STADA
Arzneimittel

The Health Company

Report on the First Nine Months of 2004

STADA
Arzneimittel

Dear Shareholders,

In the opinion of the Executive Board, STADA's business prospects improved again in the third quarter of 2004 as expected.

The current fiscal year 2004 continues to be a difficult one for STADA, particularly with respect to earnings. While sales rose by +9% to € 592.3 million in the first nine months of 2004 (1–9/2003: € 545.7 million), net income including special items decreased overall by -6% to € 32.8 million (1–9/2003: € 34.8 million). However, when comparing the third quarter of 2004 with the third quarter of 2003 separately, net income rose by +10%.

A significant contributing factor to the decrease in STADA's earnings over the first nine months of 2004 were the severe burdens imposed by Germany's healthcare policy as a result of the law on modernizing the German public health insurance system ("GKV-Modernisierungs-gesetz" or "GMG"), which came into effect on January 1, 2004. In addition, local challenges – some of them unexpected – also arose in a few other national markets, such as Italy, Spain, and the U.S.

Despite the burdens STADA has faced, measures introduced to improve earnings in combination with a significantly improved tax rate have already led to an increase in net income in the third quarter of 2004 compared to the previous year. This should lead to an improved earnings situation in the current fourth quarter of 2004 and also in fiscal 2005. This optimistic outlook for 2005 is partly based on the health-care policy decisions made in the third quarter and in the current fourth quarter of 2004 in Germany, one of STADA's key markets. These decisions are expected to significantly reduce the extraordinarily high burden placed on STADA by mandatory discounts in 2005.

From today's perspective, the Executive Board continues to believe that the Group's current earnings targets for the full year – to achieve net income in 2004 in the range of last year's level and to increase net income again in fiscal 2005 – remain achievable.

Development of Sales

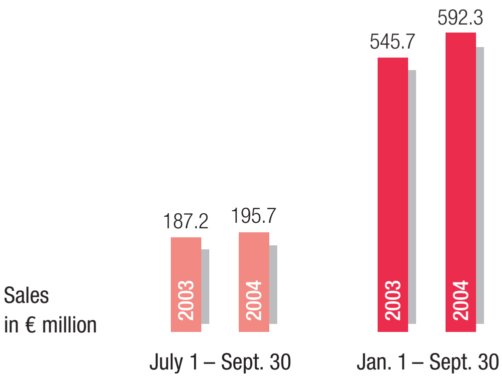
Sales of the STADA Group grew by +9% to € 592.3 million in the first nine months of 2004 compared to the same period of the previous year (1–9/2003: € 545.7 million). The organic sales growth without acquired sales volumes in the current fiscal year is 8 percentage points.

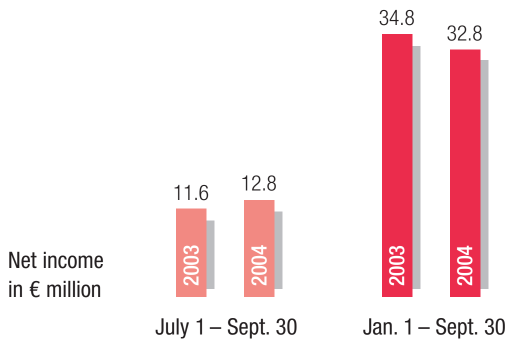
STADA Group sales continue to grow in the current fourth quarter of 2004. After the first ten months of this year, STADA has achieved sales of approx. +8% compared to the same period of the previous year; double-digit percentage sales growth for 2004 as a whole therefore remains possible.

In the first nine months of 2004 all three core segments, Generics, Branded Products, and Special Pharmaceuticals, contributed to Group sales growth.

Sales in the Generics segment rose by +10% to € 442.6 million in the first nine months of 2004 compared to the same period of the previous year (1–9/2003: € 401.0 million). Sales in the Branded Products segment grew marginally to € 99.8 million in the first nine months of 2004 compared to the same period of the previous year (1–9/2003: € 99.4 million). The adverse effects of current regulatory influences were particularly noticeable in these two segments. Sales in the Special Pharmaceuticals segment increased by +15% to € 18.9 million in the first nine months of 2004 compared to the same period of the previous year (1–9/2003: € 16.4 million).

In Germany, STADA continues to face particularly difficult challenges, mainly caused by the GMG which took effect on January 1, 2004. According to this law, STADA had to grant mandatory discounts in favor of the German public health insurance system totalling € 15.7 million in the first nine months of 2004 (1–9/2003: € 5.0 million). Also as a result of the GMG, the demand for OTX products is likely to be permanently reduced. OTX products are OTC drugs that were reimbursed in the past by the public health insurance system if prescribed by a doctor. The exceptions list of OTX products that are still reimbursable, which became effective on April 1, 2004, is largely ignored by doctors. Based on the experiences of the year so far, STADA must assume that alternative private prescriptions or purchases by patients themselves can only partially compensate for the persistent decline of OTX prescriptions.





In terms of generics sales to pharmacies, which currently account for approx. 44% of STADA's total generics sales in Germany, STADA granted particularly large discounts to customers in response to competition in the first half and the second quarter of 2004 in particular. From the beginning of the third quarter of 2004 onwards, the discount level was significantly reduced. However, many customers had already considerably increased their inventories, causing a temporary weakness in demand during the third quarter of 2004 for these previously highly-discounted products.

As a result of all these burdens impacting STADA's business in Germany, Group sales here in the first nine months of 2004 decreased marginally by -0.4% to € 285.3 million (1–9/2003: € 286.3 million). This figure includes sales of € 11.2 million of "Mirtazapin STADA", which was launched in the beginning of April 2004 as a so-called "early entry"[1] product.

Following healthcare policy decisions made in the third quarter and in the current fourth quarter of 2004, STADA can now expect that mandatory discount charges for products on the German market which are not covered by reference prices will be significantly reduced in 2005. In the meantime, moderate new reference prices that include initial supplier products with similar active ingredients still covered by patents (so-called "Jumbo" reference price groups) have been officially adopted. These include amongst others Omeprazole[2] and Simvastatin[3], STADA's two best-selling generics on the German market. As the relevant STADA generics are already priced significantly below the intended reference prices, no price reductions of these two active ingredients due to new reference prices will be necessary. If the new reference prices take effect from January 1, 2005, mandatory discounts for these active ingredients will be eliminated according to the GMG. For the year 2004 as a whole, these mandatory discounts are expected to negatively impact STADA's sales and in particular pre-tax earnings by a total of approx. € 8 to 10 million.

1) In the first quarter of 2004, the acquisition of approvals (without sales) for film-coated tablets containing the antidepressant active ingredient Mirtazapine in Germany from the initial supplier N.V. Organon enabled STADA to effectively achieve a so-called "early entry" at the beginning of the second quarter of 2004. This resulted in several months' market exclusivity, until mid-August 2004, as the first generics supplier.
2) Stomach medication (ingredient class: proton pump inhibitors (PPI)).
3) Cholesterol lowerer (ingredient class: statines).

STADA believes that further new reference prices will be established in the German market in the course of 2005. However, according to the GMG, the mandatory discount for products with active ingredients which are still not covered by reference prices, whether temporarily or permanently, will return from the current 16% to the original 6% of ex-factory prices effective January 1, 2005. This would also reduce STADA's charges.

Internationally, too, the STADA Group had to face some partly surprising challenges in certain markets during the course of fiscal 2004. For example, in Italy, growth in the generics market slowed whilst the intensity of competition increased. In Spain, reference prices introduced at the beginning of 2004 burdened the generics business. Additionally, weak demand for the Group's branded products was seen in both countries.

However, clear double-digit percentage growth characterizes the Group's international business as a whole. International sales grew by +18% to € 307.0 million in the first nine months of 2004 (1–9/2003: € 259.4 million), contributing 51.8% to total sales.

STADA's sales in Europe, excluding Germany, grew by +20% to € 254.5 million in the first nine months of 2004 (1–9/2003: € 211.5 million). Particularly strong growth in comparison to the same period of the previous year was seen in France (+54%), Belgium (+36%), and the United Kingdom (+52%). Despite specific local challenges, Group sales also increased in national markets outside of Germany, such as in Italy (+5%) and Spain (+14%) with generics growing particularly well in Spain (+19%). In addition, structural measures were taken to strengthen business in both of these national markets in the current fourth quarter of 2004. In Italy, the local sales company Crinos acquired 68 branded products (including some non-marketed trademarks and ongoing approval projects) that generate annual sales of approx. € 13.8 million for a total net price of € 13.0 million (after deducting the cash of a company acquired as part of the transaction)[4]. In Spain, the local sales companies Bayvit S.A. and Ciclum Farma S.L. were merged to form Laboratorio STADA S.L. with effect from November 1, 2004.

4) Following the provisional agreement dated October 19, 2004, the transaction was finalized on November 8, 2004.

In the U.S., STADA Group sales increased in local currency by +9% to US $ 43.3 million in the first nine months of 2004 compared to the same period of the previous year (1–9/2003: US $ 39.8 million). In euro terms, however, Group sales declined marginally by -0.1% to € 35.5 million (1–9/2003: € 35.6 million). In the current fiscal year 2004, STADA continues to be impacted by intense pressure on margins in this market.

In Asia, sales grew by +30% to € 15.9 million in the first nine months of 2004 compared to the same period of the previous year (1–9/2003: € 12.2 million).

Performance of Earnings

After the first nine months of 2004, STADA's net income amounted to € 32.8 million (1–9/2003: € 34.8 million), a decrease of -6% compared to the first nine months of 2003. STADA's other key earnings figures for the first nine months of the current year were also lower than in the same period of the previous year: Earnings before taxes (EBT) declined by -18% to € 49.3 million (1–9/2003: € 60.3 million), while earnings before interest and taxes (EBIT) decreased by -20% to € 56.9 million (1–9/2003: € 71.3 million), and earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by -18% to € 80.0 million (1–9/2003: € 97.1 million). Considering the third quarter of 2004 separately, net income rose by +10%, due in particular to a significantly improved tax rate.

Key figures for the Group	1/1–9/30/04	1/1–9/30/03	±%
Sales in € million	592.3	545.7	+9%
Operating profit in € million	56.7	71.1	-20%
EBITDA in € million	80.0	97.1	-18%
EBIT in € million	56.9	71.3	-20%
EBT in € million	49.3	60.3	-18%
Net income in € million	32.8	34.8	-6%
Earnings per share (EPS) in € (according to IAS 33.10)[1)]	0.62	0.87	-29%
Earnings per share (diluted) in € (according to IAS 33.24)[1)]	0.61	0.83	-27%
Capital expenditure in € million	63.4	64.2	-1%
Depreciation/amortization in € million	23.1	25.9	-11%
Average number of employees (1/1–9/30)[2)]	2,568	2,367	+8%
Closing price of STADA stock (XETRA®) in € on September 30	17.90	23.00[1)]	-22%
Market capitalization in € million as of September 30	955.7	920.6	+4%

1) Adjusted for the 1:1 stock split carried out on July 30, 2004.

2) Employees of companies consolidated at only 50% were considered according to their respective consolidation rate in 2004. The figures for the previous year were adjusted accordingly.

The calculation of earnings per share takes account of the de-facto stock split[3)] carried out in the third quarter of 2004 (see section "STADA in the Capital Markets"). As a result, earnings per share for the first nine months of 2004 amount to € 0.62 (1–9/2003: € 0.87, adjusted for the 1:1 stock split carried out on July 30, 2004). When comparing the first nine months of 2004 with the same period of the previous year, it must be noted that in addition to the 1:1 stock split, the number of shares included in the EPS calculation is +33% higher than in 2003 as a result of the capital increase in the fourth quarter of 2003. Diluted earnings per share as defined by IAS 33.24, which are also dependent on the share price, amount to € 0.61 for the first nine months of 2004 (1–9/2003: € 0.83, adjusted for the 1:1 stock split carried out on July 30, 2004).

The decline in STADA Group earnings in the first nine months of 2004 was largely due to the above-mentioned factors impacting its operating business in various national markets. The mandatory discounts in the German market are a particularly severe burden, accounting for approx. 32% of STADA's Group earnings before taxes in the first nine months of 2004.

A further factor to consider when assessing STADA's earnings performance is that goodwill amortization is not recognized in 2004 under IFRS rules. In the first nine months of 2003, goodwill amortization had reduced STADA's earnings before taxes by a total of € 4.5 million.

The special items remaining from the first half of 2004 (release of provisions for patent disputes, one-time compensation payments, and write-downs) impacted earnings before taxes by a net € -0.6 million. Additional special items include further write-downs of approx. € 0.7 million arising from the third quarter of 2004 and approx. € 2.6 million in severance payments in the first nine months of 2004, thereof € 2.2 million in the third quarter of 2004, to employees who have left the company.

In the first nine months of 2004, STADA's various business segments made the following contributions to net income for the period compared to the same period of the previous year: Generics € 24.0 million (1–9/2003: € 30.4 million), Branded Products € 5.3 million (1–9/2003: € 6.4 million), Special Pharmaceuticals € 2.6 million (1–9/2003: € 2.5 million), commercial business € 0.9 million (1–9/2003: € 0.4 million), Group holding company / Other € 0.1 million (1–9/2003: € -4.7 million). The cumulative profit margins achieved by each of the core segments in the first nine months of 2004 were thus as follows, calculated as the segment's contribution to net income for the period in relation to segment sales: 5.4% for Generics (1–9/2003: 7.6%), 5.3% for Branded Products (1–9/2003: 6.4%), and 13.7% for Special Pharmaceuticals (1–9/2003: 15.4%).

3) Pursuant to IAS 33 § 20 in conjunction with IAS 33 § 22, a capital increase from existing funds changes the average number of shares without any concomitant change in the level of resources. The number of common shares in issue prior to the capital increase is adjusted in accordance with the proportional change in the number of outstanding common shares after the share issue as if the event (the de-facto 1:1 stock split) had occurred at the beginning of the period under review. For the purposes of historical comparison, the historical figure for the average number of shares in each financial year ending prior to the conversion date will be doubled to adjust for the 1:1 stock split when calculating the earnings per share.

Since the second quarter of 2004, STADA has been introducing wide-ranging measures to increase earnings, focusing on cost-optimization in marketing & sales and production activities. For example, the 40-hour working week was reintroduced on October 1, 2004, under a new agreement between management and the works council at STADA's Bad Vilbel location. Overall, STADA expects that despite various adverse factors, the Group will achieve net income in fiscal 2004 in the range of last year's level.

From today's perspective, STADA expects double-digit percentage growth in terms of earnings in 2005. Continued growth in its operating business, further beneficial effects of the measures introduced to increase its earnings, and the above-mentioned anticipated reduction in charges imposed by mandatory discounts in the German market should help achieve this forecast. In the second quarter of 2005, in particular, STADA plans to substantially increase its earnings compared to the current fiscal year.

Balance Sheet Structure and Acquisitions Policy

The structure of STADA's balance sheet as of September 30, 2004, continues to be influenced by the expansion of its operating business. Inventories increased to € 210.8 million (Dec. 31, 2003: € 166.7 million), and trade accounts receivable grew to € 159.2 million (Dec. 31, 2003: € 135.4 million). Considering the third quarter of 2004 separately, however, trade accounts receivable decreased by € -14.8 million while inventories increased by € 18.7 million. STADA's equity ratio remains high at 63.9% (Dec. 31, 2003: 64.2%).

STADA intends to continue to expand the Group's business through acquisitions. In the current fourth quarter of 2004, STADA acquired a portfolio of branded products to strengthen its Italian business (see section "Development of Sales").

Furthermore, STADA intends to acquire an estimated 97% of the shares in the Russian pharmaceutical company Nizhpharm OJSC, Nizhny Novgorod. The provisional agreement ("Heads of Agreement") signed on November 8, 2004, specifies that STADA will acquire these Nizhpharm shares for an anticipated total price of approx. € 80–85 million. The final transaction is subject to certain provisions, including the positive results of a due diligence investigation into Nizhpharm by STADA, approval by the STADA Supervisory Board and the agreement and execution of a purchase contract. STADA has been granted negotiation exclusivity until January 31, 2005. Nizhpharm is the fourth largest local pharmaceutical company in Russia in terms of sales and is one of the fastest-growing suppliers in the Russian pharmaceutical market. In 2003, Nizhpharm increased sales in local currency by +28% to RUB 1,415.3 million or expressed in euros by +9% to € 40.8 million. These sales were mainly achieved with branded products. From today's perspective, Nizhpharm expects that net income after taxes, which amounted to RUB 172.6 million and € 5.0 million in 2003, could be almost doubled in 2004. Nizhpharm also anticipates that the strong earnings growth will continue in 2005.

Development Projects

During the course of the current fiscal year 2004, the Group's sales companies were again able to launch a large number of new products in their respective national market segments, as a result of STADA's intense development activities. A total of 238 new products were launched in the first nine months of 2004 (1–9/2003: 241 new products). Based on the large number of ongoing development projects, numerous product launches can be expected from the Group's sales companies in the next few years. This applies to the Generics segment in the EU in particular, where STADA pursues the goal of offering a complete set of important patent-free active ingredients in many national markets. In addition, STADA conducts in collaboration with specialized partners particular development projects in certain areas which require specific expertise.

One such special development area is medical patches containing active ingredients that act transdermally, i.e. through the skin. In this area, STADA is working on projects concerning the analgesic active ingredient Fentanyl (for Europe and the U.S.) as well as the active ingredient Clonidine which lowers blood pressure (for the U.S.). From today's perspective, approvals in some national markets for these development projects could be obtained as soon as 2005.

According to the development partner LipoNova, the ongoing approval process by the European drug-approval agency (EMEA) for the autologous tumor vaccine Reniale® (used to treat particular forms of kidney cancer) could also lead to EU-wide approval in 2005. STADA acquired the Europe-wide distribution rights for this product from LipoNova in the first quarter of 2004. At the same time, STADA acquired 16% of the shares in LipoNova, and after successful approval of Reniale®, this share will be increased to 32%. In the third quarter of 2004, the STADA sales company Eurovax, which has not been consolidated yet, started initial pre-marketing activities of Reniale®.

In the development of three biogenerics for the active ingredients Erythropoetin, Filgrastim and Interferon beta-1a, Erythropoetin is making particularly good progress. From today's perspective, initial approval could be obtained as early as 2007, or even at the end of 2006.

STADA in the Capital Markets

During the third quarter of 2004, STADA's share price initially continued to fall, reaching the lowest point of the past years at € 13.52 (XETRA® closing price) on August 6, 2004. Following publication of the Group's half-year results and supported by German healthcare policy decisions favorable to STADA, the share price performed well over the following weeks up to the end of the quarter; the XETRA® closing price of € 17.90 on September 30, 2004, had risen by +32% from the low in the middle of the quarter. Consequently, market capitalization amounted to € 956 million as of September 30, 2004.

In the third quarter of 2004, STADA carried out the de-facto stock split approved by the 2004 Annual Shareholders' Meeting. STADA issued 26,695,410 bonus shares, increasing its issued capital stock by € 69,408,066.00 to € 138,816,132.00 by converting € 43,930,856.44 of its capital reserve and € 25,477,209.56 of its other retained earnings into equity. Once this capital measure had been implemented by Deutsche Börse AG after the close of trading on July 30, 2004, its impact on STADA's share price was the same as a de-facto 1:1 stock split: The share price was almost reduced by half because the number of shares in issue had doubled (XETRA® closing price prior to conversion: € 31.11; XETRA® opening price after conversion: € 15.88), and STADA's market capitalization remained practically unchanged.

STADA's free float remains 100%. As of September 30, 2004, no single investor had reported owning a shareholding of more than 5% of STADA's issued capital stock, after DWS Investment had fallen below this statutory threshold during the third quarter of 2004.

As of the reporting date September 30, 2004, STADA only held a small number of its own shares (33,305 compared to 39,392 as of September 30, 2003). During the current fourth quarter, on November 9, 2004, the Executive Board of STADA Arzneimittel AG decided to repurchase shares constituting up to 10% of the company's share capital. STADA is therefore utilizing the authorization granted by the Annual Shareholders' Meeting on June 15, 2004 to repurchase the company's own shares pursuant to section 71 (1) No. 8 of the German Joint Stock Corporation Act (AktG). The shares will be repurchased through the stock market. The authorization states that the price paid by the company for each share must not be more than 10% above or below the price quoted for the shares in intraday XETRA® trading at around 1 p.m. on the day in question. The Executive Board considers it advantageous to invest in STADA shares at the current share price. The repurchased shares will be used for planned acquisitions and as part of the existing employee share ownership program.

Outlook

The Executive Board continues to believe that STADA's targets for 2004, which were adjusted in June 2004, can be achieved. Despite all the burdens, Group sales for 2004 will increase, possibly even achieving double-digit percentage growth. The Executive Board expects that the measures already introduced to increase earnings will improve the earnings situation in the fourth quarter of 2004 compared to the fourth quarter of 2003. Net income for the whole of 2004 is expected to be in the range of last year's level.

The outlook for 2005 is optimistic. The measures to increase earnings will continue to impact positively next year. Operating business will be further strengthened by a continuous flow of product launches. From today's perspective, healthcare policy developments in the German market should also significantly reduce the charges imposed by mandatory discounts in 2005. Overall, the Executive Board believes that 2005 should see a return to STADA's traditional profit-oriented growth course, with double-digit percentage increases in both sales and earnings.

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Forward-looking statements contain risks: This quarterly report of STADA Arzneimittel AG contains 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 differing significantly from the estimates expressed or implied in the statements regarding future events. 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 statements regarding future events 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 approval authorities and other supervisory agencies; the approval environment and changes in the healthcare policy and in the healthcare 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; currency, exchange rate and interest rate fluctuations, operating results, as well as other factors detailed in the annual reports and in other Company statements. STADA neither plans to provide updates on statements regarding future events nor does STADA assume an obligation to do so. STADA, however, as mandatory disclosures stipulated in the Stock Corporation Act, publishes material information on current business trends that in the view of the Executive Board could affect the share price as mandatory disclosures prescribed by German company law, and makes this information available on its website (www.stada.com) as well.

Rounding: The key performance indicators presented in this quarterly 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 quarterly report is published in German (original version) and English (non-binding translation) and is subject to German law.

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Group results

The consolidated interim statements of STADA Arzneimittel AG as of September 30, 2004 (like the consolidated financial statements as of December 31, 2003) were prepared in accordance with the accounting standards of the International Accounting Standards Board (IASB), which are known as International Financial Reporting Standards (IFRS). With the exception of IFRS 3 and the revised IAS 36 and IAS 38, the same accounting policies applied in the consolidated financial statements for fiscal year 2003 were applied to these interim financial statements. The notes to the consolidated financial statements for 2003 also apply to these interim financial statements where appropriate. The present quarterly report fulfills the requirements for interim financial reports set out in IAS 34.

Consolidated Income Statement in € 000s[1]	1/1 – 9/30/04	1/1 – 9/30/03	7/1 – 9/30/04	7/1 – 9/30/03
1. Sales	592,340	545,732	195,707	187,169
2. Cost of sales	301,806	261,229	100,689	91,658
3. Gross margin	**290,534**	**284,503**	**95,018**	**95,511**
4. Other operating income	12,014	5,929	1,509	1,391
5. Selling expenses	175,169	150,201	54,262	50,762
6. General and administrative expenses	39,367	35,538	12,236	12,043
7. Research and development expenses	16,657	14,382	5,810	4,361
8. Other operating expenses	14,609	19,185	3,503	5,991
9. Operating profit	**56,746**	**71,126**	**20,716**	**23,745**
10. Investment income	150	138	0	88
11. Interest income, net	-7,598	-10,915	-2,565	-3,817
12. Financial result	**-7,448**	**-10,777**	**-2,565**	**-3,729**
13. Earnings before taxes	**49,298**	**60,349**	**18,151**	**20,016**
14. Taxes on income	16,447	25,359	5,348	8,353
15. Net income for the period	**32,851**	**34,990**	**12,803**	**11,663**
16. Minority interests	-31	-200	-12	-49
17. Net income	**32,820**	**34,790**	**12,791**	**11,614**
18. Earnings per share in € (according to IAS 33.10)	0.62 [2]	0.87 [2][3]	0.24 [2]	0.29 [2][3]
19. Earnings per share (diluted) in € (according to IAS 33.24)	0.61 [2]	0.83 [2][3]	0.24 [2]	0.28 [2][3]

Consolidated Cash Flow Statement in € 000s (Excerpt)	1/1 – 9/30/04	1/1 – 9/30/03
Cash flow (gross)	58,058	61,064
Cash used for/provided by operating activities	-9,549	2,102
Cash used for investing activities	-63,357	-64,169
Cash flow used for/provided by financing activities	-11,998	54,597
Net cash flow for the period	-84,904	-7,470

Segment Reporting in € 000s		1/1 – 9/30/04	1/1 – 9/30/03
1. Generics	Sales	442,591	400,955
	Operating profit	37,845	53,364
	Contribution to net income for the period	24,011	30,400
	Segment assets (Sept. 30)	346,228	192,099
	Liabilities (Sept. 30)	82,107	81,978
2. Branded products	Sales	99,801	99,360
	Operating profit	9,746	11,501
	Contribution to net income for the period	5,281	6,355
	Segment assets (Sept. 30)	102,706	23,513
	Liabilities (Sept. 30)	19,107	21,776
3. Special pharmaceuticals	Sales	18,896	16,394
	Operating profit	4,419	4,283
	Contribution to net income for the period	2,586	2,532
	Segment assets (Sept. 30)	67,153	14,762
	Liabilities (Sept. 30)	6,167	2,727
4. Commercial business	Sales	23,998	24,338
	Operating profit	1,447	1,560
	Contribution to net income for the period	916	365
	Segment assets (Sept. 30)	2,753	1,578
	Liabilities (Sept. 30)	6,888	9,183
5. Group holding company / other	Sales	7,054	4,685
	Operating profit	3,289	418
	Contribution to net income for the period	57	-4,662
	Segment assets (Sept. 30)	95,807	98,219
	Liabilities (Sept. 30)	209,580	350,013

1) The following changes to the scope of consolidation occurred in the third quarter of 2004: Once its liquidation had been completed, Croma Pharma AG i.L., Frauenfeld, Switzerland, was deconsolidated and therefore no longer forms part of the STADA Group. With effect from November 1, Bayvit S.A., Barcelona, Spain, was merged with Ciclum Farma S.L., Madrid, Spain, and, at the same time, the merged legal entity was renamed Laboratorio STADA S.L, which is headquartered in Barcelona, Spain.

2) Adjusted for the 1:1 stock split carried out on July 30, 2004: Pursuant to IAS 33 § 20 in conjunction with IAS 33 § 22, a capital increase from existing funds changes the average number of shares without any concomitant change in the level of resources. The number of outstanding common shares prior to the capital increase is adjusted in accordance with the proportional change in the number of outstanding common shares after the share issue as if the event (the de-facto 1:1 stock split) had occurred at the beginning of the period under review. For the purposes of historical comparison, the historical figure for the average number of shares in each financial year ending prior to the conversion date will be doubled to adjust for the 1:1 stock split when calculating the earnings per share.

3) For common shares plus preferred shares.

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Consolidated Balance Sheet in € 000s	Sept. 30, 2004	Dec. 31, 2003
Assets		
A. Non-current assets	**510,833**	**470,561**
I. Intangible assets	430,176	395,832
II. Property, plant and equipment	61,025	61,865
III. Financial assets	19,632	12,864
B. Current assets	**457,417**	**474,873**
I. Inventories	210,807	166,650
II. Trade accounts receivable	159,185	135,356
III. Other assets and prepaid expenses / deferred charges	31,688	32,504
IV. Securities	892	614
V. Cash and cash equivalents	54,845	139,749
C. Deferred tax assets	**11,826**	**9,678**
	980,076	**955,112**
Equity and Liabilities		
A. Shareholders' equity	**626,473**	**613,311**
I. Share capital	138,816	69,408
II. Reserves and retained earnings	487,657	543,903
B. Minority interests	**155**	**1,187**
C. Provisions	**15,493**	**20,873**
D. Liabilities	**323,849**	**307,395**
I. Financial liabilities	186,874	178,596
II. Trade accounts payable	75,948	77,793
III. Other liabilities and deferred income	61,027	51,006
E. Deferred tax liabilities	**14,106**	**12,346**
	980,076	**955,112**

Statement of Changes in Shareholders' Equity in € 000s	1/1 – 9/30/04	1/1 – 9/30/03
Shareholders' equity	**613,311**	**324,127**
Net income for the period	32,851	34,990
Capital increase from 2000 / 2015 warrants	4	–
Netting / capital increase according to IFRS / SIC 17	-123	-5,752
Dividend of STADA Arzneimittel AG	-18,675	-12,995
Other changes / Exchange rate changes	-895	-1,308
Shareholders' equity	**626,473**	**339,062**

Consolidated Sales by Regions[1] in € 000s	1/1 – 9/30/04	1/1 – 9/30/03	±%
Europe	539,817	497,870	+8 %
Belgium	46,694	34,286	+36 %
Denmark	6,438	7,419	-13 %
Germany	285,292	286,322	0 %
France	39,263	25,503	+54 %
UK	22,772	14,967	+52 %
Ireland	9,876	8,825	+12 %
Italy	46,357	43,996	+5 %
The Netherlands	29,998	31,227	-4 %
Austria	6,364	5,739	+11 %
Switzerland	3,794	2,704	+40 %
Spain	32,898	28,918	+14 %
Czech Republic	3,666	3,462	+6 %
Rest of Europe	6,405	4,502	+42 %
The Americas	35,550	35,597	0 %
USA	35,514	35,557	0 %
Rest of the Americas	36	40	-10 %
Asia	15,855	12,161	+30 %
China	4,497	2,889	+56 %
The Philippines	3,651	2,764	+32 %
Thailand	2,046	2,219	-8 %
Vietnam	3,861	2,240	+72 %
Rest of Asia	1,800	2,049	-12 %
Rest of world	1,118	104	+976 %

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