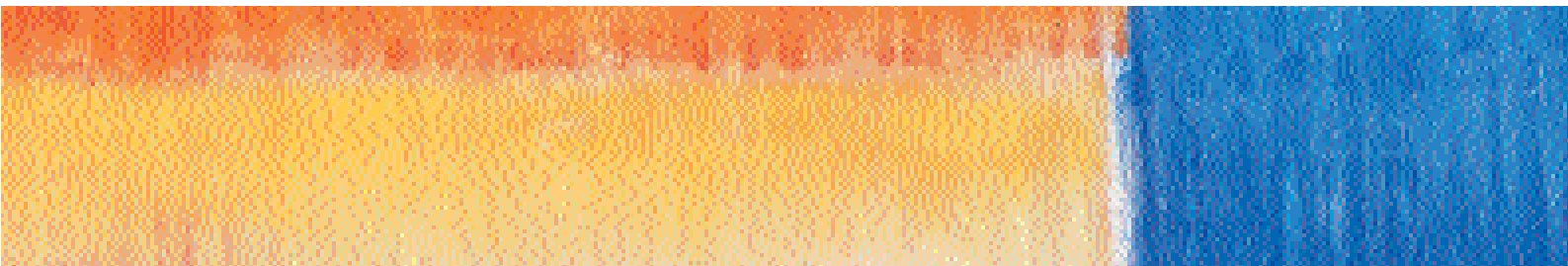




The Health Company



Report on the
First Six Months of 2005

The First Six Months of 2005 at a Glance

- Strong Group growth in the first six months of 2005: Sales +24%, net income¹⁾ +60%
- International sales increase disproportionately at 38% and now contribute 56% to total sales
- STADA share price at an all-time high: € 31.63 on June 29, 2005
- Prognosis 2005: Tenth record year in a row in sales and earnings – net income should climb to over € 60 million
- Optimistic outlook for the following years: Annual double-digit percentage growth in sales and earnings

Key figures for the Group from Jan. 1 – June 30 in € million	2005	2004	± %
Sales	492.4	396.6	+24%
Total sales in core segments	469.8	375.5	+25%
• Generics	350.8	292.2	+20%
• Branded Products	106.7	71.1	+50%
• Specialty Pharmaceuticals	12.3	12.2	+1%
Operating profit	55.9	36.0	+55%
EBITDA	77.6	52.4	+48%
EBIT	55.9	36.2	+55%
EBT	50.8	31.1	+63%
Net income ¹⁾	32.0	20.0	+60%
Cash flow (gross)	54.4	37.7	+45%
Shareholders' equity	661.8	615.5 ²⁾	+8%
Capital expenditure	152.1	54.5	+179%
Depreciation / amortization	21.7	16.2	+34%
Average number of employees (Jan. 1 – June 30)	3,903	2,563	+52%

Adjusted for one-time special effects

+71%

+60%

+70%

+81%

1) Unless otherwise stated, "net income" in this 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.

2) The previous year's figure was adjusted based on the allocation of minority interests to shareholders' equity.

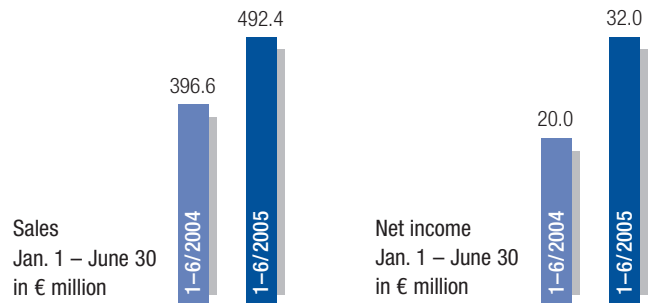
Key share figures Jan. 1 – June 30	2005	2004	± %
Market capitalization in € million (as of June 30)	1,604.8	915.1	+75%
Closing price (XETRA®) in € on June 30	30.05	17.14 ³⁾	+75%
Average number of shares (Jan. 1 – June 30) ⁴⁾	53,272,047	53,355,406 ³⁾	0%
Basic earnings per share in € ⁵⁾	0.60	0.38 ³⁾	+58%
Diluted earnings per share in € ⁶⁾	0.56	0.37 ³⁾	+51%

3) Adjusted for the de facto 1:1 stock split on July 30, 2004.

4) Not including the Company's own shares.

5) In accordance with IAS 33.10.

6) In accordance with IAS 33.31.



Very Successful First Half of 2005

As expected, STADA developed very successfully in the first half of 2005. Group Sales in the first six months of the current fiscal year grew by 24%, net income rose by 60% – in each case in comparison to the first half of 2004. International business, with especially pronounced sales growth of 38%, made a particularly strong contribution here. In all, business development in the first half of 2005 confirms the clear expectation that the Group will not only achieve the tenth record year in a row in sales and earnings in 2005, but that it will also have double-digit percentage growth in the years to come.

Strong Sales Increase in the Group

With a strong increase of 24% in the first six months of 2005, sales in this period reached € 492.4 million (first half of 2004: € 396.6 million). This includes acquisition related effects – most significantly the initial consolidation of the Russian company Nizhpharm as well as the Portuguese generics supplier Ciclum Farma – amounting to € 30.1 million or 8 percentage points.

Generics, the largest core segment, had a sales increase in the first half of the current fiscal year of 20% to € 350.8 million (first half of 2004: € 292.2 million). In the reporting period, Branded Products rose by 50% to € 106.7 million (first half of 2004: € 71.1 million). In the first half of 2005, the Specialty Pharmaceuticals segment posted a slight increase in sales of 1% to € 12.3 million (first half of 2004: € 12.2 million). Severe competitive pressure in the German hospital business continues to make itself noticeable here.

STADA's International Business was exceptionally strong with a growth rate of 38% in the first half of 2005 – also in comparison to total sales – and grew disproportionately to € 275.2 million. In total, sales outside of Germany now account for a 55.9% share of total sales (first half of 2004: 50.4%).

STADA assumes that the positive sales development in the Group will continue, so that sales in 2005 as well as in the following years will, from today's perspective, show double-digit percentage growth.

Clear Rise in Net Income

As expected, net income in the first half of 2005 rose clearly, namely by 60% to € 32.0 million (first half of 2004: € 20.0 million). A comparison of the second quarter 2005 to the second quarter 2004 shows that – also due to the unusually low basis of the previous year – a jump in net earnings of 219% was achieved.

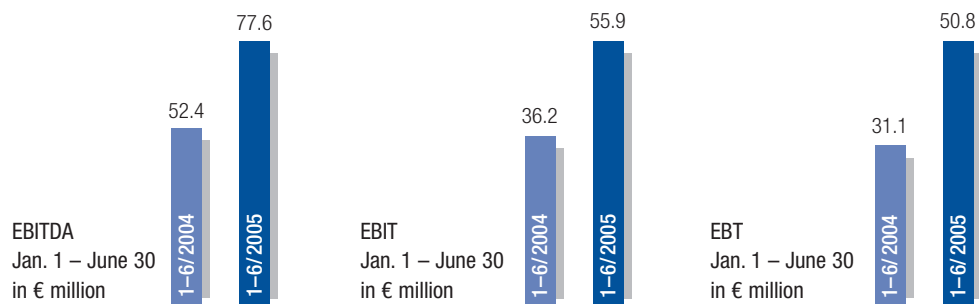
Earnings per share¹⁾ in the first six months are thereby € 0.60 (first half of 2004: € 0.38²⁾). Diluted earnings per share³⁾ in the first six months, which are also dependent on the share price, rose in the first half of 2005 to € 0.56 (first half of 2004: € 0.37).

Other key earnings figures from the first half of 2005 also exhibit significant rates of increase in comparison to the same period in the previous year: Earnings before taxes (EBT) rose by 63% to € 50.8 million (first half of 2004: € 31.1 million), earnings before interest and tax (EBIT) increased by 55% to € 55.9 million (first half of 2004: € 36.2 million), earnings before interest, tax, depreciation and amortization (EBITDA) were up by 48% to € 77.6 million (first half of 2004: € 52.4 million).

1) In accordance with IAS 33.10, 121,802 treasury shares held as of June 30, 2005 are not considered in the earnings per share (EPS) calculation. Calculation of earnings per share is thereby based on an average of 53,272,047 outstanding shares as of June 30, 2005 (corresponding number of outstanding shares as of June 30, 2004, adjusted for the de facto 1:1 stock split of July 30, 2004: 53,355,406).

2) Adjusted for the de facto 1:1 stock split on July 30, 2004.

3) In accordance with IAS 33.31.



Earnings figures for the first half of 2005 include net one-time special effects in the total amount of € -6.8 million. In addition to the previously known special effects from the first three months of 2005 in the amount of € -4.0 million, the following one-time special effects appeared in the second quarter 2005:

- Through write-offs following impairment tests, € 5.0 million is charged against the second quarter 2005 result.
- Severance payments in the amount of € 0.9 million.
- This is countered by a positive one-time exceptional item in the second quarter 2005 of € 3.1 million. This earnings improvement is based on a decision by the financial authorities which provides for a change in the value added tax treatment of mandatory discounts that STADA had paid in the past in favour of health insurance organizations in Germany. In the end, this decision leads to a reduction in the calculation basis for value added tax and thereby to earnings related to other accounting periods within the other operative income.

The corresponding special effects from the first half of 2004 had decreased earnings by a net amount of € 0.6 million. Adjusted for the individual one-time special effects, the rate of increase in the first six months of the current fiscal year, as compared to the same period in the previous year, was 81% in EBT, 70% in EBIT and 60% in EBITDA.

A look at the operating profits in the core segments for the first half of 2005 shows the following: Generics accounted for a plus of 109% to € 45.5 million in the first half of 2005 (first half of 2004: € 21.8 million); Branded Products were up by 146% to € 19.4 million (first half of 2004: € 7.9 million) and Specialty Pharmaceuticals dropped by 56% to € 1.3 million (first half of 2004: € 2.9 million).

Thus, in the first half of 2005, operating profit margins in the individual core segments were as follows: Generics 13.0% (first half of 2004: 7.5%), Branded Products 18.2% (first half of 2004: 11.1%), Specialty Pharmaceuticals 10.6% (first half of 2004: 24.1%).

As before, STADA expects this positive earnings development to continue. The expectation of an increase in net income for fiscal 2005 to more than € 60 million is, as before, valid. In the following years, from today's perspective, double-digit percentage growth rates should be achieved.

Solid Balance Sheet Structure and Increased Operative Cash Flow

With an equity-to-assets ratio of 56.5% as of June 30, 2005 (62.6% as of December 31, 2004), STADA continues, notwithstanding the primarily credit-financed acquisitions of the current fiscal year, to have a solid balance sheet structure which offers plenty of leeway for further acquisitions.

This is also clear in view of net debt. Mainly due to the extensive acquisitions with a volume of capital invested of approx. € 152 million, net debt increased in the first half of 2005 to € 234.9 million (€ 103.6 million as of December 31, 2004). This is still considered moderate, however, in comparison to shareholder's equity. In addition, the significant increase in operative cash flow in the Group in the first half of 2005 as compared to the first half of 2004 of € 43.5 million (first half of 2004: € -21.2 million) made a substantial contribution to the financing of the acquisitions.

On June 26, 2005 the STADA bond with an interest rate of 7.5% expired. The debt was discharged partly through the use of existing lines of credit as well as through long-term obligations.

Positive Developments in almost all National Markets

Sales in **Germany** in the first half of 2005 rose by 10% to € 217.2 million (first half of 2004: € 196.9 million). Here, as expected, STADA benefited in sales and especially in earnings from the lower amount of mandatory discounts which had to be paid for products not regulated by reference pricing. In the first six months of 2005, mandatory discounts amounted to € 2.0 million, whereas in the relevant period in the previous year they were still € 9.9 million. In the German business, generics in particular developed disproportionately high with sales growth of 12%.

Sales showed a clear rise in almost all national European markets in the first half of 2005 as compared to the same period in the previous year. Sales in **Belgium** in the reporting period were up by 51% to € 44.5 million (first half of 2004: € 29.6 million). In **Italy**, a sales increase of 40% to € 42.4 million was achieved (first half of 2004: € 30.2 million). In **France**, STADA attained increased sales of 33% to € 34.1 million (first half of 2004: € 25.7 million). In **Spain**, sales in the first six months of the current fiscal year went up by 26% to € 27.5 million (first half of 2004: € 21.8 million). In **Russia**, following the takeover of Nizhpharm which has been consolidated in the STADA Group since January 1, 2005, STADA posted sales in the local currency of RUB 860.6 million or € 24.1 million¹⁾. The ongoing operational integration which began after the acquisition is making good progress and will most likely be essentially completed by the end of the current fiscal year as planned. In **The Netherlands**, sales in the first half of 2005 – due to the continued strong competitive pressure in that country – still showed a slight decline of 5% to € 19.5 million (first half of 2004: € 20.6 million). Sales in the **United Kingdom**, on the other hand, continued to develop positively with an increase of 10% to € 16.1 million (first half of 2004: € 14.7 million), in **Denmark** with growth of 132% to € 9.8 million (first half of 2004: € 4.2 million), in **Ireland** with an increase of 14% to € 7.5 million (first half of 2004: € 6.6 million), in **Austria** with a gain of 40% to € 5.3 million (first half of 2004: € 3.8 million), and in the **Czech Republic** with a growth rate of 30% to € 3.2 million (first half of 2004: € 2.5 million). Development of the business in **Switzerland** in the first six months of 2005 was also very positive with a sales increase of 28% to € 3.0 million (first half of 2004: € 2.3 million). In the **Ukraine** STADA posted sales in the local currency of UAH 17.9 million or € 2.7 million²⁾. In **Portugal**, in the first half of 2005 following the takeover of the Portuguese generics company Ciclum Farma (consolidated in the STADA Group since May 1, 2005), STADA had sales of € 1.6 million (first half of 2004: STADA exports to Portugal € 0.0 million)³⁾.

In the **USA**, STADA had a sales decrease in the first six months of 2005 in the local currency of 28% to USD 20.1 million (first half of 2004: USD 27.9 million) or in Euro by 31% to € 15.8 million (first half of 2004: € 22.8 million). The local sales company, STADA Pharmaceuticals Inc., continues to be exposed to severe price and margin pressure – especially due to the still relatively small product portfolio. With this in mind, efforts continue to be made to extend the product portfolio there through new product launches, acquisitions and sales licenses.

After STADA Pharmaceuticals Inc., in the first quarter of 2005, closed several contracts with Indian suppliers in order to ensure the mid-term expansion of the product portfolio from 2007, four smaller generic molecules in multiple package sizes were licensed on June 30, 2005 from Trigen Laboratories Inc., the US subsidiary of the Indian company Jubilant Organosys Ltd.

1) Sales in the first half of 2004: Nizhpharm sales in Russia under the former owners: RUB 661.9 million, STADA exports to Russia € 0.3 million.

2) Sales in the first half of 2004: Nizhpharm sales in the Ukraine under the former owners: UAH 10.0 million, STADA exports to the Ukraine € 0.4 million.

3) Sales in the first half of 2004: Ciclum Farma under the former owners: € 1.1 million, STADA exports to Portugal € 0.0 million.



These products, which should be launched this year in the USA by STADA Pharmaceuticals Inc. will provide for the short-term expansion of the product range.

In the projects relating to the development of patches containing active ingredients¹⁾ for the US market, delays occurred. The running approval process at the FDA²⁾ as well as the manufacturing of the analgesic Fentanyl patch are taking longer than expected. A launch, therefore, can be expected not before 2006. The project of a patch containing the active ingredient Clonidine, which lowers blood pressure, is also experiencing a delay. Due to extensive inquiries from the FDA in the current approval process, an approval for this patch in the USA is not expected before 2007.

1) Patches that act transdermally, i.e. through the skin.

2) Food and Drug Administration: American approval, supervisory and control authority for the pharmaceutical market in the USA.

In **Asia**, STADA registered a generally positive development in the first six months of the current fiscal year with a jump in sales of 23% to € 13.0 million. Although sales in **China** slipped in the reporting period by 1% to € 3.0 million (first half of 2004: € 3.0 million), and in **Thailand** by 13% to € 1.3 million (first half of 2004: € 1.4 million), STADA was able, by contrast, to increase sales in **The Philippines** by 43% to € 3.1 million (first half of 2004: € 2.1 million), and in **Vietnam** by 17% to € 3.0 million (first half of 2004: € 2.6 million). In **Kazakhstan** STADA attained – among other things due to the acquisition of Nizhpharm – sales in the first six months of 2005 in the local currency of RUB 45.8 million or € 1.3 million³⁾.

3) Sales in the first half of 2004: Nizhpharm sales in Kazakhstan under the former owners: RUB 13.9 million, STADA exports to Kazakhstan € 0.3 million.

In the first half of 2005, STADA also exported products to a further 32 countries and thereby reached an increase in sales of 33% for a total of € 6.4 million (first half of 2004: € 4.8 million).

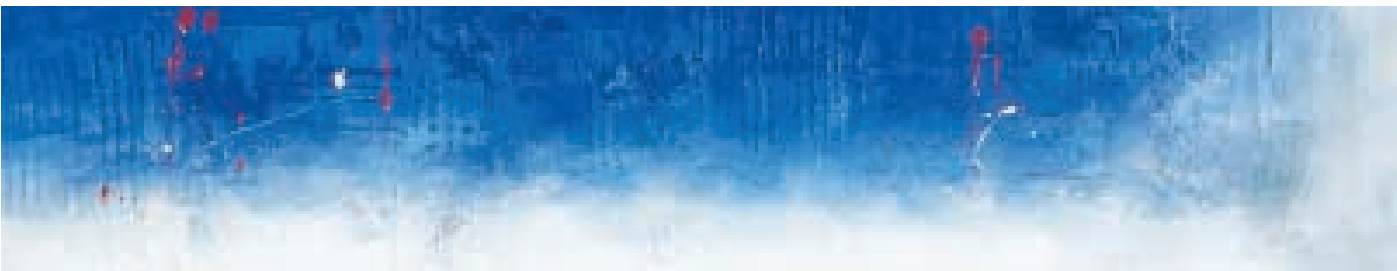
Well-Filled Product Pipeline Provides a Continuous Flow of New Product Launches

STADA's extensive development activities ensure that the individual sales companies have a well-filled product pipeline. Group-wide in the first half of 2005, 151 new products were launched on the market (first half of 2004: 169 new product launches). The corresponding expenses for these activities, i.e. the research and development costs, rose in the reporting period by 46% to € 15.8 million (first half of 2004: € 10.8 million). The continuous flow of new product launches will, in all probability, endure into the future.

Furthermore, STADA, in cooperation with partners, is conducting special development projects which, when successfully completed, will provide the Group with additional growth potential.

STADA expects, within the framework of its strategic partnership with LipoNova GmbH⁴⁾, a decision tendency by the end of the year from the European Approval Agency EMEA on whether the autologous tumor vaccine Reniale[®] is, on the basis of the documents submitted, capable of approval. The revision of the existing study data expected by the EMEA is, as expected, going positively in the view of LipoNova. Thus, LipoNova continues to see the possibility of obtaining a European approval for Reniale[®] in the first half of 2006, possibly with the requirement that additional studies be carried out following the launch. Therefore, STADA is continuing with the pre-marketing activities for Reniale[®] in Germany and France under the label Eurovax. Together with other companies, STADA is supporting the activities of LipoNova with loans which, on reporting day, amount to a total credit volume of approx. € 6.5 million granted to LipoNova by STADA.

4) In 2004, STADA acquired 16% of LipoNova GmbH and in connection with that the Europe-wide distribution rights for the autologous tumor vaccine Reniale[®] with a total investment of € 6.8 million.



1) STADA holds 10% of BIOCEUTICALS AG, which has been furnished with an initial capital of € 50 million. Additionally STADA holds distribution rights for the products developed by BIOCEUTICALS AG.

2) Erythropoietin is used, among other things, for dialysis patients to stimulate hematopoieses.

In the development of the biogenics Erythropoietin, Filgrastim und Interferon beta-1a which is being carried out by BIOCEUTICALS AG¹⁾, a company initiated by STADA and financed largely with venture capital, the project Erythropoietin²⁾ continues to have first priority. STADA supports the development activities of BIOCEUTICALS AG with a capital guarantee/ financial guarantee which remains unchanged at a maximum of € 25 million. Of that amount € 15.4 million had been used by June 30, 2005.

For Erythropoietin, STADA expects the completion of studies required for the approval submission by the end of 2005, so that the approval application can be submitted in the first quarter of 2006. From today's perspective, an approval is still expected in 2007. For Erythropoietin alone, with an EU-wide market volume which is currently € 1.1 billion, STADA believes that sales potential of up to € 70 million per year can be reached. Currently, STADA is investigating whether this potential can be expanded by involving additional partners in sales and marketing. This is at this time being evaluated in discussions with various interested parties.

Successful Growth Acceleration through Acquisitions

On the basis of its solid balance sheet structure, STADA continued the active acquisition policy of the past in the current fiscal year and was thereby able to once again accelerate the growth of the Group.

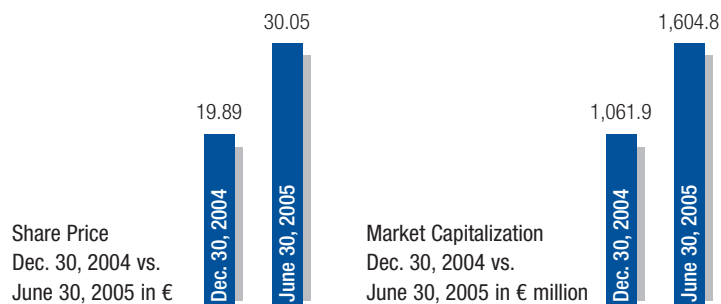
Once the Group was able to complete the acquisition of the Russian company Nizhpharm in the first quarter of 2005 and also made some smaller product acquisitions, STADA closed a contract for the purchase of a 100% stake in the Portuguese generics supplier Ciclum Farma, Unipessoal LDA, Amadora from a Swiss financial investor on April 11, 2005. The purchase price for the company was approx. € 31 million. The company has been consolidated in the STADA Group since May 1, 2005.

The acquired Ciclum Farma is a sales company without any production facilities of its own and offers an extensive product portfolio of currently 18 INN generics, i.e. generics sold under the name of the active ingredient with the company name as a suffix. These products generated an annual sales volume of approx. € 7.3 million in 2004. In 2005, the portfolio should be expanded by approx. an additional 15 products.

STADA had not previously had its own sales activities in Portugal. The Ciclum acquisition enables the Group to leverage existing or targeted EU-wide product approvals for generics through its own sales structures in Portugal as well.

On May 11, 2005, STADA also acquired a 58% stake in the Chinese pharmaceuticals company Beijing Center-Lab Pharmaceutical Company Ltd. (BCP)³⁾ and the related distribution activities via the subsidiary STADA Pharmaceuticals (Asia) Ltd., Hong Kong. The seller, Center International Group Ltd., British Virgin Islands, sold the stake for a purchase price of € 3.5 million. The company will continue to be involved in BCP as a minority shareholder. BCP has been active in the Chinese market since 2002, achieving sales equivalent to approx. € 2.5 million in 2004. BCP distributes a portfolio containing 10 branded products in the OTC market, for which purpose it maintains a sales force of approx. 80 employees in various metropolitan areas in China. The products are manufactured on the basis of the company's own approvals in its own production facilities in Beijing. BCP had approx. 180 employees in total at the time of the acquisition.

3) For the time being, BCP is not consolidated in the Group.



STADA has strengthened the Group's Chinese activities via this acquisition, given that companies with production facilities in China benefit from existing market regulations. Both of STADA's other Group companies, STADA Pharmaceuticals (Asia) Ltd.¹⁾ and Health Vision Enterprise Ltd.²⁾, which have been active in China only in sales for a number of years, will cooperate closely with BCP in order to take advantage of these benefits.

Additionally, STADA made further product acquisitions in Ireland in the second quarter. STADA was recently also able to expand the so-called 'early-entry' Mirtazapine STADA³⁾ from 2004 by adding a self-dissolving tablet as a modern dosage form.

STADA in the capital markets

In the first half of 2005, STADA's share price developed very positively. As of June 30, 2005, the STADA share price was € 30.05. Compared to the closing price on December 30, 2004 of € 19.89, the share showed a gain of 48%. As of June 30, 2006, STADA's market capitalization was € 1.605 billion. As of December 30, 2004, the enterprise value of STADA was € 1.062 billion.

On June 29, 2005 STADA's share price reached an all-time high at € 31.63. Media reports, which had appeared a few days before, that STADA's Executive Board was actively seeking a buyer for the Group were immediately denied by STADA. The Executive Board and the Supervisory Board of STADA have made clear, in several public statements throughout the first half of 2005, that STADA can, thanks to its excellent operative positioning, turn the high structural growth potential into sustained growth for the Group on its own.

As of June 30, 2005, there were no reports of any investor holding an interest in the capital stock of STADA Arzneimittel AG above the 5% legal threshold. In the current third quarter, DWS Investment exceeded this legal threshold. On June 30, 2005, STADA held 121,802 of its own shares. In the second quarter of the current fiscal year, the company did not purchase any of its own shares and sold 37 of its own shares at an average price of € 25.17.

At the Annual General Meeting on June 14, 2005⁴⁾ the authorization for a share buy-back was renewed. Furthermore, through this Annual General Meeting, an already existing authorization regarding future capital increases was modified as a reserve resolution and the object of the company in the articles of association was given a more modern composition. The dividend was raised in accordance with the proposal of the Executive Board and the Supervisory Board to € 0.39 per common share (previous year: € 0.35, adjusted for the de facto 1:1 stock split from July 30, 2004). With total dividend payments of € 20.8 million (previous year: € 18.7 million) 43% of STADA's net income from 2004 was distributed to the shareholders on June 15, 2005.

In the second quarter of 2005 it was decided that the STADA warrant⁵⁾ (ISIN DE0007251845), in circulation until 2015, will not be put at a lowered option price. Because the means of the share price established by Deutsche Börse AG during intraday auction at about 1 pm in the electronic trading system XETRA[®] for the STADA registered common shares was, on the 20 trading days prior to June 26, 2005 at € 26.20, above the threshold price as determined by the option terms and conditions of € 13.95, the so-called step-down mechanism does not take effect. Therefore the option price of € 329 for 20 STADA shares is valid for the warrant – unchanged and definitively.

1) Wholly owned by STADA, annual sales of € 3.8 million in 2004.

2) 51% owned by STADA, annual sales of € 8.3 million in 2004, consolidated at 50% in the Group accounts.

3) The acquisition of approvals (without sales) for film-coated tablets with the anti-depressant active ingredient Mirtazapine in Germany from the initial supplier N.V. Organon in the first quarter of 2004 enabled STADA to achieve a so-called 'early-entry' to the market at the beginning of the second quarter 2004, with several months of market exclusivity as, initially, the only generics supplier until the middle of August 2004. With the current expansion of the early-entry, it is possible for STADA, as the first and until now the only generics supplier in the German market to offer a self-dissolving tablet as a modern dosage form for the active ingredient Mirtazapine as of July 1, 2005.

4) The resolutions of the AGM of June 14, 2005, in full wording as well as all voting results (in German) can be found at the company's website at www.stada.com until the end of the current fiscal year.

5) The exact wording of the option terms and conditions has been published on the company's website at www.stada.com.

The STADA Outlook: Continuous, Profitable and Sustained Growth in 2005 and the Years Following

For fiscal year 2005, the positive business development in the first half of the year has confirmed the Executive Board's optimistic prognosis of double-digit percentage growth in sales and earnings; net income should increase to more than € 60 million. 2005 will thereby be the 10th record year in a row for STADA in terms of sales and earnings.

The Executive Board continues to see the company in an excellent strategic and operative position and assumes, with principally unchanged business risks¹⁾, that STADA can achieve permanent and, especially, sustained growth in sales and earnings on its own – not only in the course of the current fiscal year, but also in the years to come. From the perspective of the Executive Board, an excellent fundamental basis for the continuous and sustained increase in STADA's enterprise value has thereby been created.

1) The business risks are described in detail in the Annual Report of STADA Arzneimittel AG on pages 88 to 95.

H. Retzlaff

W. Jeblonski

Dr. K.-P. Reich

2) Employee representatives.

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Members of the Executive Board: Hartmut Retzlaff (Chairman), Wolfgang Jeblonski, Dr. Klaus-Peter Reich

Members of the Supervisory Board: Dr. med. Eckhard Brüggemann (Chairman), Karl Hertle²⁾ (Vice Chairman), Dr. Martin Abend, Ms. Heike Ebert²⁾, Uwe E. Flach, Dr. K. F. Arnold Hertzsch, Dieter Koch, Constantin Meyer, Adolf Zissel²⁾

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

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

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Group Results

Consolidated Income Statement in € 000s ¹⁾		H1 2005	H1 2004	Q2 2005	Q2 2004
01. Sales		492,386	396,633	247,389	194,191
02. Cost of sales		248,059	201,117	126,646	101,407
03. Gross profit		244,327	195,516	120,743	92,784
04. Other operating income		8,997	10,505	6,874	2,940
05. Selling expenses		130,192	120,907	65,762	61,751
06. General and administrative expenses		35,858	27,131	17,127	14,382
07. Research and development expenses		15,806	10,847	8,671	5,516
08. Other operating expenses		15,521	11,106	9,177	4,779
09. Operating profit		55,947	36,030	26,880	9,296
10. Investment income		0	150	0	150
11. Interest result		-5,130	-5,033	-2,957	-2,433
12. Financial result		-5,130	-4,883	-2,957	-2,283
13. Earnings before taxes		50,817	31,147	23,923	7,013
14. Taxes on income		18,658	11,099	8,840	2,340
15. Net income²⁾		32,159	20,048	15,083	4,673
• thereof net income distributable to shareholders of STADA Arzneimittel AG		31,993	20,029	15,013	4,709
• thereof net income relating to minority interests		166	19	70	-36
16. Earnings per share in € (in accordance with IAS 33.10)		0.60	0.38	0.28	0.09 ³⁾
17. Earnings per share in € (diluted) (in accordance with IAS 33.31)		0.56	0.37	0.26	0.09 ³⁾
Consolidated Cash Flow Statement in € 000s (excerpt)				H1 2005	H1 2004
Cash flow (gross)				54,432	37,664
Cash from operating activities				43,459	-21,233
Cash from investing activities				-152,119	-54,521
Cash from financing activities				77,721	-15,982
Other changes in shareholders' equity / currency translation				-97	-192
Net cash for the period				-31,036	-91,928
Consolidated Statement of Changes in Shareholders' Equity in € 000s				1/1–6/30/05	1/1–6/30/04
Shareholders' equity				638,995	614,498
Net income distributable to shareholders of STADA Arzneimittel AG				31,993	20,029
Capital increase				244	4
Change in the provision for cash flow hedges				1,676	–
Dividend of STADA Arzneimittel AG				-20,775	-18,675
Other changes/currency translation				9,670	-319
Shareholders' equity				661,803	615,537
Segment Reporting in € 000s⁴⁾				H1 2005	H1 2004
1. Generics	Sales			350,809	292,167
	Operating profit			45,506	21,776
	Contribution to net income for the period			26,865	14,792
	Segment assets (June 30)			373,232	337,986
	Liabilities (June 30)			126,403	83,649
2. Branded Products	Sales			106,724	71,128
	Operating profit			19,400	7,881
	Contribution to net income for the period			11,296	4,282
	Segment assets (June 30)			116,102	102,258
	Liabilities (June 30)			20,988	19,060
3. Specialty Pharmaceuticals	Sales			12,278	12,158
	Operating profit			1,305	2,935
	Contribution to net income for the period			846	1,862
	Segment assets (June 30)			65,349	66,428
	Liabilities (June 30)			1,758	5,446
4. Commercial business	Sales			19,037	16,050
	Operating profit			849	891
	Contribution to net income for the period			287	585
	Segment assets (June 30)			3,654	2,519
	Liabilities (June 30)			9,316	6,354
5. Group holding company / other	Sales			3,538	5,130
	Operating profit ⁵⁾			-11,113	2,547
	Contribution to net income for the period			-7,301	-1,492
	Segment assets (June 30)			92,624	96,207
	Liabilities (June 30)			297,795	211,691

1) The circle of consolidation expanded in the second quarter 2005 to include Nizhpharm Baltika UAB, Riga.

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

3) Adjusted for the de facto 1:1 stock split on July 30, 2004.

4) Segment assets figures for the previous year were adjusted based on the allocation of minority interests to shareholders' equity.

5) Including eliminations within segments

The consolidated interim statements of STADA Arzneimittel AG as of June 30, 2005 (like the consolidated financial statements as of December 31, 2004) were prepared in accordance with the accounting standards of the International Accounting Standards Board (IASB), which are known as International Financial Reporting Standards (IFRS). The same accounting policies applied in the consolidated financial statements for fiscal year 2004 were applied to these interim financial statements. The notes to the consolidated financial statements for 2004 also apply to these interim financial statements where appropriate. The present half year report fulfills the requirements for interim financial reports set out in IAS 34.

Consolidated Balance Sheet in € 000s

Assets	June 30, 2005	Dec. 31, 2004
A. Non-current assets	669,629	551,850
1. Intangible assets	524,609	447,577
2. Property, plant and equipment	92,193	60,663
3. Financial assets	21,296	16,063
4. Non-current trade accounts receivable	7,058	4,934
5. Other non-current assets	13,631	12,944
6. Deferred tax assets	10,842	9,669
B. Current assets	502,265	468,584
1. Inventories	213,323	206,012
2. Current trade accounts receivable	213,632	159,090
3. Other current assets	29,795	24,918
4. Current securities	776	2,789
5. Cash and cash equivalents	44,739	75,775
Total assets	1,171,894	1,020,434
Equity and Liabilities		
A. Shareholders' equity¹⁾	661,803	638,995
1. Share capital	138,855	138,816
2. Reserves and unappropriated retained earnings	520,950	500,082
3. Minority interests	1,998	97
B. Non-current liabilities and provisions	272,719	141,070
1. Non-current provisions	14,122	13,377
2. Non-current financial liabilities	217,546	103,109
3. Non-current trade accounts payable	734	879
4. Other non-current liabilities	4,235	2,322
5. Deferred tax liabilities	36,082	21,383
C. Current liabilities and provisions	237,372	240,369
1. Current provisions	3,627	3,183
2. Current financial liabilities	62,880	79,064
3. Current trade accounts payable	102,782	86,211
4. Other current liabilities	68,083	71,911
Total equity and liabilities	1,171,894	1,020,434

1) In the time between January 1 and June 30, 2005, a total of 742 options from the STADA warrant (ISIN DE0007251845) were exercised, leading to 14,840 new shares. Registered capital as of June 30, 2005 thereby includes 53,405,660 shares.

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

Consolidated sales by region ²⁾ in € 000s	H1 2005	H1 2004	±%
Europe	463,561	362,801	+28%
• Belgium	44,539	29,592	+51%
• Denmark	9,754	4,198	+132%
• Germany	217,214	196,850	+10%
• France	34,148	25,659	+33%
• United Kingdom	16,116	14,677	+10%
• Ireland	7,493	6,591	+14%
• Italy	42,389	30,249	+40%
• The Netherlands	19,514	20,565	-5%
• Austria	5,342	3,826	+40%
• Portugal	1,603	3	+53,333%
• Russia	24,074	257	+9,267%
• Switzerland	2,989	2,342	+28%
• Spain	27,473	21,784	+26%
• Czech Republic	3,216	2,465	+30%
• Ukraine	2,688	421	+538%
• Rest of Europe	5,009	3,322	+51%
The Americas	15,849	22,803	-30%
• USA	15,786	22,783	-31%
• Rest of the Americas	63	20	+215%
Asia	12,952	10,554	+23%
• China	2,997	3,031	-1%
• Kazakhstan	1,280	339	+278%
• The Philippines	3,076	2,146	+43%
• Thailand	1,262	1,443	-13%
• Vietnam	3,043	2,612	+17%
• Rest of Asia	1,294	983	+32%
Rest of World	24	475	-95%

