt)	1/1-9/30/2007	1/1-9/30/2006
Cash flow (gross)	135,657	104,821
Cash from operating activities	111,077	-5,610
Cash from investing activities	-229,989	-532,579
Cash from financing activities	118,422	552,289
Other changes in shareholders' equity / currency translation	-17,177	12,660
Net cash for the period	-17,667	26,760

Statement of Recognized Income and Expenses

in € 000s	1/1-9/30/2007	1/1-9/30/2006
Currency translation differences	-3,591	2,322
Cash flow hedges	1,374	-
Actuarial gains (+) and losses (-) from provisions for pensions (based on internal estimates for the current fiscal year)	-2,513	-504
Deferred taxes	536	216
Income and expenses recognized directly in shareholders' equity	**-4,194**	**2,034**
Net income	71,275	60,270
thereof		
• net income distributable to shareholders of STADA Arzneimittel AG	69,757	60,127
• net income relating to minority interests	1,518	143
Total of all recognized income and expenses	**67,081**	**62,304**

Appendix

1. General

1.1. Accounting policies

The quarterly report as of September 30, 2007 was prepared in accordance with the International Financial Reporting Standards (IFRS).

In this quarterly 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 quarterly 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 September 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.

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 September 30, 2007, 59 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: After Multivita d.o.o. (sale) and Panfarma d.o.o. (liquidation) were deconsolidated already in the second quarter of 2007, Symbiofarm d.o.o. (sale) as well as Cajavec-Sistemi Upravljana A.D. (merged into Hemofarm Banja Luka) were deconsolidated in the third quarter of 2007. Following the acquisition, the companies ZAO MAKIZ-Pharma, ZAO Biodyne Pharmaceuticals and ZAO Skopinsky Pharmacevtichesky Zavod were newly included in the circle of consolidation.

2. Consolidated Income Statement: Summary

2.1. Sales

Sales are recorded in this quarterly 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 nine months of 2007.

3. Consolidated balance sheet: Summary

3.1. Intangible assets

As of September 30, 2007, the intangible assets include € 331.7 million (December 31, 2006: € 289.3 million) goodwill. Thereof, following preliminary purchase price distribution, an amount of approx. € 44.8 million applies to the initially consolidated MAKIZ Group. The intangible assets capitalized in accordance with IFRS 3 within the scope of this preliminary allocation amount to approx. € 59.9 million.

3.2. Consolidated statement of changes in shareholders' equity

Shareholders' equity developed as follows:

in € 000s	1/1-9/30/2007	1/1-9/30/2006
Shareholders' equity	863,086	684,811
Net income distributable to shareholders of STADA Arzeimittel AG	69,757	60,127
Capital increase through the exercising of warrants	4,967	5,730
Change in the provision for cash flow hedges	1,106	0
Dividend of STADA Arzneimittel AG	-36,047	-20,819
Other changes/currency translation	-3,581	19,301
Shareholders' equity	899,288	749,150

3.3. Financial liabilities

As of September 30, 2007, the financial liabilities include current and non-current financial liabilities of STADA Arzneimittel AG in the amount of € 320.9 million and € 569.9 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 of September 30, 2007, these obligations decreased by approx. € 34.9 million to approx. € 182.0 million as compared to December 31, 2006.

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 investing activities reflects the cash outflows for investments adjusted by the 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

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 quarterly report, all previous year figures for the primary segment reporting have been retrospectively adjusted.

in € 000s		1/1-9/30/2007	1/1-9/30/2006
1. Generics[1]	Sales	821,508	624,694
	Operating profit	152,786	95,706
	Contribution to net income for the period	74,050	51,147
	Segment assets (Sept. 30)	608,320	494,488
	Liabilities (Sept. 30)	354,882	213,856
2. Branded Products[1]	Sales	208,230	191,304
	Operating profit	31,448	32,575
	Contribution to net income for the period	18,225	21,099
	Segment assets (Sept. 30)	218,714	175,426
	Liabilities (Sept. 30)	112,756	110,068
3. Commercial business	Sales	49,879	46,098
	Operating profit	6,395	1,371
	Contribution to net income for the period	5,169	729
	Segment assets (Sept. 30)	14,476	5,093
	Liabilities (Sept. 30)	8,548	11,971
4. Group holding company / other	Sales	9,655	8,158
	Operating profit	-29,738	-15,339
	Contribution to net income for the period	-27,687	-12,848
	Segment assets (Sept. 30)	31,618	57,145
	Liabilities (Sept. 30)	969,695	928,200

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

3) Hemofarm consolidated since August 1, 2006.

4) MAKIZ consolidated since September 1, 2007.

5.2. Secondary segmentation: Regional sales[2]

in € 000s	1/1-9/30/2007	1/1-9/30/2006	± %
Europe	1,048,516	817,465	+28%
• Belgium	77,060	75,947	+1%
• Bosnia-Herzegovina[3]	14,162	3,131	+352%
• Denmark	16,586	18,018	-8%
• Germany	416,368	351,253	+19%
• Finland	5,213	4,428	+18%
• France	59,251	52,232	+13%
• UK	36,450	29,315	+24%
• Ireland	13,601	12,542	+8%
• Italy	80,404	74,986	+7%
• Lithuania	796	667	+19%
• Macedonia[3]	2,083	459	+354%
• Montenegro[3]	6,343	768	+726%
• The Netherlands	30,034	28,743	+4%
• Austria	9,886	7,468	+32%
• Portugal	9,484	7,384	+28%
• Rumania[3]	3,863	2,248	+72%
• Russia[3][4]	84,513	57,760	+46%
• Serbia[3]	98,341	17,137	+474%
• Spain	48,145	46,104	+4%
• Czech Republic	6,419	5,864	+9%
• Ukraine	8,821	6,247	+41%
• Rest of Europe[3]	20,693	14,764	+40%
Africa	2,808	1,810	+55%
Americas	5,854	16,934	-65%
Asia	31,859	34,043	-6%
• China	5,743	3,480	+65%
• Kazakhstan	3,859	2,790	+38%
• The Philippines	7,230	5,467	+32%
• Thailand	2,311	1,446	+60%
• Vietnam	6,709	17,117	-61%
• Rest of Asia	6,007	3,743	+60%
Rest of World	235	2	-

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