





## The Health Company Designed for growth

Dear Shareholders,

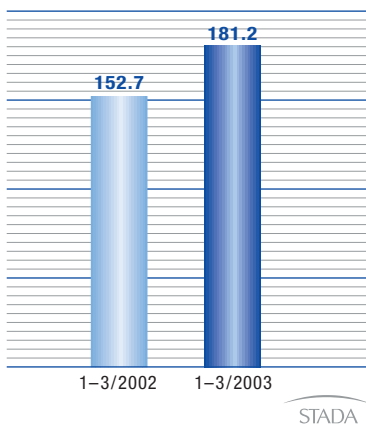
STADA started the current fiscal year 2003 with the claim "STADA – Designed for growth." And STADA has fully lived up to this claim to date. The Group's sales and earnings have risen pleasantly once again in the first quarter of 2003, and STADA was able to further expand its growth-oriented positioning in important markets through organic growth, significant new products and international acquisitions. The first quarter 2003 was thus the strongest quarter in terms of sales and earnings in STADA's history.

Consolidated sales increased by +19% in the first three months of the year, reaching € 181.2 million. As expected, the three core segments of the Group (generics, branded products and special pharmaceuticals) grew at an even stronger rate of a total of +33% to € 172.2 million. The share of organic growth in sales excluding acquisitions in the current financial year was 31 percentage points. Generics generated sales of € 128.6 million in the first quarter of 2003 (+32% from the prior year period), branded products generated € 38.1 million (+32% from

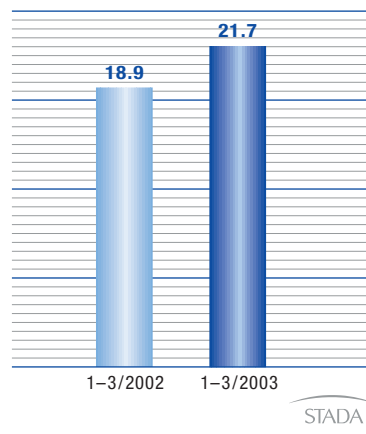
the prior year period) and special pharmaceuticals € 5.5 million (+42% from the prior year period). At the same time, the commercial business, a non-core segment, experienced, as anticipated and announced, significant reductions of -66% to € 7.4 million following the restructuring of the wholesale business in the Netherlands in the prior year. As a result, the contribution of the core segments to consolidated sales has now clearly surpassed the 90% threshold as desired and in the first quarter of 2003 amounted to 95%.

For years, growth at STADA has been supported by a broad international basis. Numerous STADA sales companies were able to expand sales in their respective national markets, in some instances very strongly. This was above all the case in France (1st quarter of 2003: sales € 7.6 million, growth +78% from the prior year period), Italy (1st quarter of 2003: sales € 14.8 million, growth +224% from the prior year period) and Spain (1st quarter of 2003: sales € 9.9 million, growth +1,965% from the prior year period). Thanks to the sales investments

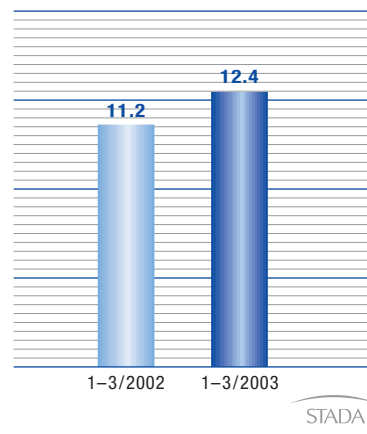
Sales in € million  
for the first 3 months



EBT in € million  
for the first 3 months



Net income in € million  
for the first 3 months



made in these countries in recent years, STADA has been able to turn the strong market growth in generics into growth of the Group. In the USA, too, consolidated sales in the first three months of 2003 rose by a pleasing +39% from the prior year period to € 13.5 million (or, in dollar terms, by +73% from the prior year period to US\$ 14.5 million).

In Germany, which remains the most important national market for STADA with a 54% share in sales, sales also increased significantly in the first three months of 2003 from the same period in the prior year by +15% to € 97.5. STADA's German generics business grew by +21% compared to the same period of the prior year. In the first quarter of 2003 a restructuring of the Group's branded products sales was initiated in Germany. In the interest of bundling sales activities, STADA OTC Arzneimittel and NIDDapharm, which represent all STADA branded products in Germany, were consolidated under the label STADA GmbH – after years of both sales companies relying on the sales forces of each other. In the future, the subline STADA Medical GmbH will be integrated under the umbrella label STADA GmbH. Its products primarily consist of the non-drugs offered by STADA GmbH. In the course of bundling sales activities in the branded products segment, the label Eurovax has been discontinued in the vaccine sector; vaccine products with brand potential were integrated within the new branded products sales activities of STADA GmbH, and the remaining vaccine products with generic potential are now sold through the generics sales line STADapharm.

Group earnings increased once again in the first quarter of 2003. In the first three months of 2003, STADA generated an operating profit that at € 25.2 million was +19.5% higher than in the prior year period; the operating margin in the Group thus reached 13.9% (1st quarter of 2002: 13.8%). The operating profit of the largest core segment, generics, rose by +30% in comparison to the prior year quarter to € 17.4 million. While the results of the prior year quarter were not quite reached in the branded products segment with an operating profit of € 6.0 million (-9%), earnings saw a substantial +75% increase from the prior year period in the smallest core segment, special pharmaceuticals, reaching € 1.5

million. Compared to the first quarter of the prior year, the operational segment earnings of the non-core commercial business segment improved at a significant rate as well. After negative operational segment earnings of € -0.4 million in the prior year period, the Group's commercial business generated operational segment earnings of € +0.6 million in the first quarter of 2003. This development reflects the expected positive effects of the restructuring of the Dutch wholesale business implemented as of June 30, 2002.

Earnings before interest, taxes, depreciation and amortization (EBITDA) reached € 34.1 million in the first quarter of 2003, which was +31% higher than in the prior year period. The increase in EBITDA is a result of the significantly higher earnings and the rise in amortization of intangible assets following the active acquisition policy of the Group. The Group's EBITDA margin in the 1st quarter was thus 18.8% (1st quarter 2002: 17.1%).

Earnings before interest and taxes (EBIT) reached € 25.2 million in the first quarter of 2003 (+19.3% from the prior year period) and earnings before taxes (EBT) amounted to € 21.7 million (+15.0% from the prior year period). This means the Group's EBIT margin was 13.9% and its EBT margin was 12.0% in the first quarter of 2003.

After taxes, STADA was thus able to report the highest quarterly net profit in the Company's history at € 12.4 million (+11.4% from prior year) in the first quarter of 2003.

In light of the favorable development of earnings, STADA once again intensified its sales efforts in the first quarter of 2003 in order to take advantage of the structural growth potentials of the individual national generics markets for increased organic growth – not only in Germany, where the important product launch of Simvastatin in the second quarter of 2003 was to be prepared, but also in the emerging generics markets characterized by strong growth, which remain a key focus, above all France. The taxation ratio of the Group, which is to a significant degree determined by the amount of its international earnings, changed only slightly in the first quarter of 2003 at 42.5% (1st quarter 2002: 41.3%).

Key figures for the Group	Q1 2003	Q1 2002	±
Sales in € million	181.2	152.7	+18.7 %
Sales in core segments in € million	172.2	129.8	+32.7 %
Operating profit in € million	25.2	21.1	+19.5 %
EBITDA in € million	34.1	26.1	+30.8 %
EBIT in € million	25.2	21.2	+19.3 %
EBT in € million	21.7	18.9	+15.0 %
Net income in € million	12.4	11.2	+11.4 %
EPS (basic) in €	0.62	0.60	+3.3 %
EPS (diluted) in €	0.60	0.50	+20.0 %
Capital expenditure in € million	23.2	27.8	-16.5 %
Depreciation/amortization in € million	8.8	4.9	+79.6 %
Average number of employees	2,413	1,952	+23.6 %
Closing price (XETRA®) on March 31 in €	43.30	39.50	+9.6 %
Market capitalization in € million as of March 31	866.6	740.1	+17.1 %

The earnings per share amounted to € 0.62 in the first quarter of 2003 (+3% from the prior year period). In a comparison with the prior year period, the +7% increase in the number of shares has to be taken into consideration (after nearly all eligible options were exercised and exchanged for common shares in September 2002). The diluted earnings per share in the first quarter of 2003 increased to € 0.60 (+20% from the prior year period).

In connection with the unchanged corporate strategy of increasing the organic growth of the core segments through appropriate strategic acquisitions, STADA has acquired sales companies in Italy and the United Kingdom in the course of the current fiscal year 2003 and has consequently strengthened its existing sales positions in these countries.

In Italy, STADA acquired a majority stake in Pharmajani S.p.A. on January 8, 2003. This company is a successful sales specialist for pharmaceutical products in Italy and has annual sales of about € 9.5 million. In connection with the transaction, STADA acquired a 60% stake in the company, which was founded in 1983. The remaining 40% are held by the seller and management. The company is now active in the market under the name New Pharma Ajani S.p.A. (NPA) and sells various licensed products in pharmacies. The new STADA sales company NPA will expand its existing regional focus on northwest

Italy to a countrywide presence, and in addition to STADA products will continue to sell drugs from other companies. STADA is consolidating the acquired sales of NPA under commercial sales while sales of STADA products from the core segments are allocated to the respective core segments. This acquisition has given STADA more direct access to Italian pharmacies. The other two STADA sales companies operating in Italy (EG S.p.A., specializing in generics, and Crinos, specializing in branded products) will now receive support from NPA in their sales to pharmacies to supplement their continued sales activities towards doctors.

Effective March 10, 2003, STADA acquired the British generics supplier Schein Pharmaceutical Holdings UK Limited and its subsidiary Schein Pharmaceutical UK Limited, two companies headquartered in Newbury that are active in the English generics market with the sales line Genus Pharmaceuticals (annual sales 2002 approx. € 11 million). The seller was Schein Pharmaceutical (Bermuda) Limited, a subsidiary of Watson Pharmaceuticals, Inc. of California, USA. The purchase price was € 17 million. STADA has acquired a lean company with 19 employees that is focused on marketing and sales. Its products are made by contract manufacturers and it also resorts to additional external sales staff in the market. The portfolio encompasses 18 products in 35 dosage forms for various indications, among them a cardiovascular product

already sold under license for STADA. Generics for doctors and hospitals contribute about 85 % of sales; the rest are branded products.

STADA had already established a joint venture for the marketing of generics in the United Kingdom in 1999; STADA's stake is 51 %. However, the joint venture never started operations. Since the acquisition of Genus, STADA now has its own sales unit for the important UK generics market as well. The product portfolio acquired with these companies is to be rapidly complemented with products from the Group portfolio that have already been approved and new product approvals from the STADA development pipeline. As a result, STADA can expect significant growth from the newly acquired sales unit.

In the first quarter of 2003, STADA founded its own Swedish subsidiary, STADapharm A.B., in Malmö. This sales company will become active in the Swedish generics market in the course of the year 2003 and will market existing approved products from the Group's portfolio there.

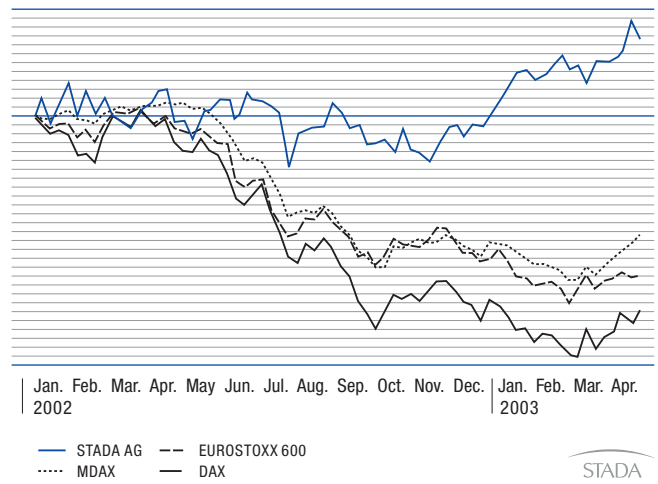
In the course of STADA's concentration on its core segments, STADA sold the non-consolidated minority stake held since 1998 by one of the companies in the Group in Medistar, a supplier of software for doctors. STADA has secured the strategic goal of being able to optimally present STADA products in software systems for doctors with long-term cooperation agreements with various software providers.

In the first quarter of 2003, STADA product development, which in the first three months had access to € 4.9 million for research and development expenses (1st quarter 2002: € 5.3 million) once again demonstrated its leading position. A total of 79 new products were introduced Group-wide in the first quarter of 2003. In the current second quarter, STADA has introduced generics with the active ingredient Simvastatin for the first time concurrent to the patent expiration in Germany. This active ingredient has already been marketed in three additional sales companies in the Group for some time. The products from the initial suppliers having the same active ingredient generated significant sales (according to

STADA estimates on the basis of market data from international market research companies approx. € 240 million in Germany alone based on the respective ex-factory prices) and thus offer good sales potentials for rising generic competition. Due to its well-filled product pipeline, STADA expects to be able to introduce the respective active ingredients for additional important patent expirations as generics this year and in the coming years soon after the patent expirations in the individual national markets. Using private venture capital and with biogenerics development conducted by external developers (for the active ingredients Erythropoetin, Filgrastim and Interferon  $\beta$ ), STADA still expects that the first clinical trials can commence in the current fiscal year 2003, which should make a market entry possible by no later than 2006.

The price of the STADA share has responded favorably to the fundamental growth and the continued strategic expansion of the sales network in the first quarter of 2003. On March 19, 2003, the price reached € 45.11 per common share, a high-point since the IPO; a price of € 43.30 per common share at the end of the quarter means a +9 % increase in price since the beginning of the year and a +10 % increase within the last 12 months. In the current second quarter, the share price continued to rise until the end of April and at its highest point reached € 48.35.

**Performance of STADA shares vs. DAX, MDAX, EUROSTOXX 600  
100 = January 1, 2002**



This puts the market capitalization as of March 31, 2003 at € 866.6 million (+9% from beginning of the year or +17% in the last 12 months).

In the first quarter of 2003, one of STADA's institutional investors surpassed the 5% threshold, which makes it subject to reporting under Section 21 (1) of the German Securities Trading Act (WpHG). According to Fidelity International Limited, Bermuda, this was the case for Fidelity Funds SICAV on January 14, 2003. In the current second quarter, a corresponding notification was also provided for Fidelity Management & Research Company, Boston, USA.

In the first quarter of 2003, STADA purchased and sold only a small amount of treasury stock and held 19,939 shares as of March 31, 2003.

The Executive Board of STADA feels that the good results achieved in the first quarter of 2003 confirm its favorable projection for the current financial year, even though in certain national markets (such as Germany, France and Belgium) health policy challenges still cannot be ruled out for individual sales companies. From the present perspective, the Executive Board continues to view the target set for the current financial year to be realistic, providing the business risk situation at the beginning of the year does not change substantially. Sales and profits are expected to rise in the double-digit percentage range, making 2003 the eighth record year in a row. STADA plans to live up to its ambitious corporate claim:

“STADA – Designed for growth.”

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Supervisory Board: Dr. med. Eckhard Brüggemann (Chairman),  
Karl Hertle<sup>1)</sup> (Vice Chairman), Heike Ebert<sup>1)</sup>, Uwe E. Flach, Dr. K. F.  
Arnold Hertzsch, Dieter Koch, Reinhard Kraft<sup>1)</sup>, Dr. Claus-Jürgen Lang,  
Eugen Weber

1) Employee representative

**This quarterly report appears in German (original version) and English (non-binding translation) and is subject exclusively to German law.**

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[www.stada.de](http://www.stada.de)**

## Financial results for the first 3 months 2003

Consolidated Income Statement for the Period in € 000s	Q1 2003	Q1 2002
1. Sales	181,194	152,718
2. Cost of sales	87,267	76,616
<b>3. Gross margin</b>	<b>93,927</b>	<b>76,102</b>
4. Other operating income	2,148	2,004
5. Selling expenses	46,957	37,740
6. General and administrative expenses	11,559	10,313
7. Research and development expenses	4,892	5,325
8. Other operating expenses	7,469	3,647
<b>9. Operating profit</b>	<b>25,198</b>	<b>21,081</b>
10. Investment income	50	90
11. Interest income, net	-3,505	-2,270
<b>12. Financial result</b>	<b>-3,455</b>	<b>-2,180</b>
<b>13. Earnings before taxes</b>	<b>21,743</b>	<b>18,901</b>
14. Taxes on income	9,250	7,808
<b>15. Net income for the period</b>	<b>12,493</b>	<b>11,093</b>
16. Minority interests	-56	72
<b>17. Consolidated profit</b>	<b>12,437</b>	<b>11,165</b>
18. Earnings per share in € (basic) <sup>1)</sup>	0.62	0.60
19. Earnings per share in € (diluted) <sup>1)</sup>	0.60	0.50

1) For common shares plus preferred shares

Consolidated Cash Flow Statement in € 000s (Excerpt)	Q1 2003	Q1 2002
Cash flow (gross)	21,321	16,144
Cash flow from operating activities	-9,023	-20,267
Cash flow from investing activities	-23,157	-27,845
Cash flow from financing activities	40,215	45,554
Net cash flow for the period	8,035	-2,558

Segment Reporting in € 000s	Q1 2003	Q1 2002	
1. Generics	Sales	128,628	97,096
	Operating profit	17,443	13,403
	Segment assets	179,696	142,697
	Liabilities	72,149	73,817
2. Branded products	Sales	38,093	28,804
	Operating profit	6,048	6,646
	Segment assets	26,536	20,546
	Liabilities	22,608	27,173
3. Special pharmaceuticals	Sales	5,522	3,880
	Operating profit	1,543	883
	Segment assets	16,632	11,386
	Liabilities	2,161	3,201
Core segments (1.-3.)	Sales	172,243	129,780
4. Commercial business	Sales	7,436	21,837
	Operating profit	590	-402
	Segment assets	974	5,382
	Liabilities	8,502	7,630
5. Group holding company/other	Sales	1,515	1,101
	Operating profit	-426	551
	Segment assets	102,450	109,903
	Liabilities	324,440	279,027

Consolidated Balance Sheet in € 000s	Mar. 31, 2003	Dec. 31, 2002
<b>Assets</b>		
<b>A. Non-current assets</b>	<b>438,088</b>	<b>432,573</b>
I. Intangible assets	365,383	349,082
II. Property, plant and equipment	59,658	58,166
III. Financial assets	13,047	25,325
<b>B. Current assets</b>	<b>346,043</b>	<b>298,854</b>
I. Inventories	144,502	135,381
II. Trade accounts receivable	124,633	105,985
III. Other assets and prepaid expenses/deferred charges	35,820	24,184
IV. Securities	362	613
V. Cash and cash equivalents	40,726	32,691
<b>C. Deferred tax assets</b>	<b>9,692</b>	<b>9,587</b>
	<b>793,823</b>	<b>741,014</b>
<b>Equity and Liabilities</b>		
<b>A. Shareholders' equity</b>	<b>335,980</b>	<b>324,127</b>
I. Share capital	52,033	52,033
II. Reserves and retained earnings	283,947	272,094
<b>B. Minority interests</b>	<b>626</b>	<b>62</b>
<b>C. Provisions</b>	<b>16,325</b>	<b>15,808</b>
<b>D. Liabilities</b>	<b>429,860</b>	<b>390,848</b>
I. Financial liabilities	299,981	259,766
II. Trade accounts payable	63,226	74,672
III. Other liabilities and deferred income	66,653	56,410
<b>E. Deferred tax liabilities</b>	<b>11,032</b>	<b>10,169</b>
	<b>793,823</b>	<b>741,014</b>

Statement of Changes in Shareholders' Equity in € 000s	1/1-3/31/03	1/1-12/31/02
Shareholders' equity	324,127	280,253
Net income for the period	12,493	35,106
Capital increase	–	20,483
Dividend payment	–	-11,047
Other changes	-640	-668
Shareholders' equity	335,980	324,127

Consolidated Sales by Regions <sup>1)</sup> in € 000s	Q1 2003	Q1 2002	±
<b>EU Total</b>	<b>160,282</b>	<b>138,026</b>	<b>+16 %</b>
- Belgium	9,701	8,830	+10 %
- Denmark	2,832	1,474	+92 %
- Germany	97,476	84,742	+15 %
- France	7,566	4,257	+78 %
- United Kingdom	3,066	2,314	+33 %
- Ireland	2,865	2,677	+7 %
- Italy	14,780	4,558	+224 %
- Netherlands	10,353	27,494	-62 %
- Austria	1,683	1,199	+40 %
- Spain	9,931	481	+1,965 %
- Rest of EU	29	0	–
<b>Other Europe</b>	<b>3,481</b>	<b>1,964</b>	<b>+77 %</b>
- Switzerland	961	190	+406 %
- Czech Republic	1,442	1,033	+40 %
- Rest of Europe	1,078	741	+45 %
<b>Americas</b>	<b>13,511</b>	<b>9,712</b>	<b>+39 %</b>
- USA	13,450	9,674	+39 %
- Rest of the Americas	61	38	+61 %
<b>Asia</b>	<b>3,844</b>	<b>2,834</b>	<b>+36 %</b>
- China	947	794	+19 %
- Philippines	852	950	-10 %
- Thailand	615	777	-21 %
- Vietnam	585	79	+641 %
- Rest of Asia	845	234	+261 %
<b>Rest of World</b>	<b>76</b>	<b>182</b>	<b>-58 %</b>

1) Categorized according to the respective national market where the sales were generated.