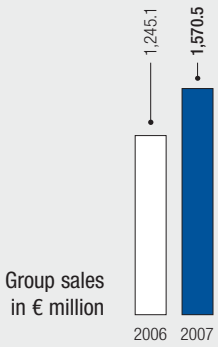
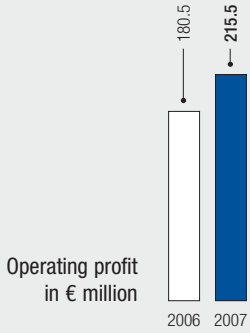
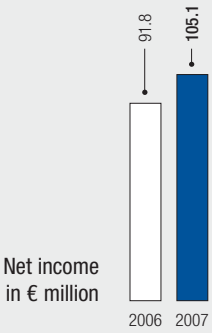
STADA
Arzneimittel

2007

ANNUAL REPORT 2007







Key figures for the Group in € million	2007	Previous year	± %
Sales	1,570.5	1,245.1	+26%
Sales in core segments, total	1,458.4	1,170.3	+25%
• Generics	1,154.4	911.2	+27%
• Branded Products	304.0	259.1	+17%
Operating profit	215.5	180.5	+19%
Operating profit, adjusted[1)]	*248.8*	*186.4*	*+33%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	289.5	232.6	+24%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[1)]	*315.7*	*233.0*	*+35%*
EBIT (Earnings before interest and taxes)	187.8	168.7	+11%
EBIT (Earnings before interest and taxes), adjusted[1)]	*249.2*	*186.7*	*+34%*
EBT (Earnings before taxes)	150.7	145.2	+4%
EBT (Earnings before taxes), adjusted[1)]	*212.1*	*163.2*	*+30%*
Net income[2)]	105.1	91.8	+14%
Net income[2)], adjusted[1)]	*146.8*	*102.1*	*+44%*
Cash flow (gross)	201.2	153.2	+31%
Equity capital	933.8	863.1	+8%
Capital expenditure	196.5	236.3	-17%
Depreciation/amortization	101.7	63.9	+59%
Average number of employees[3)]	7,792	5,442	+43%

Key share data	2007	Previous year	± %
Market capitalization in € million (year-end)	2,469.2	2,531.2	-2%
Year-end closing price (XETRA®) in €	42.05	43.45	-3%
Number of shares (year-end)	58,721,100	58,256,400	+1%
Average number of shares (without own shares)	58,315,643	53,983,327	+8%
Basic earnings per share in €[4)]	1.80	1.70	+6%
Basic earnings per share in €[4)], adjusted[1)]	*2.52*	*1.89*	*+33%*
Diluted earnings per share in €[5)]	1.74	1.62	+7%
Diluted earnings per share in €[5)], adjusted[1)]	*2.42*	*1.81*	*+34%*
Dividend per share in €	0.71[6)]	0.62	+15%
Total dividend payments in € million	41.6[6)]	36.0	+15%

1) Adjusted for one-time special effects in 2006 and 2007.
2) 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.
3) This average number includes initial consolidations on a pro-rata basis. At the end of 2007 the STADA Group had 8,425 employees as of the balance sheet date (December 31, 2006: 7,533).
4) In accordance with IAS 33.10.
5) In accordance with IAS 33.31.
6) Proposed.

STADA AT A GLANCE

STADA – business model

- Strategic focus on growth markets: products with off-patent active pharmaceutical ingredients in the health care and, in particular, in the pharmaceutical market
- Core segments:
  - Generics (74% of Group sales)
  - Branded Products (19% of Group sales)
- Key success factors:
  - High operative flexibility
  - Broad product portfolio
  - Increasing internationalization
  - Local sales units with market proximity
  - High degree of expertise in product development
  - Continuous cost optimization in procurement and production
  - Active acquisition policy

STADA – successes in 2007

- Sales and earnings achieve record highs for the 12th year in a row:
  - Sales € 1,570.5 million (+26%)
  - Operating profit € 215.5 million (+19%) or adjusted[1)] € 248.8 million (+33%)
  - Net income € 105.1 million (+14%) or adjusted[1)] € 146.8 million (+44%)
- Sales in international business expand by +30%
- Adjusted[1)] operating profitability increases to 15.8% (previous year 15.0%) – despite challenging environment due to regulation and competition
- Successful product development: 424 product launches; first approvals for biosimilar Erythropoietin-zeta
- Acquisition of the Russian pharmaceutical group MAKIZ and the British pharmaceutical group Forum Bioscience
- Dividend increase to € 0.71 per share recommended by the Executive Board

STADA – positive outlook

- Sustainable growth course to be continued

1) Adjusted for one-time special effects in 2006 and 2007.

LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE EXECUTIVE BOARD

Dear shareholders,

2007 was the twelfth year in a row for STADA in which new record highs in sales and earnings were achieved.

Thus, our business model continued to prove itself successful and sustainable. Generics and Branded Products with off-patent active pharmaceutical ingredients have been and will remain the sources of our growth. A broad product portfolio is available to our Group's international network of local sales companies with market proximity. Strong product development and continuous cost optimization create the competitive basis. And, once again, our international business recorded particularly strong growth in the past fiscal year – also thanks to our active acquisition policy, which led to further acquisitions in Russia and the United Kingdom in 2007.

We have been active under challenging conditions for years. Because the continuous growth of our markets also attracts competition. In addition, this growth frequently leads to new state regulations in order to keep the national health care systems financeable. Therefore, significant changes in the structural conditions of our business appear again and again in individual local markets. In theses cases, a swift and flexible adaptation of our own sales structures is crucial for our further market success.

In 2007, we had to accomplish such an adaptation process in a particularly strong form in Germany. The newest health care reform, started in April of the previous year, seriously changed the local market structures: Now, discount agreements between suppliers and health insurance organizations as well as substitution in the pharmacy play a central role in the demand for generics in Germany. As a result, we accelerated the conclusion of discount agreements early on and once again strengthened our position in pharmacies. Doctors' prescriptions and thus also sales support of doctors, on the other hand, strongly lost in importance for the selection of generics. Therefore, we had to eliminate over 200 jobs in our doctor-related sales force; conscious of our social responsibility we provided each employee affected by this with the offer to continue their employment in the sales force of an external service provider. We accepted the high one-time burden associated with this restructuring in order for our German generics business to be able to contribute its significant share to the Group's operating profit also under the new market conditions.

We are convinced that we have taken the right decision for the Group as a whole with these painful but unavoidable measures. Sales and market share of our German generics business once again rose in 2007; in addition, we further increased the number of jobs in production and at the Group's headquarters in Germany, too.

STADA's successes in the past fiscal year are also based on the excellent work of its employees worldwide; the Executive Board wishes to express its gratitude to all employees for this. The Executive Board would also like to thank the Supervisory Board for a constructive and, as always, unconditionally frank cooperation. The STADA Advisory Board also deserves gratitude for its consulting support of our activities over the past fiscal year.

Unfortunately, our share price did not follow our market success in the long term in the previous year. After the price of the STADA share had reached a new all-time high several times in the first half of 2007, the price trend in the second half declined despite the Group's fundamentally excellent development.

The Executive Board continues to be convinced of the business model's sustainable growth potential and thus also of the opportunity to further increase STADA's enterprise value. In the past 12 years, we – employees, management and Executive Board – have proven together that it is possible, also under challenging conditions, to achieve continuous growth in our markets at Group level. Because these markets grow in the long term and from the Executive Board's perspective, STADA continues to have the right strategy to turn this market growth successfully into own growth.

We know: This also means the permanent readiness to change quickly and to be highly flexible in our operative alignment when market changes require this. But in exactly this – in addition to our strategic consistency – also lies our great strength.

Therefore, against this backdrop it remains essential for us: Further sustained operative growth continues to be the central goal for the Group which, in the Executive Board's assessment, STADA will also continue to be able to achieve in the years to come.

Hartmut Retzlaff
Chairman of the Executive Board

STADA – ANNUAL REPORT 2007

STADA 2007 CONSOLIDATED FINANCIAL STATEMENTS: MANAGEMENT REPORT OF THE EXECUTIVE BOARD

STADA 2007 CONSOLIDATED FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

STADA
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STADA 2007 CONSOLIDATED FINANCIAL STATEMENTS: MANAGEMENT REPORT OF THE EXECUTIVE BOARD

OVERVIEW OF FISCAL YEAR 2007

Successes under Challenging Conditions

As expected, STADA, in 2007, continued with the successful business development of the last years with a sustainable and robust growth course. Thus, the Group's targets were once more unconditionally achieved in 2007.

With clear increases in sales (+26% vs. previous year to € 1,570.5 million), operating profit (+19% vs. previous year to € 215.5 million) and net income[1)] (+14% vs. previous year to € 105.1 million), STADA, in the reporting year 2007, achieved new record highs in the company's history.

Thereby, in 2007 – even more than in 2006 – significant one-time special effects influenced the Group's earnings, with a net burden of € 61.5 million before taxes or approx. € 41.6 million after taxes (previous year burden overall: € 18.0 million before taxes or € 10.3 million after taxes). Also after adjustment for these special effects of the reporting year as well as of the previous year, the key earning figures of the fiscal year 2007 showed high growth rates as compared to the previous year – in operating profit of 33% and in net income of 44%.

In 2007, STADA once again achieved these successes under challenging conditions. In particular in the core segment Generics, which contributes 74% to Group sales, the attractive growth potential of this segment is associated with comprehensive regulatory interventions and intensive competition in individual national markets. With high operative flexibility, STADA has always quickly and adequately adapted in particular the sales units in the individual national markets to local market structures changed as a result – also in 2007 in Germany as a reaction to the last local health care reform.

Despite such local adaptation processes, the Group's organic sales growth, with 14%, was once again in the double-digit percent range. STADA's product development thereby once more proved itself an important internal growth factor. Worldwide, STADA launched 424 new products in individual national markets in 2007, thus further expanding the Group's product portfolio. The high competence in development is also underlined by obtaining the EU approval for a first biosimilar product, Erythropoietin-zeta (Epo-zeta) in the reporting year.

With the continuation of the active acquisition policy, impetus for further growth acceleration was given in 2007 through the acquisitions of the Russian pharmaceutical group MAKIZ and the British pharmaceutical group Forum Bioscience.

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.

Finally, the Group's continuous cost optimization, among other factors, contributed to a once again improved adjusted[1] operating margin in 2007 (15.8% vs. 15.0% in the previous year).

However, the successes achieved by the Group in 2007 were not entirely mirrored in the price of the STADA share. While it reached a new all-time high several times in the first half year, the price trend in the second half year was declining.

In the Executive Board's view, the outlook for the Group continues to be positive. Also in the future, clear growth is expected overall for the markets in which STADA is active. Indeed, significant regulatory measures and intensive competition, in particular also price wars, will always occur in individual national markets.[2] If necessary, STADA will need to react flexibly, also by means of adaptations of own operating structures, to this. However, through STADA's advancing internationalization, such local influences can probably be increasingly better balanced out at Group level.

From the Executive Board's perspective, STADA's business model thus remains sustainable and viable for the future so that, also in the future, the Group will be able to achieve significant operative growth under challenging conditions.

1) Adjusted for one-time special effects in 2006 and 2007.
2) See "Risk Report".

BUSINESS AND GENERAL CONDITIONS

Business Model, Core Segments and Structural Environment

Strategic focus on markets with high growth potential

The Group's continuous growth in recent years shows that STADA's strategic focus has proven itself. The increasingly international oriented business activities of STADA Arzneimittel AG and STADA's Group companies are thereby focused on the health care market, in particular the pharmaceutical market. For years, these markets have recorded growing demand worldwide; also for the years to come, external analysts forecast further growth of these markets.

Thereby, the largely non-cyclical growth drivers are in particular medical progress, an increasingly higher life expectancy in industrialized countries as well as growing prosperity associated with higher budgets for health care in threshold and developing countries.

Core segments Generics and Branded Products

In the health care and pharmaceutical market, STADA concentrates on the development and marketing of products with off-patent active pharmaceutical ingredients. These so-called multisource products can be readily procured, i.e. they are available without restrictions through commercial property rights. Due to cost and risk aspects, STADA deliberately does not carry out any research into new active pharmaceutical ingredients.

In accordance with this strategic alignment, Generics and Branded Products are the Group's two core segments[1]:

- Products for which the focus of sales is on a low pricing and/or on a cross-product and active-ingredient marketing concept are, in the scope of the Group's segmentation, part of the core segment **Generics**;
- Products for which the specific product characteristics and in particular also the brand name of the respective product are at the forefront of marketing are part of the core segment **Branded Products**.

Generics – a global growth market

With a share of 73.5% in Group sales achieved in fiscal year 2007 (previous year: 73.2%), Generics continue to be the clearly larger of the two core segments.

1) See Notes 5.1. for the exact segment definition.

In addition to the pressure for cost reduction that exists in numerous national health care markets, for which low-cost generics are a competitive solution, the constant expiration of patents or other commercial property rights makes for a continuous increase of the market potential of generics. This growth dynamic can be corroborated both by historical and by forecast data.

In the year 2007, the volume of the global generics market amounted to approx. € 78 billion (previous year: approx. € 70 billion). Thus, generics had a market share of approx. 17.4% (previous year: approx. 16.7%) in the worldwide pharmaceutical market. Between 2003 and 2007, the annual growth rate of the international generics market was approx. 12% on average.[1] Also in most European national markets the market volume of generics further grew in the year 2007.

Generics in selected European markets in 2007[2]

Market	Total pharmaceutical market in € million	Change from previous year in %	Generics market in € million	Change from previous year in %	Generics market share[4]
Germany[3]	23,040	4%	4,470	-1%	19.4%
France	20,400	4%	2,010	20%	9.9%
UK	17,220	3%	3,700	6%	21.5%
Italy	11,690	-2%	550	30%	4.7%
Spain	9,640	8%	660	22%	6.9%
The Netherlands	5,100	9%	1,005	10%	19.7%
Russia	4,700	17%	2,870	17%	61.1%
Poland	4,245	12%	2,720	12%	64.1%
Belgium	2,840	3%	240	3%	8.5%
Sweden	2,670	7%	415	5%	15.5%
Portugal	2,550	6%	440	17%	17.4%
Austria	1,885	8%	275	13%	14.6%
Denmark	1,875	10%	220	6%	11.8%
Finland	1,860	7%	270	7%	14.4%
Czech Republic	1,590	14%	750	11%	47.2%
Ireland	1,550	10%	125	11%	8.2%
Ukraine	1,140	18%	820	18%	71.9%
Serbia	540	38%	360	31%	66.9%

Also in the future, generics are expected to increase stronger than the total pharmaceutical market. Thus, international market research institutes forecast a value of approx. 9-12% p.a. for the average growth rate from 2007 to 2012 for the worldwide generics market, while predicting an increase of only approx. 4-7% p.a. for the global pharmaceutical market in this period.[1]

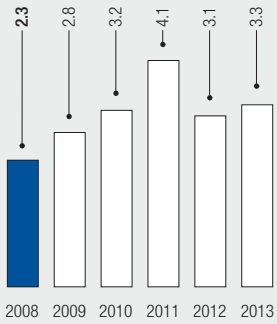
1) Data from IMS Health (worldwide provider of information services for the pharmaceutical industry) at ex-factory prices. The market data on generics fluctuate (in some cases substantially) due to differing market definitions from source to source.
2) STADA estimate at ex-factory prices based on market data provided by various international market research institutes.
3) Based on sales volume in pharmacies (i.e. not including warehousing effects which occurred in the market), IMS generics definition from January 2008.
4) In terms of total pharmaceutical market by sales.

For Europe, prognostical estimates also assume, with annual growth of the generics market of 6-9% p.a. in the years 2007 to 2012, a higher growth rate than the total pharmaceutical market with 3-6% p.a.[1)]

A significant contribution to this expected growth will probably come from sales from newly launched generics after expiration of the respective commercial property right in the individual national markets. According to current market research data alone, the sales volume for active pharmaceutical ingredients newly available for generic competition from 2008 to 2013 in the largest pharmaceutical markets in terms of sales in the EU, Germany, the United Kingdom, France and Italy, amounts to approx. € 19 billion.[2)]

In addition, further progress in the generics penetration is also expected for most of the national markets in the EU.

Newly available sales volumes for generics marketing in the four countries Germany, UK, France and Italy in € billion per year[2)]



Branded Products – focus on strong brands

Branded Products represent the STADA Group's second core segment, with a 19.4% share in Group sales in 2007 (previous year: 20.8%).

In this segment, too, STADA's focus lies on products with off-patent active pharmaceutical ingredients, so-called multisource products. Thereby, the Group's product portfolio continues to consist primarily of non-prescription products in individual national markets, but also of prescription drugs.

In this core segment, the specific positioning of the individual product in the competitive context is essential for success. Type and scope of the respective marketing and sales activities are therefore a central success factor for each individual branded product and influence in addition significantly its operating margin.

Branded products are also characterized by long term growth opportunities. However, they are – in the OTC area in particular – more strongly influenced by economic trends of the individual national markets since they usually are not or only in part reimbursed and the readiness of patients to bear the costs themselves depends on the respective economic situation. Moreover, branded products can also be subject to significant regulatory influences, such as modified reimbursement rules.

1) Data from IMS Health for the five largest generics markets at ex-factory prices.

2) STADA estimate of sales volumes MAT/9/2007 at ex-factory prices for active ingredients for which STADA currently expects the patents or other commercial property rights relevant for generics competition to expire by 2013, based on data provided by various international market research institutes. STADA's expectations as to the date of availability of active ingredients for generics competition are continuously being reviewed from a legal perspective and may in future significantly differ from today's (as of March 1, 2008) expectations as expressed in this data. The actual sales volumes becoming available for generics competition at the respective dates are subject to fluctuations as a result of changing market success, legal situations or market structures, among other factors.

Against this backdrop, STADA focuses on so-called “strong brands”, i.e. on branded products which, due to their high degree of public awareness – ideally with a position as local market leader – and through intense promotional or sales support have preferably growth potential which is as independent of local market trends as possible.

In the core segment Branded Products, STADA thus pursues a selective approach. Depending on market attractiveness and local availability, not all of STADA’s Branded Products are sold in all national markets where the Group is present. Due to the Group’s increasing internationalization, the number of partly supranationally marketed branded products is, however, gradually growing.

In fiscal year 2007, STADA was able to further strengthen the core segment Branded Products through two acquisitions (see ”Business and General Conditions – Acquisitions and Disposals”).

STADA acquired, among other things, the British pharmaceutical group Forum Bioscience whose Britannia division, which is part of STADA’s core business, is focused on the sale of off-patent active pharmaceutical ingredients in market niches of the British pharmaceutical market.

Challenging conditions

Inherently linked to the historical and projected continuous growth of the markets in which STADA is active are also challenging conditions.[1)]

The good growth opportunities thus attract intense competition. In addition, these markets are strongly characterized by regulatory influences. Because it is one of the central tasks of each country to provide as many of its citizens as possible with access to health care at acceptable cost. Therefore, the continuous increase in demand in the health care and pharmaceutical market leads to constant cost pressure in nearly all national health care systems, regularly entailing cost saving state regulation.

Thereby, the local regulatory conditions show a high degree of variation. Because the individual social systems of the national states which fix these conditions still differ strongly in their form and will probably also continue to be outside any material supranational harmonization.

1) For a comprehensive presentation of the risks for the Group anticipated by the Executive Board from today’s perspective see “Risk Report”.

However, the demand mechanisms for generics in particular depend to a great extent on local regulatory conditions, such as reimbursability, type and amount of patient co-payments or the question whether products with the same active ingredient can be subject to exchanges in pharmacies (so-called substitution). The health care policy interventions in local regulatory conditions that must always be expected thus have a particularly strong effect on generics.

Such interventions can have a curbing effect if, for example, a state regulates direct price reductions, but they can also have a stimulating effect if, for example, stronger regulatory incentives for the prescription of low-price generics are given in a national health care system.

Flexible and lean operative alignment

STADA's strategic response to this high-growth, but also challenging environment lies in a lean and above all flexible operative alignment. Rapid change in response to altering conditions with, at the same time, high cost sensitivity are decisive success factors for STADA, characterizing therefore the operative alignment in all of the Group's functional areas.

Non-core activities

At STADA, non-core activities comprise businesses and equity interests in fields outside the two core segments. These non-core activities are aimed at supplementing and supporting the Group business in the core segments.

In fiscal year 2007, with 7.1% (previous year: 6.0%) STADA's non-core activities continued to make a small contribution to Group sales. Activities that mainly involve trading and selling because they represent wholesaling activities, for example, are disclosed under Commercial Business (share in Group sales 2007: 4.4%, previous year: 5.1%). Other non-core activities are grouped together under Group holdings/other (share in Group sales 2007: 2.7%, previous year: 0.9%).

STADA regularly reviews whether at least in the medium term non-core activities can be expected to generate a positive contribution to the core segments. Otherwise, they are possibly restructured, reduced or sold. In fiscal year 2007, this was for example the case of the non-core activities of the subsidiaries Multivita and Symbiofarm acquired in the scope of the Hemofarm acquisition in 2006 (see "Business and General Conditions – Acquisitions and Disposals").

In the current fiscal year 2008, further disposals are considered for the non-core activities.

Sales and Marketing

Strategic basis of sales and marketing

The STADA Group's international sales infrastructure is characterized by a multitude of respectively local sales companies with market proximity.

Due to STADA's strong market orientation the individual sales companies are responsible, within the framework of targets previously agreed upon, for the operative management in their respective national markets. In view of the respective target groups, a focus is thereby placed on sales and marketing. Depending on the respective market structure and consequently demand relevance, sales and marketing activities focus in particular on patients and/or consumers, doctors, doctors' cooperatives, pharmacies, pharmacy cooperatives, hospitals, wholesalers and other service providers in the health care market as well as on cost bearers such as statutory health insurance organizations or private insurances.

Individual national STADA sales companies also partly cooperate cross-nationally. This is the case, for example, in the scope of sales cooperations with wholesalers in such countries where wholesalers can influence the demand for STADA Group products or will be able to do so in the foreseeable future.

The market-oriented sales concept allows the Group to react flexibly to changing demands in individual national markets because product assignments and market presentation can be adjusted on short notice. In case of changing market structures – e.g. through new regulatory measures – also sales structures can, if required, be changed, adapted or reduced. Thus, in the second half of 2007, the Group, for example, comprehensively rearranged the operative structures of STADA's German generics sales due to regulatory driven changes in the German generics market (see "Development of Segments – Regional Development – Germany").

International sales network

In the course of the implementation of this strategic basis, the STADA Group, in recent years, set up an international sales network with sales companies that are locally based, thus ensuring market proximity, and which, aside from a few exceptions, are wholly-owned by STADA. If it makes sense for the respective local market structures, in individual national markets, sales companies of the Group also operate parallel to one another and/or focus on specific market segments.

STADA sales structure (as of March 1, 2008)[1]

Europe

Belgium	S.A. Eurogenerics N.V., Brussels S.A. Neocare N.V., Brussels
Bosnia-Herzegovina	Hemofarm Banja Luka d.o.o, Banja Luka (79.81%)
Bulgaria	STADA PHARMA Bulgaria EOOD[2], Sofia
Denmark	PharmaCoDane ApS, Copenhagen
Germany	STADApharm GmbH, Bad Vilbel STADA GmbH, Bad Vilbel STADA Medical GmbH, Bad Vilbel ALIUD PHARMA GmbH & Co. KG, Laichingen cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg
Finland	Oy STADA Pharma Ab, Helsinki
France	EG Labo SAS - Laboratoires Eurogenerics, Paris
UK	Genus Pharmaceuticals Ltd., Newbury Forum Bioscience Holdings Ltd.[3], Redhill (Surrey)
Ireland	Clonmel Healthcare Ltd., Clonmel
Italy	EG S.p.A., Milan Crinos S.p.A., Milan
Lithuania	UAB STADA-Nizhpharm-Baltiya, Vilnius
Macedonia	Hemofarm Komerc d.o.o., Skoplje (99.18%)
Montenegro	Hemomont d.o.o., Podgorica (71.02%)
The Netherlands	Centrafarm Pharmaceuticals B.V., Etten-Leur Healthypharm B.V., Etten-Leur Centrafarm B.V., Etten-Leur
Austria	STADA Arzneimittel Gesellschaft m.b.H., Vienna
Poland	STADA PHARMA Poland, Sp z.o.o.[2], Warsaw
Portugal	Ciclum Farma, Unipessoal, LDA, Paco de Arcos
Romania	Hemofarm S.R.L., Temisvar STADA PHARMA S.R.L.[2], Bucarest
Russia	JSC Nizhpharm, Nizhny Novgorod (99.58%) OOO Hemofarm Obninsk, Obninsk CJSC Makiz-Pharma[4], Moscow / CJSC Skopinpharm[4], Ryazanskaya obl.
Slovakia	STADA PHARM Slovakia s.r.o.[2], Bratislava
Sweden	STADApharm AB[5], Malmö
Serbia	Hemofarm A.D., Vrsac
Spain	Laboratorio STADA, S.L., Barcelona
Czech Republic	STADA PHARMA CZ, s.r.o., Prague
Ukraine	Nizhpharm-Ukraine Ltd., Kiev

Asia

China	Health Vision Enterprise Ltd., Hong Kong (51%) STADA Pharmaceuticals (Asia) Ltd., Hong Kong
Kazakhstan	Nizhpharm-Kasachstan Ltd.[6], Almaty
The Philippines	Croma Medic, Inc., Manila
Thailand	STADA Asiatic Company, Ltd., Bangkok (60%)
Vietnam	STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City (50%)

Export

Worlwide to more than 47 countries	through, among others, STADA Pharma International GmbH, Bad Vilbel Hemofarm Group, Vrsac, Serbia

1) Unless indicated otherwise, the companies are wholly-owned by the STADA Group.
2) Not consolidated. Sales activity probably still in the first half of 2008.
3) Consolidated since October 1, 2007.
4) Consolidated since September 1, 2007.
5) Currently not consolidated.
6) Name of the company has been translated from Cyrillic into English.

In fiscal year 2007, STADA expanded this international sales infrastructure, also, among other things, by means of acquisitions in Russia and the United Kingdom (see "Business and General Conditions – Acquisitions and Disposals") as well as through the establishment of additional own sales companies in Poland, Bulgaria, Romania and Slovakia in the first quarter of the current fiscal year 2008.[1] Thus, as of March 1, 2008, the STADA Group had a sales presence of 46 sales companies in 30 countries – which continues to focus on Europe.

In addition, in Asia, as of March 1, 2008, STADA operates with own sales companies in China, Kazakhstan, the Philippines, Thailand and Vietnam.

Moreover, STADA is globally active in the export business in a total of more than 47 countries in which the Group usually is not present with its own local sales companies. Responsible for these export activities are, among others, STADA's subsidiary STADA Pharma International as well as the Hemofarm Group, which also partially have their own representative offices and branches for this.

The development of the Group business in the individual national markets is described in the chapter "Development of Segments – Regional Development".

Further expansion of international sales infrastructure

In the future, too, STADA will further expand its international sales infrastructure in order to make optimum use of arising growth opportunities and at the same time to further reduce its dependence on individual national markets. Thereby, both the acquisition of companies in individual national markets which complement the current sales network in a reasonable way and the buying of products which can be integrated into existing sales structures are considered.

Product Development

Strategic basis of STADA's development activities

In the scope of the Group strategy, STADA deliberately does not conduct any own research on new pharmaceutical active ingredients, but rather focuses on development activities for products with active pharmaceutical ingredients which are or become available without restrictions through commercial property rights, in particular patents.

Principally, this applies to all of the Group's segments. Apart from this joint premise, the development strategy pursued by STADA is, however, segment-oriented.

1) The new sales companies are not yet consolidated for the time being and will start their sales activities probably still in the first half of 2008.

In the core segment Generics, the launch of new products promptly after expiration of patents and/or the respective commercial property rights is crucial for the long-term market success. Against this backdrop, STADA usually operates development projects for new generics on a Group-wide level, if a significant sales relevance is expected for the new active ingredients becoming available for generics competition due to the expiration of commercial property rights. Depending on the local situation with regard to patent and approval as well as in view of the respective market strategies, the Group then decides at which date which active pharmaceutical ingredients are newly included into the local product portfolio of a sales company of STADA.

In some national markets, STADA, for sales reasons, pursues a full-portfolio policy in the Generics segment. Thereby, the Group includes almost all relevant active pharmaceutical ingredients and usually in all dosage forms and strengths into the respective national product portfolio, even if individual dosage forms or strengths only have a low significance for sales. Accordingly large are the Group's development activities for the Generics segment.

The development strategy for STADA's second core segment Branded Products, in contrast, is selective. In the scope of development activities for branded products, STADA places the focus both on product and country-specific growth and/or earnings opportunities as well as on compatibility with the existing portfolio and Group structures. For Branded Products, the activities of STADA's product development can therefore be better targeted on individual national markets and have a more flexible time-frame.

Beside the development of new products, STADA, in addition, pursues the following content-related priorities in product development within the Group:

- Expansion of the existing product portfolio with additional dosage forms or strengths
- Internationalization of nationally successful products
- Optimization of products already introduced in order to reduce cost of sales or achieve better application potentials

The common goal of all development activities is always to achieve market readiness of a new or optimized product for STADA which, in case of medical products, is usually associated with receiving a national or supranational approval from the responsible regulatory agency.

Worldwide development network

STADA's product development provides the sales companies with a continuous flow of several hundred new products each year. To this end, as of December 31, 2007, the Group conducted approval procedures for more than 120 active pharmaceutical ingredients for over 50 countries.

For this STADA undertakes comprehensive in-house development activities, but, in view of the scope and complexity of the development projects, cooperates additionally to a significant extent with external development partners worldwide, among which – as is usual in the industry sector – are partly also competitors. Thereby, STADA has the longstanding expertise to coordinate such an international network of development partners cost effectively and timely in terms of the respective commercial property rights.

For several years, STADA has systematically stepped up its internal product development capacities in order to specifically increase the number of in-house developments of strategically important and major products. Through the reduction of initial supply commitments associated with this, STADA targets lower procurement and production costs in the first years following the market launch, particularly for such important new products.

An increasing role in the expansion of in-house developments is played by the new Group-owned development locations which, through the acquisitions in recent years – especially through the takeover of the Serbian Hemofarm Group in 2006 – were integrated into the Group structures.

Long term and internationally oriented development activities

STADA's development activities are based on long-term plans which, already today, deal with new products whose possible launch dates reach beyond the year 2015.

In addition, the approval horizon for products of importance for the Group currently is normally at least three years, i.e. all products of this category which STADA wants to launch in the next three years have usually already been entirely developed today and are in the approval process.

Thereby, STADA aims at a broad international utility of the development results, particularly in view of the EU. For this reason, the Group uses not only national, but frequently also EU-wide approval procedures, which, as a result, makes it possible to achieve a multitude of similar national approvals of a product simultaneously in different EU countries and gears the development work and the resulting approval dossiers to these international requirements. If approval procedures of STADA outside of the EU are conducted, it is strived for conducting these, if possible, on the basis of the EU dossier of this product.

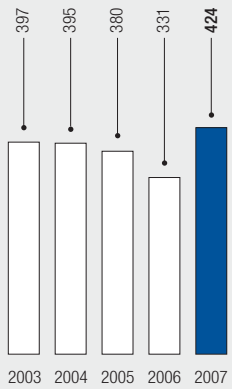
The goal of this international orientation of development activities is to generate economy of scale effects through optimized batch sizes. A substantial condition for this is that within the Group, regardless of the national approvals, to fall back on a formulation of a product that is as standardized as possible internationally in the Group.

Continuous flow of new products

STADA's development and approval strength is evident in the large number of products launched every year. 2007, too, was again a very successful year for STADA. Thus, Group-wide, 424 individual products were launched in individual national markets worldwide in fiscal year 2007 (previous year: 331 products) – more than ever before within one year in STADA's corporate history.

The Group's product pipeline remains well-filled so that, from the Executive Board's view, STADA should continue to have a comprehensive and up-to-date product portfolio in the individual national markets – with a focus on generics in the EU. But also in countries outside of the EU, in which the Group is present via its own sales companies or conducts export activities, STADA will carry out further approval procedures in the future.

Number of product launches in the STADA Group per year



Biosimilar projects: market launch Epo-zeta carried out in first quarter of 2008

A biosimilar is defined as a biopharmaceutical product, i.e. a drug with a protein as an active pharmaceutical ingredient produced by genetically modified cell lines which, despite different producing cell lines, compared to an initial supplier product which is already on the market, is so similar that the biosimilar has proven therapeutic equivalence. The development of biosimilar products is connected with significantly higher costs and risks of default than the development of classic generics.

Therefore, the Group conducts the development of the two biosimilar projects Erythropoietin-zeta (Epo-zeta)[1)] and Filgrastim[2)], which STADA has been pursuing since 2001, via BIOCEUTICALS Arzneimittel AG, a company initiated by STADA and predominantly financed via venture capital. As of December 31, 2007, STADA owns 14.99% of shares in BIOCEUTICALS. In the past, payments in the total amount of € 16.3 million were made from STADA for this. Moreover, STADA provides BIOCEUTICALS with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 29.5 million had been used as of December 31, 2007. In addition, a capital guarantee from STADA for the benefit of BIOCEUTICALS exists, of which € 3.0 million had been used as of December 31, 2007. In addition, STADA continues to hold a so-called "call option" which can be exercised yearly from 2011, according to which STADA can acquire all shares in BIOCEUTICALS at a price which is already defined via a formula.

1) Erythropoietin (abbreviation Epo) is a biopharmaceutical active ingredient in protein form, which is produced by living cell lines. Depending on the individual cell lines used and the production process associated with it, so-called glyco structures (oligosaccharide-chains) can differ minimally. The Erythropoietin biosimilar being developed by BIOCEUTICALS is Epo-zeta. Erythropoietin is used, among other things, in nephrology for dialysis patients to stimulate hematopoieses as well as in cancer therapy. The current market volume for Erythropoietin at ex-factory prices, based on market data from IMS Health, is estimated at approx. € 1.2 billion per year for the EU and approx. € 190 million per year for Germany.

2) Filgrastim (also called G-CSF) is a biopharmaceutical active ingredient in protein form, which is produced by living cell lines. Filgrastim is used, among other things, in the treatment of a neutropenia, for example following cytotoxic chemotherapy or bone marrow transplants. The current market volume for Filgrastim at ex-factory prices, based on market data from IMS Health, is estimated at approx. € 640 million per year for the EU and approx. € 120 million per year for Germany.

BIOCEUTICALS bears the costs and the risk of the development activities for the two biosimilar products Epo-zeta and Filgrastim, but also holds all product and sales rights which are then licensed against payment from BIOCEUTICALS to third parties. In addition, BIOCEUTICALS holds two thirds of shares in the exclusive production partner for the EU for Epo-zeta, NorBiTec GmbH, Uetersen.[1)]

Since a rearrangement through BIOCEUTICALS in the fourth quarter of 2006, the STADA subsidiary cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH and the US hospital products company Hospira Inc., Lake Forest, Illinois, each hold semi-exclusive distribution rights for Epo-zeta in Germany. Since then, Hospira additionally holds the exclusive distribution rights for Epo-zeta for the EU countries (with the exception of Germany, where the distribution rights are semi-exclusive), several additional European countries as well as the USA and Canada.[2)] For all other countries, Hospira has a right of first refusal for a local Epo-zeta sales license. In some countries (such as Serbia or Russia, for example) a local STADA-owned subsidiary can receive or has already received, at the same time, a semi-exclusive local sales license from BIOCEUTICALS. Following the launch in the individual national markets, all licensees will pay BIOCEUTICALS sales-related license payments which are partially dependent on the amounts procured and the market prices achieved in the individual contract areas and will procure the product Epo-zeta via BIOCEUTICALS at contractually agreed prices; for Hospira, this procurement obligation, however, does not apply to the USA and Canada.

For Filgrastim, STADA's subsidiary cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH holds the worldwide exclusive distribution rights as a license from BIOCEUTICALS.

STADA controls and conducts the two biosimilar development projects on behalf of BIOCEUTICALS. For Epo-zeta, STADA thereby received, on December 19, 2007, the approval for the indications nephrology (dialysis) and oncology in the EU-wide approval process. Additionally, in Serbia, the first national approval for Epo-zeta outside the EU was obtained by STADA's local subsidiary Hemofarm in the fourth quarter of 2007.

After the successful approval of Epo-zeta, STADA launched Epo-zeta in Germany under the brand name Silapo® in the current first quarter of 2008 via the Group-owned sales company cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH. In addition, probably still in the first half of the current fiscal year 2008, STADA will market Epo-zeta in Serbia via STADA's local sales company Hemofarm under the local name Eqralys®. Hospira also launched Epo-zeta in various EU countries in the current first quarter of 2008, thereby using the EU-wide trademark Retacrit™ for this product.

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

1) The remaining third of shares continues to be held by Nordmark Arzneimittel GmbH & Co. KG, Uetersen.
2) For the distribution rights awarded to Hospira in November 2006, BIOCEUTICALS received from Hospira immediate payment in the total amount of € 16.4 million in fiscal year 2006; in addition, further payments in the total original amount of up to € 26.5 million were agreed, depending on the relevant indication-related progress of the project in the relevant individual contract area. On the basis of the EU approval received in December 2007, receivables were thus generated at BIOCEUTICALS toward Hospira in the amount of € 11.5 million which were paid in January 2008.
3) STADA continues to hold the world-wide exclusive distribution rights for this project via its subsidiary cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH.

Procurement and Production

Strategic basis of procurement and production

For STADA, the following strategic basis applies in the sector procurement and production:

- STADA pursues a primacy of quality management and only sells products of appropriate quality.
- Through a worldwide procurement of active ingredients and auxiliary materials, a capital allocation for the construction of a Group-owned production of active pharmaceutical ingredients has so far been deliberately avoided; the capital allocation for the promotion of direct growth potentials in sales and for acquisition projects was therefore all the higher.
- Through high flexibility and continuous cost optimization in the pharmaceutical production further sustained competitiveness should, in view of dynamic Group growth, a comprehensive and gradually expanding product portfolio and at the same time a price-sensitive business model of STADA, in the core segment Generics, in particular, be ensured.

Importance of quality management

As a supplier in the health care market, product quality and product safety are top priorities for STADA.

Thus, the Group-wide established Quality Management examines, in the scope of audits, in the Group's own production sites as well as in the facilities of external suppliers and contract manufacturers, whether the quality standards defined by STADA as appropriate, which in part go clearly beyond the regulations required by law, are met.

Thereby, also in non-EU countries, the successful achievement of EU quality standards, which often go beyond local requirements, is strived for. In this context, in 2007 local production sites of the STADA Group in Serbia, Bosnia-Herzegovina, Russia and Vietnam reached entirely or partly an official qualification as approved production site also for drugs for the distribution in the EU.

On principal, the Group's business and production processes meet the required regulatory standards. In addition, STADA also has – where it is deemed reasonable – internationally recognized certifications in accordance with external quality management systems. In this regard, STADA, in addition to the GMP standards, also implements the relevant ISO norms at many production locations and has ISO 9001:2000-, ISO 14001:2004- and ISO 13485:2003 certificates.

Worldwide procurement

For strategic reasons, STADA has so far deliberately abstained from manufacturing any raw and auxiliary materials necessary for pharmaceutical production in its own facilities, but has utilized a worldwide network of raw materials suppliers for this. In this context, the Group utilizes, to a significant degree, low-price suppliers from so-called low-cost countries, in particular also from Asia – provided that they unconditionally meet STADA's quality requirements. Against the backdrop of the historical as well as today's company size, the Executive Board deems this procurement strategy to be advantageous under the aspects of capital allocation, flexibility and cost optimization.

However, from the Executive Board's perspective, with a further growing size of the company it will be necessary to examine whether a closer vertical integration in the area of the production of active pharmaceutical ingredients also is gradually to be strived for in order to achieve access to profit potentials also in this area of the value creation chain of selected drugs. For this, acquisitions or closer cooperations with equity investments in the area of the production of active pharmaceutical ingredients are imaginable.

High flexibility and continuous cost optimization in pharmaceutical production

The comprehensive portfolio of more than 600 active pharmaceutical ingredients, which are included worldwide in the Group's individual products, and more than 8,000 different product presentations sold throughout the Group, each different in terms of its active ingredient and/or quantity of the active ingredient and/or dosage form and/or package size requires a flexible network with a mix of own and external capacities for pharmaceutical production.[1)]

Thereby, in view of existing resources and necessary volumes flexibility, STADA, for a long time, relied to a high degree on contract manufacturing. In the scope of external production, STADA involves – as much as contractually possible – the contract manufacturers (as well as the suppliers of active ingredients and auxiliary materials) in the price development of individual products or markets. This is done by utilizing price escalation clauses in advance as well as by retroactive price negotiations.

Due to growth in recent years and the associated increase of production volumes as well as the expansion of Group-owned cost-attractive production capacities as a result of the acquisitions of, among others, the Serbian Hemofarm Group, the Group can now place a stronger focus on in-house production.

However – due to contractual commitments and necessary changes in accordance with respective drug law regulations – this is a process which will continue for several years; progress in this context is visible in terms of the share of contract manufacturing for the Group's pharmaceutical production. While this share was approx. 70% at its histo-

1) Pharmaceutical production: conversion of pharmaceutical substances into a dosage form, e.g. tablets.

rical record in fiscal year 2005 and approx. 60% in fiscal year 2006, the share of contract manufacturing in the Group's pharmaceutical production was only approx. 55% in fiscal year 2007.

As of March 1, 2008 STADA had the following Group-owned pharmaceutical production sites:

- Bad Vilbel (Germany)
- Banja Luka (Bosnia-Herzegovina)
- Beijing[1] (China)
- Clonmel (Ireland)
- Dubovac (Serbia)
- Etten-Leur (packaging) (the Netherlands)
- Ho Chi Minh City (2 production sites[2]) (Vietnam)
- Moscow[3] (Russia)
- Nizhny Novgorod (Russia)
- Obninsk[4] (Russia)
- Podgorica[5] (Montenegro)
- Ryazanskaya obl.[3] (Russia)
- Sabac (Serbia)
- Vrsac (Serbia)

Adequate investments ensure that all Group-owned production facilities are maintained at the level required by legal stipulations and technical production considerations. In locations outside of the EU-area, the following production sites were thus at least already partly geared to the production of individual products for the EU and were also authorized by EU authorities for this after local auditing: Banja Luka, Ho Chi Minh City, Nizhny Novgorod, Obninsk, Sabac and Vrsac.

Due to the rising number of Group-owned production sites after the acquisitions of Hemofarm in 2006 (with six production sites) and of MAKIZ in 2007 (with two production sites) as well as the expansion in Vietnam (opening of the second production site in the first quarter of the current fiscal year 2008) a significantly higher level of investments in property, plant and equipment compared to prior years must be expected in the years to come (see "Financial Situation – Cash flow").

Acquisitions and Disposals

Strategic basis of acquisition policy

For years, STADA has pursued an active acquisition policy in order to give Group growth additional external impetus. The Group can thereby rely on a high degree of experience in selecting suitable acquisition objects as well as in integrating acquired products and companies into existing business structures.

1) A production unit which is not integrated and consolidated in the Group, solely aimed at the local market demand.
2) Both production sites are operated within the framework of a 50:50 joint venture with a local partner.
3) New production site in the STADA Group after the acquisition of the Russian pharmaceutical Group MAKIZ in the third quarter of 2007.
4) After delays in local approval processes, a start of operations of the plant in Obninsk, which was already largely completed in 2006, is strived for in the current fiscal year.
5) Sale as per March 30, 2008, see "Business and General Conditions – Acquisitions and Disposals".

Also in the future, STADA will continue its active acquisition policy to further accelerate Group growth. In this context, growth opportunities lie on the one hand in the further expansion of the international sales structure, particularly in the East-European markets. On the other hand, economy of scale effects in connection with acquisitions can open up additional sales and earnings potentials, for example through the acquisition of suitable products or companies. Furthermore, from the Executive Board's perspective, the growing size of the company also makes acquisitions or closer cooperations for vertical integration thinkable, in the area of the production of active pharmaceutical ingredients for example.

Suitable acquisitions are usually financed with credits. To create a sufficient financial framework, appropriate capital measures continue to be imaginable for corresponding acquisition projects if such acquisitions would burden too strongly the equity-to-assets ratio.

Also in fiscal year 2007, STADA continued this active acquisition policy. At the same time, against the backdrop of focusing on the core business, various disposals were made, the most significant of which we described as follows. The most significant acquisitions and disposals are outlined subsequently.

Acquisition of the Russian pharmaceutical group MAKIZ

Since STADA considers Russia an important growth market, the Group further expanded its local sales presence by means of an additional acquisition in fiscal year 2007, gaining at the same time access to further low-cost production units and development centers in this region.

On August 31, 2007, STADA, or STADA's Russian subsidiary JSC Nizhpharm, therefore completed the acquisition of the Russian pharmaceutical group MAKIZ, which was contractually agreed on August 3, 2007.[1)2)] The staggered purchase price, which partly depends on the locally not yet audited results of fiscal year 2007[3)], amounted, before possible adjustments, to a total of probably € 106.0 million including net liabilities in the amount of approx. € 20.0 million.

In 2006, the last full fiscal year before the takeover, the MAKIZ group achieved annual sales in the total amount of RUB 1,756.4 million or € 51.5 million and after tax profits of RUB 241.9 million or € 7.1 million. In the course of fiscal year 2007, the MAKIZ group contributed € 19.0 million to Group sales since consolidation as of September 1, 2007 ("Development of Segments – Regional Development – Russia").[4)]

As of the takeover date, the product portfolio of the MAKIZ group consisted of more than 50 products with off-patent active pharmaceutical ingredients, approx. one half of which were positioned as generics and one half as branded products; with a share of 95% prescription products, the focus of the portfolio was on the indication areas cardiovascular diseases, central nervous system, tuberculosis and urology. The sales focus of the MAKIZ group is placed both on products included in government reimbursement programs as well as on products for the segments of the Russian pharmaceutical market where patients have to pay themselves.

1) See the company's ad hoc releases of August 3, 2007 and August 31, 2007.
2) The acquisition of MAKIZ was carried out via the purchase of respectively 100% of the shares in the companies CJSC Makiz-Pharma, CJSC Skopinpharm and CJSC Biodyne Pharmaceuticals. The sellers were several companies of private investors.
3) Maximum purchase price: € 135 million on the basis of a balance sheet adjusted for debt and financial resources.
4) Sales of the MAKIZ group in 2007 (until 08/2007 under the former owner): RUB 1,474.6 million; in 2006: RUB 1,756.4 million.

As of the takeover date, the MAKIZ group had more than 600 employees, of which approx. one-third worked in marketing and sales; thereby, the Group's sales force covered all the important Russian centers with approx. 130 employees.

The two production locations of the MAKIZ group in Moscow and in the area of Ryazan, which were taken over, produce the company's own products in addition to external products in contract manufacturing.

Over 25 projects are currently being followed in the product development of the MAKIZ group; more than 10 products are in the approval process for the Russian market.[1)]

In the scope of the integration of MAKIZ, essential sub-areas for strategic corporate management such as the integration of Reporting and Planning were successfully completed in the fourth quarter of 2007. The other operative structures will be harmonized and integrated into the STADA Group in cooperation between the management of Nizhpharm and MAKIZ in the course of fiscal year 2008.

Acquisition of the British pharmaceutical group Forum Bioscience

As is known, STADA's British subsidiary Genus pursues a sales concept targeted toward niches for off-patent active pharmaceutical ingredients in the area between generics and branded products (see "Development of Segments – Regional Development – United Kingdom"). In the third quarter of 2007, STADA further expanded this sales presence by means of a suitable acquisition. On September 21, 2007, STADA completed via subsidiaries the acquisition of 100% of the shares in the British pharmaceutical group Forum Bioscience Holdings Ltd., Redhill, which was contractually agreed on August 31, 2007.[2)3)] The purchase price, following purchase price adjustments due to changes in working capital, amounted to GBP 36.4 million or approx. € 52.2 million.

In the fiscal year from April 1, 2006 to March 31, 2007, the last full fiscal year before the takeover through STADA, the Forum Bioscience Group achieved, primarily in the United Kingdom, with adjusted annual sales of approx. GBP 55.6 million or approx. € 82.0 million (approx. 3% decrease as compared to fiscal year April 1, 2005 to March 31, 2006) and an operating profit of approx. GBP 4.3 million or approx. € 6.3 million (approx. 41% increase as compared to the previous fiscal year), net profit of approx. GBP 3.0 million or approx. € 4.5 million (approx. 48% increase as compared to the previous fiscal year). The re-statements carried out in connection with sales related to an adjustment of an income stream of commercial sales on a commission basis which was not prolonged after the acquisition. In the course of fiscal year 2007, the Forum group contributed € 36.8 million to Group sales since consolidation as of October 1, 2007 ("Development of Segments – Regional Development – United Kingdom").

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

1) As of March 1, 2008.
2) See the company's ad hoc releases of August 31, 2007 and September 21, 2007.
3) The sellers were the Japanese company Ajinomoto Co. Inc. and the co-founder Peter Duckworth.

The Britannia division, which, with adjusted sales of approx. € 29.0 million in the last full fiscal year before the takeover, is the smaller one of the two divisions (share of adjusted Forum Bioscience group sales in the last full fiscal year before the takeover approx. 35%) but generates all of the group's profits, is focused on the sale of – partially licensed – branded products with off-patent active pharmaceutical ingredients in market niches of the British pharmaceutical market; by far the biggest product is APO-go® (active pharmaceutical ingredient apomorphine, for the treatment of Parkinson's disease) with sales in the last full fiscal year before the takeover of approx. GBP 14.3 million or approx. € 21.1 million. The Britannia business model thus fits in well with the existing STADA sales concept in the United Kingdom and has already been quickly integrated into the local STADA sales structures.

The Forum Products division which was also acquired, with adjusted sales of approx. € 53.0 million in the last full fiscal year before the takeover (share of adjusted Forum Bioscience group sales in the last full fiscal year before the takeover approx. 65%) is trading with active pharmaceutical and supplementary ingredients among other things, mainly in the area of veterinary medicine. When share of group overheads are taken into account, this division's operating profit was slightly negative before the takeover through STADA. Since the Forum Products division is not part of STADA's core business and as a result also continues to act separately since the acquisition, the Group continues to examine possible strategic options, thus in particular also a sale of this division.

With € 3.3 million, the costs of separating the two divisions and integrating Britannia were slightly below expectations and were, as planned, booked as a one-time special effect in the fourth quarter of 2007 (see "Earnings Situation and Development of Segments – Regional Development – United Kingdom").

With the acquisition of Britannia the sales structures of the Group in the United Kingdom are further strengthened through products which fit in well with the existing STADA business there and thus prepared for what appears to be a clearly more intensive local competitive situation (see "Development of Segments – Regional Development – United Kingdom").

Disposals in Serbia and Italy

After the completion of the administrative integration of the Hemofarm Group achieved in the first quarter of 2007, STADA decided in the scope of a structural analysis of the Serbian Hemofarm subgroup's operating units to place a stronger focus on the core business. Still in the reporting year 2007, this resulted in various disposals in Serbia.

Thus, the Serbian subsidiary Hemofarm sold its subsidiary Multivita d.o.o., Vrsac, Serbia, which is active in the area of nutritional supplements, for a price of approx. € 6.1 million and with a book profit in the amount of approx. € 2.4 million before taxes or approx. € 2.2 million after taxes. Up to the deconsolidation from the Group as of May 31, 2007, Multivita still contributed approx. € 2.0 million to STADA's Group sales.

In addition, Hemofarm sold its subsidiary, Symbiofarm d.o.o., Belgrade, Serbia, which is active in the area of herbicide, in the third quarter of 2007 for a price of approx. € 4.2 million and with a book profit of approx. € 2.4 million before taxes or approx. € 2.1 million after taxes. Up to the deconsolidation from the Group as of September 30, 2007, Symbiofarm still contributed approx. € 2.3 million to Group sales.

In addition, as per the contract from December 28, 2007, the Serbian Hemofarm sold the subsidiary Hemomont d.o.o., Podgorica, Montenegro, as per March 30, 2008; this sale will only have an effect in the first quarter of 2008.

In addition, on December 21, 2007, the Italian subsidiary Crinos sold the two branded products Megestil® and Cordiax® with a book profit of approx. € 1.1 million before or approx. € 0.7 million after taxes. Up to the deconsolidation from the Group as of December 21, 2007, these two products still contributed approx. € 1.1 million to Group sales.

Employees

The Group's operative alignment is in principle based on the organization of a complex network of internal and external resources, particularly in sales and marketing, product development as well as procurement and production. Against this backdrop, STADA's employees, with their specific expertise and high commitment, contribute significantly to the Group's longstanding success story since they are responsible for managing these complex business processes. In view of this, STADA relies on a long-term personnel policy including a modern personnel management, through which optimum use can be made of the employees' experience, competence and commitment. In addition, these motivating work conditions should also be attractive for potential employees in order to secure this important success factor for the future.

Decentralized personnel management

In this context, STADA's personnel management is deliberately organized in a largely decentralized way, allowing the Group to better satisfy the employees' various needs at the different locations. This is especially the case of the international subsidiaries which, by taking into account the company guidelines, can operate to a large extent independently in many areas in personnel policy, such as remuneration policy, recruitment or qualification measures. However, in this context the Group's strategic guidelines, in particular also the compliance regulations, are to be observed unconditionally.

Background information regarding the personnel policy of the Group companies that are located in Bad Vilbel is included in the STADA Group's annual personnel and social report, which is also published annualy on the company website at www.stada.de.[1)]

1) The STADA Group's annual personnel and social report is only published in German.

Personnel structure according to functional areas and national markets

Average number of employees in 2007

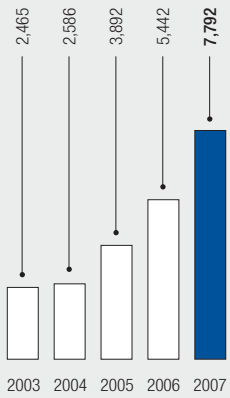
	Sales/ Marketing	Production/ Procurement	Product Development	Administration	2007 Total	Previous year Total
Belgium	97	5	9	14	125	104
Bosnia-Herzegovina	165	107	-	62	334	130
China	88	3	2	18	111	112
Denmark	2	9	-	7	18	17
Germany	569[1)]	239	136	240	1,184[1)]	1,104
Finland	6	-	-	3	9	9
France	56	7	13	14	90	86
UK	24	10	8	17	59	21
Ireland	28	213	7	13	261	254
Italy	103	7	5	17	132	130
Kazakhstan	2	-	-	4	6	5
Lithuania	8	-	-	6	14	17
Macedonia	16	-	-	-	16	9
Montenegro	26	101	-	28	155	63
The Netherlands	29	110	8	17	164	154
Austria	29	-	-	4	33	30
The Philippines	120	1	4	30	155	142
Portugal	33	-	5	8	46	38
Romania	39	-	-	1	40	17
Russia	561	926	77	251	1,815	1,399
Serbia	311	1,534	91	473	2,409	1,079
Spain	182	-	7	14	203	205
Thailand	23	-	-	5	28	29
Czech Republic	36	-	-	3	39	33
Ukraine	11	-	-	9	20	15
Vietnam	13	165	15	18	211	160
Rest of world	110	-	-	5	115	80
Total Group	**2,687**	**3,437**	**387**	**1,281**	**7,792**	**5,442**

1) The restructuring of the German generics sales (see "Segment Development – Regional Development – Germany") was completed in the current first quarter 2008. As of March 1, 2008 the number of employees in Sales/Marketing in Germany went down to 427.

In Germany, which continues to be STADA's largest national market, STADA had an average of 1,184 employees in fiscal year 2007 (previous year: 1,104). In Bad Vilbel, the Group's headquarters, 1,050 employees worked on average (previous year: 989).

Outside of Germany, an average of 6,608 (previous year: 4,338) employees worked for STADA.

STADA's employees development on an annual average



Development of the number of employees

In fiscal year 2007, the number of employees active in the STADA Group further grew.

On an annual average, the number increased from 5,442 employees in 2006 to 7,792 employees in 2007.

In this increase of average numbers the acquisition of the Hemofarm Group in 2006, in particular, was clearly noticeable as the previous year figure had included the approx. 3,338 Hemofarm employees taken over only on a pro-rata basis since the initial consolidation as of August 1, 2006. The disclosures for Bosnia-Herzegovina, Macedonia, Montenegro, Russia and Serbia are particularly concerned with this effect.

For the same reason, the employees of the Russian MAKIZ group (approx. 605 employees) and of the British Forum Bioscience group (approx. 121 employees) taken over in the scope of the acquisitions of the reporting year 2007 (see "Business and General Conditions – Acquisitions and Disposals") only contributed little to aforementioned increase since the respective initial consolidation dates[1)] are clearly in the second half of 2007. The elimination of over 200 jobs in the German generics sales (see "Development of Segments – Regional Development – Germany") was also still hardly noticeable in the average figures reported for the overall year 2007 since this measure was largely completed as recently as in the first quarter of 2008.

Significant effects of the reporting year 2007 on the number of employees can be seen better through a balance sheet date related consideration as of December 31. Here, the STADA Group's number of employees grew, from 7,533 employees as of December 31, 2006, by 12% to 8,425 as of December 31, 2007. By deducting the acquisition effects of the reporting year 2007, the number of employees grew by 2% when comparing the reporting dates as of December 31.

1) MAKIZ group: September 1, 2007, Forum Bioscience: October 1, 2007.

STADA Share

STADA share codes	
Identification number:	ISIN: DE0007251803, WKN: 725180
Ticker symbol:	Reuters: STAGn.DE, Bloomberg: SAZ:GR

Mixed performance of STADA share in the course of 2007

Having temporarily reached new record highs, the global stock markets have, since summer 2007, been influenced by a property and financial crisis and showed a mixed to negative tendency. The German benchmark index DAX[1] achieved a plus of 22% on the last trading day of 2007 as compared to the last trading day of 2006, the MDAX[2], of which the STADA share is part, achieved a plus of 5% (respectively XETRA®[3] closing prices).

Against this backdrop the STADA share showed a mixed performance in the year 2007. While the share price reached several times a new all-time high in the first half, the price trend in the second half was declining. On December 28, 2007, the last trading day, the STADA share closed with € 42.05 and thus 3% below the price of the last trading day in the previous year of € 43.45. Here, it must be taken into consideration that the prices of pharmaceutical shares recorded a weak development overall in 2007; one of the leading indices for this market segment, the Bloomberg Europe Pharmaceutical Index[4] recorded, for example, a price loss totaling 12% in 2007.

By including the fact that the number of shares had risen as of the balance sheet date by 1%, STADA's market capitalization was € 2.469 billion[5] as of December 31, 2007 (December 31, 2006: € 2.531 billion). Pursuant to the Deutsche Börse AG's index system, which only considers free float, STADA, in terms of market capitalization, occupied position 11 in the MDAX. In the previous year, STADA occupied position 14.

Slight increase in share capital

As of December 31, 2007, subscribed share capital of the STADA Arzneimittel AG consisted of 58,721,100 restricted[6] registered common shares with voting rights, each with an arithmetical share in share capital of € 2.60 (December 31, 2006: 58,256,400 registered common shares). Under the company's articles of incorporation[6], STADA's registered common shares can only be transferred in the share register with the consent of the company and, pursuant to the statutes, grant one vote each in the Shareholders' Meeting. Shareholders are exclusively persons who are listed in the share register as such, and only such persons are entitled to participate in the company's Annual Shareholders' Meeting and to exercise their voting rights. No shareholder and no shareholder group shall have any special rights. Until December 31, 2007, the number of shares increased by 464,700 shares to 58,721,100 shares and share capital by approx. 0.8% to € 152,674,860. This increase was based entirely on the exercise of 23,235 options from STADA warrants 2000/2015[7]. Thus, as of December 31, 2007, 183,456 warrants 2000/2015 for the subscription of 3,669,120 STADA registered common shares were still outstanding.[8]

1) DAX® is the blue-chip index of the German Securities Exchange, consisting of the 30 largest companies by market capitalization and order book volume.
2) MDAX® is the German Stock Exchange Index for midcap companies, consisting of the 50 next-largest companies by market capitalization and order book volume below the DAX®.
3) XETRA®: is the electronic trading system of Deutsche Börse AG.
4) The Bloomberg Europe Pharmaceutical Index is a market capitalization-weighted index of all companies involved in the pharmaceutical sector of the Bloomberg Europe 500 Index and it also comprises the STADA share.
5) In comparison, in US$ the market capitalization grew by 9% in the same period.
6) The articles of incorporation may be changed through a resolution of the Annual Shareholders' Meeting. The change takes effect with the entry in the commercial register. The Annual Shareholders' Meeting decides on changes of the articles of incorporation with the simple majority of votes cast or of the capital stock present. Excepted from this are changes of the articles of incorporation for which a larger capital majority is prescribed by law.
7) The legally binding option terms and conditions are published on the company website under www.stada.de and www.stada.com.
8) In the first quarter of the current fiscal year 2008, another 24 warrants were exercised by March 1, 2008. The number of shares has thereby risen by 480 to 58,721,580 and share capital has increased by € 1,248 to € 152,676,108. Thus, as of March 1, 2008, 183,432 warrants 2000/2015 for the subscription of 3,668,640 STADA common shares are still outstanding.

Equity structure of STADA Arzneimittel AG	Dec. 31, 2007	Dec. 31, 2006
Number of restricted registered common shares	58,721,100	58,256,400
Number of warrants 2000/2015[1]	183,456	206,691
Number of potential shares from warrants 2000/2015[1]	3,669,120	4,133,820

Further increased trading volume

The average trading volume of the STADA share at the XETRA® trading and the Frankfurt Stock Exchange totaled € 26.9 million per day in 2007. This means a clear increase in the respective average daily transaction volume of € 18.7 million as compared to 2006.

STADA key share data	2007	Previous year
Number of shares (year-end)	58,721,100	58,256,400
Number of own shares (year-end)	114,351	117,346
Resulting number of voting shares (year-end)	58,606,749	58,139,054
Average number of shares (without own shares)	58,315,643	53,983,327
Year-end closing price (XETRA®) in €	42.05	43.45
High (XETRA® closing price) in €	51.13	43.45
Low (XETRA® closing price) in €	37.07	27.80
Market capitalization (XETRA®) in € million (year-end)	2,469.2	2,531.2
Basic earnings per share in €[2]	1.80	1.70
Diluted earnings per share in €[3]	1.74	1.62
Dividend per share in €	0.71[4]	0.62

Renewed resolution on authorization for the purchase and sale of new shares

Due to the resolution adopted at the Annual Shareholders' Meeting on June 14, 2006, the company, based on § 71 (1) 8 of the German Stock Corporation Act (AktG), was authorized to buy own shares of up to 10% of the share capital existing at the time the resolution was adopted. The Annual Shareholders' Meeting decided on June 20, 2007, to replace this authorization by a new resolution, valid for 18 months, i.e. until December 20, 2008. Details concerning this matter are published on the company's website at www.stada.de and www.stada.com.

In the reporting year, STADA did not purchase any of its own shares and sold 2,995 of its own shares at an average price of € 42.00. As of December 31, 2007, 114,351 of its own shares were thereby held by STADA, compared to 117,346 shares which the company had held as of December 31, 2006.

1) The legally binding option terms and conditions are published on the company website under www.stada.de and www.stada.com.
2) In accordance with IAS 33.10.
3) In accordance with IAS 33.31.
4) Proposed.

Continuing broadly based shareholder structure

As of the balance sheet date on December 31, 2007, a total of approx. 34,000 shareholders held interests in the share capital of STADA Arzneimittel AG. Based on results of regularly carried out analyses of STADA's shareholder structure, STADA assumes that approx. 64% of STADA's shares are held by institutional investors and that approx. 14% of STADA's capital is held by pharmacists and doctors.

At the beginning of 2007, STADA did not have any announcement on exceeding one of the reporting thresholds in accordance with § 26 section 1 WpHG. In the course of the year, STADA received, partly repeatedly, announcements on exceeding or falling below the 3% threshold of shareholdings from the following investors[1]:

- from Deutsche Bank AG for its subsidiary DWS Investment GmbH, Frankfurt am Main, Germany
- from UBS AG, Zurich, Switzerland
- from Fidelity International Limited, Hamilton, Bermuda

In addition, Morgan Stanley, The Corporation Trust Company, Wilmington, USA, announced in the second quarter of 2007, for its subsidiary, Morgan Stanley & Co. International Plc, London, United Kingdom, that the 5% reporting threshold had been exceeded in terms of shareholdings; later, an announcement on falling below the 5% reporting threshold was made. Accordingly, Morgan Stanley & Co. International Plc, London, United Kingdom, as of December 31, 2007 held more than 3% but less than 5% of shares in the company.

At the end of 2007, STADA did not have any further information on individual investors exceeding legal reporting thresholds. Thus, according to Deutsche Börse AG regulations, the STADA Arzneimittel AG's free float remains 100%.

In the first quarter of 2008, STADA has so far received announcements from UBS AG, Zurich, and from Fidelity International Limited, Hamilton, Bermuda, on exceeding the reporting threshold of a total of 3% in accordance with § 26 section 1 WpHG.

Communication with capital market participants

By means of a comprehensive internet presence STADA informs all capital market participants at the same time and in the same way about the most important occurrences in the company. At STADA's website, every interested individual can find both all compulsory information such as ad hoc releases and annual or interim reports and comprehensive company and share information such as company profile, company presentations and current and comparative share price information on STADA.

Beside the press conferences and analysts' conferences to introduce annual and half-year results, STADA, in 2007, again also participated in numerous external corporate presentations and investor conferences to present itself to institutional investors in the relevant European and US capital market centers. Information about the completed dates is regularly published by the company on its website.

1) For a detailed presentation of these announcements also see Appendix (Notes IFRS – 6.3).

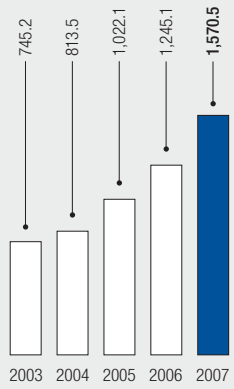
EARNINGS SITUATION

Development of sales

Strong growth in sales

In fiscal year 2007, STADA recorded an increase in **sales** of 26% to € 1,570.5 million (previous year: € 1,245.1 million). Thus, the average growth rate of Group sales for the last five years is 21%.

Group sales in € million



By respectively adjusting, on an accrual basis, Group sales for all non-congruent sales contributions due to acquisitions and disposals in a monthly comparison to the previous year (see table "Scheme for calculating of the Group's organic sales growth" as well as "Business and General Conditions – Acquisitions and Disposals") **organic sales growth** of 14% results.

Scheme for calculating of the Group's organic sales growth

Previous year 2006		Reporting year 2007
STADA Group sales € 1,245.1 million	— + 26% →	STADA Group sales € 1,570.5 million
⁄. Sales STADA Inc. Jan. 1 - August 21, 2006		⁄. Sales Hemofarm Group Jan. 1 - July 31, 2007
⁄. Sales Helvepharm AG Jan. 1 - June 30, 2006		⁄. Sales MAKIZ group Sept. 1 - Dec. 31, 2007
⁄. Sales Hemovet d.o.o. Aug. 1 - Oct. 27, 2006		⁄. Sales Forum Bioscience group Oct. 1 - Dec. 31, 2007
⁄. Sales Defibrotide products 2006		⁄. remaining sales Defibrotide products 2007
⁄. Sales spanish branded products 2006		
⁄. Sales Multivita d.o.o. Aug. 1 - Dec. 31, 2006		
⁄. Sales Symbiofarm d.o.o. Aug. 1 - Dec. 31, 2006		
⁄. Sales Megestil® and Cordiax® Dec. 21 - Dec. 31, 2006		
Base value for organic sales growth € 1,217.2 million	— + 14% →	Organic STADA Group sales € 1,385.6 million

In 2007, the two **core segments**, Generics and Branded Products, achieved sales growth of 25% to € 1,458.4 million (previous year: € 1,170.3 million). Thus, in the reporting year, these two segments taken together had a largely stable share of 92.9% (previous year: 94.0%) in Group sales.

For 2008, once again, sales growth of the Group is expected.

Stronger increase in international sales as compared to overall sales

In 2007, sales STADA generated outside of Germany in the scope of **international business activities** rose, at 30%, again at a stronger rate as compared to overall sales and had a share of 63.1% in Group sales in the reporting year (previous year: 61.3%). Thus, STADA successfully continued its strategic course of increasing internationalization in 2007.

Looking at the Group's sales by region, the following picture results for the reporting year 2007:

- Sales in **Europe** grew by 28% to € 1,513.1 million (previous year: € 1,180.6 million) and thus had a share in Group sales of 96% (previous year: 95%).
- Sales in **Asia** went up by 4% to € 44.7 million (previous year: € 42.9 million) and thus had a share in Group sales of 2.8% (previous year: 3.4%).

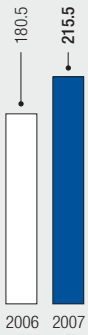
  Here it must be considered that in Asia STADA had an unusually high sales basis in fiscal year 2006 due to a one-time tender business in Vietnam. Without this tender business, sales in Asia in fiscal year 2007 rose by 40% as compared to the previous year..
- Sales in **America** decreased by 57% to € 8.1 million (previous year: € 19.0 million) and still reached a share in Group sales of 0.5% (previous year: 1.5%).

  The strong decrease in Group business in America in the reporting year was expected and was caused by the closing of sales activities in the USA in the course of the sale of the STADA sales company there in the third quarter of 2006.
- Sales in **Africa** rose by 57% to € 4.1 million (previous year: € 2.6 million) and thus had a share of Group sales of 0.3% (previous year: 0.2%).
- Sales in the **rest of the world** increased to € 0.5 million (previous year: € 0.002 million); their share in Group sales was 0.03% (previous year: 0.0002%).

Thus, in 2007, STADA once again strengthened its focus on Europe.

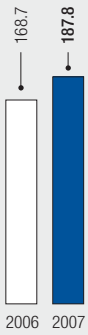
Development of earnings

Operating profit
in € million



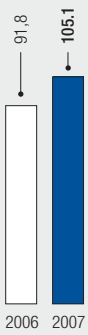
EBITDA
in € million

EBIT
in € million



EBT
in € million

Net income
in € million



Pleasing development of earnings despite high one-time special effects

Overall, the earnings situation developed once again positively in fiscal year 2007.

Net income rose clearly by 14% to € 105.1 million in 2007 (previous year: € 91.8 million).

Earnings per share[1] thus amounted to € 1.80 in fiscal year 2007 (previous year: € 1.70). Here, it must be taken into consideration that the average number of STADA shares increased by approx. 8% in the reporting year as compared to the previous year due to the exercise of options since that time. **Diluted earnings per share**[2], which are also influenced by the share price, among other factors, amounted to € 1.74 in 2007 (previous year: € 1.62).

The other key earnings figures also partially showed a very clear plus in fiscal year 2007. In detail the following items grew in the reporting year as compared to the previous year: **operating profit** by 19% to € 215.5 million (previous year: € 180.5 million), **earnings before taxes** (EBT) by 4% to € 150.7 million (previous year: € 145.2 million), **earnings before interest and taxes** (EBIT) by 11% to € 187.8 million (previous year: € 168.7 million), **earnings before interest, taxes, depreciation and amortization** (EBITDA) by 24% to € 289.5 million (previous year: € 232.6 million).

The respective sales-related profit margins thus were as follows: **operating profit margin** 13.7% (previous year: 14.5%), **EBITDA margin** 18.4% (previous year: 18.7%), **EBIT margin** 12.0% (previous year: 13.5%), **EBT margin** 9.6% (previous year: 11.7%) and **net profit margin** 6.7% (previous year: 7.4%).

1) In accordance with IAS 33.10, treasury shares held are not considered in the earnings per share (EPS) calculation. Calculation of earnings per share is thereby based on an average of 58,315,643 outstanding shares in 2007 (corresponding number of outstanding shares for 2006: 53,983,327).

2) In accordance with IAS 33.31.

The decline of most sales-related profit margins is mainly based on a, in balance, clearly higher burden due to one-time special effects as compared with the previous year. This net burden amounted to a total of € 61.5 million before taxes or € 41.6 million after taxes in fiscal year 2007; the one-time special effects in fiscal year 2006 had resulted at the time in a net burden in the total amount of € 18.0 million before taxes or € 10.3 million after taxes.[1)]

One-time special effects significantly affecting earnings in fiscal year 2007 comprised in detail:

- Restructuring measures of the German generics sales:
  a burden in the total amount of € 28.1 million before taxes or approx. € 17.9 million after taxes resulted from the restructuring measures of the German STADA generics sales (see "Development of Segments – Regional Development – Germany"). The final burden was thereby slightly below expectations at the beginning of the restructuring measures (see the company's ad hoc release of September 28, 2007 and interim report for the first nine months of 2007). This one-time restructuring expense was, in accordance with IAS 19, classified as an expense in the scope of personnel measures and was presented in accordance with IAS 1 (framework) as a separate line below operating profit. Thus, operating profit was not affected by this.

- Unscheduled depreciation on intangible assets and financial assets:
  a burden in the amount of approx. € 35.3 million before taxes or approx. € 26.1 million after taxes resulted from unscheduled depreciation on intangible assets and financial assets. Thereof € 10.7 million before and € 6.4 million after taxes are associated with earlier so-called "early entry" launches[2)]. In the past, STADA made significant payments to initial suppliers to acquire the approvals for such "early entry" launches each time, thus respectively creating intangible assets. Since, under the changed German market conditions (see "Development of Segments – Regional Development – Germany"), the originally expected market success, which was also the basis for the amount paid to the initial supplier at the time, will no longer, with reasonable assurance, be sustainable in the future, the associated intangible assets had to be adapted in the scope of impairment tests.

- One-time costs of acquisitions planned or made:
  in fiscal year 2007 a burden in the amount of € 6.2 million before taxes or € 3.9 million after taxes was based on one-time costs of acquisitions planned or made. Thereof, € 3.3 million before taxes or € 2.2 million after taxes incurred in the context of the acquisition of the Forum Bioscience group, from the separation of the two divisions Britannia and Forum Products as well as the subsequent integration of Britannia into the STADA Group (see "Business and General Conditions – Acquisitions and Disposals" and "Development of Segments – Regional Development – United Kingdom"); a burden in the amount of € 2.9 million before taxes or € 1.7 million after taxes resulted from costs in connection with planned, but not realized acquisition projects.

1) One-time special effects in the year 2006 were: a) burdens in the amount of € 12.0 million before taxes or € 6.3 million after taxes for the closing of US activities, reported below operating profit as a separate line in the income statement, b) unscheduled depreciation in the amount of € 13.8 million before taxes or € 9.9 million after taxes, c) compensation payments to an initial supplier in the amount of € 1.9 million before taxes or € 1.1 million after taxes, d) book profit from disposals in the amount of € 9.7 million before taxes or € 7.1 million after taxes.

2) Early entry: early product launch of a first generic with approval of the initial supplier before expiration of the relevant commercial property right.

- Book profits from disposals:
  a relief in the total amount of approx. € 5.8 million before taxes or approx. € 5.0 million after taxes resulted from book profits from disposals at the Serbian subsidiary Hemofarm, from the sale of the companies Multivita d.o.o. and Symbiofarm d.o.o. as well as at the Italian subsidiary Crinos, from the sale of the two branded products Megestil® und Cordiax® (see "Business and General Conditions – Acquisitions and Disposals").

- Additional earnings and costs with one-time character or related to other accounting periods:
  a relief in the net amount of € 2.3 million before taxes or approx. € 1.3 million after taxes resulted from additional earnings and costs with one-time character or related to other accounting periods. Due to a compensation payment for violating a patent for a specific dosage form held by STADA one-time earnings in the amount of € 9.0 million before taxes or € 5.4 million after taxes were incurred in fiscal year 2007.[1] In addition, a relief outside of the accounting period in the amount of € 0.2 million before or € 0.1 million after taxes resulted from a change relating to the fiscal years 2005 and 2006, in the value added tax treatment of discounts granted in favor of health insurance organizations in the scope of contractual agreements. This relief is offset by one-time costs in the amount of € 3.9 million before or approx. € 2.4 million after taxes due to a provision for a packaging error of a branded product caused by a pre-supplier. The costs that have been incurred so far due to this and are still expected for the future probably cannot be paid by the pre-supplier in the amount of the current provision. In addition, one-time costs in the amount of € 3.0 million before taxes or € 1.8 million after taxes were incurred in fiscal year 2007 for projects for the optimization of Group logistics, particularly also in connection with the introduction of SAP software for central Group structures, which was introduced on July 1, 2007.

In the table "Development of the STADA Group's key earnings figures", the key earnings figures and margins of fiscal year 2007 as well as those of the previous year are presented both unadjusted and adjusted for one-time special effects. Also in the adjusted form, all key earnings figures and margins clearly show a positive trend.

Development of the STADA Group's key earnings figures

				Adjusted for one-time special effects				
in € million	2007	2006	± %	*2007*	*2006*	*± %*	*Margin[2] 2007*	*Margin[2] 2006*
Operating profit	215.5	180.5	+19%	*248.8*	*186.4*	*+33%*	*15.8%*	*15.0%*
EBITDA	289.5	232.6	+24%	*315.7*	*233.0*	*+35%*	*20.1%*	*18.7%*
EBIT	187.8	168.7	+11%	*249.2*	*186.7*	*+34%*	*15.9%*	*15.0%*
EBT	150.7	145.2	+4%	*212.1*	*163.2*	*+30%*	*13.5%*	*13.1%*
Net income	105.1	91.8	+14%	*146.8*	*102.1*	*+44%*	*9.3%*	*8.2%*
Earnings per share in €[3]	1.80	1.70	+6%	*2.52*	*1.89*	*+33%*		
Diluted earnings per share in €[4]	1.74	1.62	+7%	*2.42*	*1.81*	*+34%*		

From today's perspective, STADA's Executive Board expects further growth in earnings also for 2008.

1) In addition, sales-related royalty payments were agreed upon until patent expiration.
2) Related to Group sales.
3) In accordance with IAS 33.10, treasury shares held are not considered in the earnings per share (EPS) calculation. Calculation of earnings per share is thereby based on an average of 58,315,643 outstanding shares as of December 31, 2007 (corresponding number of outstanding shares as of December 31, 2006: 53,983,327).
4) In accordance with IAS 33.31.

Development of costs

Positive cost development in the STADA Group

The sum of all operative costs in the STADA Group without depreciation or amortization increased, with 24%, at a lower rate than sales in 2007. Thus, from the Executive Board's perspective, 2007 can be seen as a year of overall positive cost development.

Cost of sales amounted to € 815.2 million in fiscal year 2007 (previous year: € 618.8 million).

Cost of sales is by far the largest cost item within the STADA Group's income statement. This item will therefore also remain in the Group's focus of continuous cost optimization. One priority in this context is cost optimization for the procurement as well as pharmaceutical production. Because cost of sales in the STADA Group continues to be significantly influenced by:

- the procurement costs of the active pharmaceutical ingredients and auxiliary materials or, in case of entirely or partly externally produced products, the procurement costs of bulk or finished goods as well as
- the costs which can be allocated to pharmaceutical production, particularly also associated labor costs.

Cyclical costs, such as energy costs, for example, continue to play a much smaller role in the scope of cost of sales in the STADA Group.

Gross profit (sales after deducting cost of sales) rose to € 755.3 million in fiscal year 2007 (previous year: € 626.2 million).

The cost of sales ratio, i.e. the share of cost of sales in relation to sales, was 51.9% in 2007 (previous year: 49.7%); thus the sales-related gross margin, which is reciprocal to the cost of sales ratio, was 48.1% in the reporting year (previous year: 50.3%).

On the one hand, cost of sales ratio and sales-related gross margin depend on the absolute amount of cost of sales, but on the other hand, at STADA, they are also significantly dependent on the sales mix by regions and segments and on the prices that can be achieved in the individual markets. Against this backdrop, the Group's continuous cost optimization aims at compensating the constant margin pressures which STADA faces due to the business model it pursues (see "Business and General Conditions – Business Model, Core Segments and Structural Environment"). STADA achieved this goal largely in 2007 although STADA estimates total sales lost across the Group due to price reductions at approx. 4% of Group sales in 2007.

In addition, cost of sales included write-downs on inventories of € 41.7 million in fiscal year 2007 (previous year: € 10.1 million); in this context reductions of procurement prices achieved in the scope of continuous cost optimization were, among other things, also significantly noticeable, influencing cost of sales positively in principle, but initially leading to a write-down on existing inventories and thus to a one-time burden to cost of sales.

Despite the proceeding of continuous cost optimization, the Executive Board expects that the cost of sales ratio and sales-related gross margin in the Group will also be lastingly under pressure due to an overall further declining price development. Moreover, an increase of so-called volumes businesses that can be observed in STADA's markets will additionally have a curbing effect on cost of sales ratio and sales-related gross margin. In such volumes businesses, a significant increase in units sold is expected in return to clear markdowns so that acceptable absolute profit contributions can be incurred in this, even if these businesses are associated with a clearly higher cost of sales ratio and reduced sales-related gross margin. A typical example of volumes businesses are the discount contracts in the German generics market that were deliberately increased by STADA in 2007 (see "Business and General Conditions – Regional Development – Germany").

Selling expenses, which are essentially composed of costs for sales representatives and sales departments as well as product-related marketing expenditures, rose, as expected, at a rate lower than the rate of growth in sales in the Group and amounted to € 358.2 million in 2007 (previous year: € 323.2 million). Thus, selling expenses as a percentage of sales improved to 22.8% in 2007 (previous year: 26.0%).

For 2008, the Executive Board expects continuing low selling expenses as a percentage of sales since an accelerated portfolio expansion should, in many countries, be associated with only an expansion at a lower rate of sales activities and particularly sales force sizes. In addition, the previously mentioned volumes businesses will probably require less sales support due to the markdowns as well associated alternative demand mechanisms (such as contractual framework agreements promoting sales).

General and administrative expenses recorded an increase to € 115.4 million in fiscal year 2007 (previous year: € 91.0 million) and thus had a share in Group sales of 7.3% (previous year: 7.3%). The acquisition-related increase of general and administrative expenses in 2006 was successfully counteracted in 2007; for 2008, a further stability of the sales-related general and administrative expenses ratio is expected.

Personnel expenses rose to € 272.4 million in the reporting year (previous year: € 187.7 million). This includes expenses for restructuring measures of the German generics sales in the amount of € 28.1 million before taxes (see "Business and General Conditions – Regional Development – Germany"). The ratio of personnel expenses to sales thus amounted to 17.3% or 15.6% adjusted for these restructuring measures (previous year: 15.1%).

Research and development costs increased to € 39.0 million in 2007 (previous year: € 32.2 million). The sales-related ratio of research and development costs amounted to 2.5% in fiscal year 2007 (previous year: 2.6%).

It should still be considered here that STADA only has development costs because the Group, due to its strategic alignment, does not carry out any research into new active pharmaceutical ingredients. These development costs reported in the income statement are non-capitalizable development costs which accrue primarily in connection with regulatory requirements as well as optimizations for existing products. Development costs for new products are, in contrast, generally capitalized by STADA (see Appendix [Notes IFRS] – 3.1.) and are not included in the previously mentioned cost item.

Other operating expenses grew to € 83.5 million in the reporting year (previous year: € 53.0 million).

In this context, amortization on intangible assets and financial assets reported after impairment tests amounted to € 35.3 million in fiscal year 2007 (previous year: € 13.8 million) (see "Earnings Situation – Development of Earnings").

Other operating expenses also included burdens from currency effects which amounted to a total of € 10.2 million in the reporting year (previous year: € 16.1 million); here, it must be taken into account that positive currency effects – reported under other operating income – in the amount of € 4.8 million (previous year: € 16.7 million) were also incurred in the Group, resulting in a net currency burden of only € 5.4 million (previous year: € 0.6 million relief) for the Group.

Other operating income recorded growth to € 56.3 million in 2007 (previous year: € 53.6 million).

Here, the biggest individual item are one-time earnings in the amount of € 9.0 million from patent litigation that was won (see "Earnings Situation – Development of Earnings").

In addition, book profit from disposals in the amount of € 5.8 million contributed to other operating income in 2007 (previous year: € 9.7 million) (see "Business and General Conditions – Acquisitions and Disposals").

In accordance with IFRS 19 and in conformity with IAS 1 (framework), the one-time expense in the amount of € 28.1 million which, in 2007, was incurred for **restructuring measures of the German STADA generics sales** in connection with personnel measures was presented as a separate line below operating profit (see "Development of Segments – Regional Development – Germany"). Thus, operating profit was not affected by this item.

Financial Result

The **financial result**, which in 2007 was primarily characterized by interest expenses for the borrowed funds which were used particularly for the financing of acquisitions, amounted to € -36.7 million (previous year: € -23.3 million).

In the reporting year, **interest expenses** rose – essentially due to the credit-financed takeovers of the Hemofarm Group in the third quarter of 2006 as well as of the MAKIZ group and the Forum Bioscience group respectively in the third quarter of 2007 – to € 51.8 million (previous year: € 29.1 million). On the balance sheet date, the weighted average interest rate for all of the STADA Group's financial liabilities thereby amounted to approx. 4.8% p.a. whereby the greater share of the STADA Group's financial liabilities is financed on a longer term basis.

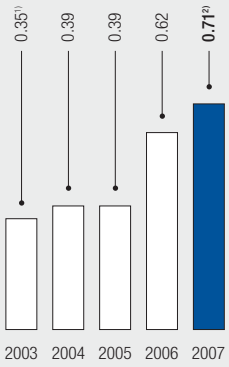
Tax rate

Taxes on income decreased to € 44.0 million in fiscal year 2007 (previous year: € 52.7 million). The **tax rate** thereby fell to 29.2% in the reporting year (previous year: 36.3%). Here, STADA increasingly benefits from the fact that the Group is generating earnings in countries with national tax rates that are significantly lower than the Group tax rate. In 2007, the tax effects in connection with the Serbian Hemofarm Group acquired in 2006 also contributed to this, in particular.

Dividend

STADA's Executive Board proposes to the Supervisory Board to recommend to the next Annual Shareholder's Meeting on June 10, 2008 a **dividend** for fiscal year 2007 in the amount of € 0.71 per common share. This represents a 15% dividend increase compared to the previous year dividend of € 0.62 per common share. With the proposed dividend the shareholders should benefit appropriately from the further increased net income in fiscal year 2007, too.

Dividend per common share in €



It should be considered here that, as compared to the end of the year 2006, the number of shares entitled to dividend at the end of the year 2007 increased by approx. 0.8% to 58,606,749 due to the conversion of STADA warrants 2000/2015 (see "Financial Position" as well as "Appendix [Notes IFRS] – 3.14."). The proposed total dividend payments[3], under consideration of this increased number of shares, thereby amounts to € 41.6 million (previous year: € 36.0 million) and thus account for a share of net income in the amount of approx. 40% (previous year: approx. 39%)[4]. Also in 2007, this proposal by the Executive Board thereby follows STADA's long-standing tradition of a dividend ratio in the amount of approx. 40% of net income.

1) Adjusted for the de facto 1:1 stock split on July 30, 2004.
2) Proposed.
3) Without taking into consideration possible own shares at the dividend date.
4) Proposed dividend ratio in terms of unappropriated retained earnings of STADA Arzneimittel AG approx. 90% (previous year: approx. 95%).

DEVELOPMENT OF SEGMENTS

Development of Core Segments

The STADA Group's primary segmentation is based on differentiation possibilities in terms of sales and is accordingly divided into the two core segments Generics and Branded Products as well as into the non-core activities Commercial Business and Group holdings/other (see "Business and General Conditions – Business Model, Core Segments and Structural Environment").

Development of sales in the core segments

Sales growth of the two core segments, Generics and Branded Products, was generally pleasing in fiscal year 2007.

STADA was able to increase sales in what is still by far the bigger of the two core segments, **Generics**, by 27% to € 1,154.4 million in the reporting year (previous year: € 911.2 million). Generics thus contributed 73.5% to Group sales in the reporting year (previous year: 73.2%).

Top 5 generic active pharmaceutical ingredients in products of the STADA Group in 2007

Active ingredient	Indication	Sales 2007 in € million	Change from previous year
Omeprazole	Stomach medicine	111.4	+42%
Simvastatin	Cholesterol inhibitor	45.1	+6%
Enalapril	ACE inhibitor	35.1	+62%
Diclofenac	Antirheumatic drug	26.0	+67%
Amoxicillin	Antibiotic	22.9	+28%
Total		**240.5**	

Measured by sales, the stomach medicine Omeprazole continued to be STADA's best-selling active pharmaceutical ingredient of the Group's products, both in the core segment Generics and in the Group as a whole.

Overall, in fiscal year 2007, STADA generated sales in the amount of € 240.5 million with products containing these five active pharmaceutical ingredients (previous year: € 176.3 million). This gives these products a share of Group sales of 15.3% in the reporting year (previous year: 14.2%).

In the **Branded Products** core segment, STADA increased sales by 17% to € 304.0 million in 2007 (previous year: € 259.1 million). Branded Products thus contributed 19.4% to Group sales in the reporting year (previous year: 20.8%).

Top 5 branded products in the Group in 2007

Branded Product	Indication	Sales 2007 in € million	Change from previous year
Grippostad®	Cold medicine	24.0	+23%
Mobilat®	Topical pain and trauma treatment	19.3	+37%
Hirudoid®	Venous therapeutic agent	14.0	+75%
Ladival®	Sun screen	13.4	-25%
Chondroxid®	For the treatment of degenerative joint diseases	10.7	-34%
Total		81.4	

The share in Group sales generated by STADA's five top-selling Branded Products amounted to 5.2% in the reporting year (previous year: 6.1%). Measured by sales, Grippostad®, with € 24.0 million (previous year: € 19.5 million), was thereby the strongest branded product in the Group in 2007.

Non-core activities as a support for core segments

In the area of non-core activities, **Commercial Business** recorded sales growth of 8% to € 69.0 million in 2007 (previous year: € 63.7 million).

In the non-core segment **Group holdings/other** sales grew in 2007 by 291% to € 43.1 million (previous year: € 11.0 million) – particularly due to the initial consolidation, since October 1, 2007, of sales from the Forum Products division (also veterinary business in particular) in the amount of € 28.4 million as part of the British pharmaceutical group Forum Bioscience which was acquired by STADA (see "Business and General Conditions – Acquisitions and Disposals").

Operating profit by segment

Operating profit in the Generics segment increased by 38% to € 206.2 million in fiscal year 2007 (previous year: € 149.7 million). **Operating profit in the Branded Products segment** increased in the reporting year by 2% to € 50.9 million (previous year: € 50.0 million).

The **operating profit margin of Generics** was thus 17.9% in 2007 (previous year: 16.4%). The **operating profit margin of Branded Products** was 16.7% in 2007 (previous year: 19.3%).

By taking into account the previously mentioned special effects (see "Earnings Situation – Development of Earnings") **adjusted operating profit in the Generics segment** amounted to € 212.2 million (previous year: € 151.1 million) and **adjusted operating profit in the Branded Products segment** was € 52.3 million (previous year: € 44.7 million).

For fiscal year 2007, this resulted in an **adjusted operating profit margin** in the amount of 18.4% for **Generics** (previous year: 16.6%) and in an **adjusted operating profit margin** in the amount of 17.2% for **Branded Products** (previous year: 17.3%).

Operating profit in the **Commercial Business segment** increased by 40% to € 8.9 million in fiscal year 2007 (previous year: € 6.4 million). **Commercial Business** thereby recorded an **operating profit margin** of 12.9% (previous year: 10.0%).

Operating profit in the **segment Group holdings/other** decreased by 97% to € -50.5 million (previous year: € -25.6 million), mainly due to unscheduled depreciation that was incurred in this segment.

Regional Development

The reporting according to secondary segments is based on the regional differentiation in national markets. In this context, in the individual national markets, all relevant net sales to third parties generated there by consolidated Group companies are reported.

Sales by segments and national markets in € million[1]

	Generics	Branded Products	Commercial business	Group holdings/ other	Total sales 2007	Total sales 2006	±% in Euro	±% in local currency[2]	Share of Group sales 2007
Belgium	97.3	4.4	-	0.1	101.8	109.6	-7%		6%
Bosnia-Herzegovina	9.7	0.9	6.8	2.5	19.9	9.3	+115%[7]		1%
Bulgaria	4.2	0.4	-	-	4.6	2.7	+73%		<1%
China	3.9	0.2	4.0	-	8.0	5.5	+45%	+59%	1%
Denmark	4.4	0.3	17.2	0.1	22.0	23.6	-7%	-7%	1%
Germany	483.8	92.9	0.2	2.9	579.8	481.9	+20%		37%
Finland	0.2	5.8	-	0.0	6.1	5.1	+19%		<1%
France	82.3	4.7	-	0.0	87.0	79.6	+9%		6%
UK[3]	31.7	21.8	-	22.1	75.7	40.1	+89%	+90%	5%
Ireland	11.6	5.9	1.4	4.6	23.5	16.9	+40%		1%
Italy	70.0	45.0	2.2	0.0	117.2	109.0	+8%		7%
Kazakhstan	1.8	3.6	-	0.0	5.4	4.5	+22%	+30%	<1%
Lithuania	0.3	0.8	-	-	1.1	0.9	+20%	+20%	<1%
Macedonia	2.5	-	-	0.4	2.9	1.6	+90%[7]		<1%
Montenegro	6.9	0.4	1.1	0.9	9.4	2.9	+226%[7]		1%
The Netherlands	25.1	12.8	2.7	0.0	40.7	38.9	+5%		3%
Austria	11.3	1.8	-	-	13.1	11.3	+16%		1%
The Philippines	0.6	-	9.1	-	9.8	7.4	+32%	+29%	1%
Poland	2.9	2.3	-	0.0	5.2	2.7	+88%		<1%
Portugal	10.1	2.2	-	-	12.3	10.3	+19%		1%
Romania	5.5	1.2	-	0.0	6.7	5.8	+15%[7]		<1%
Russia[4]	72.6	59.1	0.1	2.0	133.8	87.5	+53%	+57%	9%
Sweden	1.9	0.5	-	0.1	2.5	1.9	+32%	+32%	<1%
Serbia	108.6	10.7	23.1	2.6	145.1	46.1	+215%[7]		9%
Slovakia	2.1	1.7	-	-	3.8	2.5	+48%		<1%
Spain	55.9	6.7	-	0.1	62.7	61.1	+3%		4%
Thailand	1.9	0.4	0.9	-	3.1	2.0	+54%	+43%	<1%
Czech Republic	7.0	1.9	-	0.0	8.9	8.3	+7%	+5%	1%
Ukraine	4.1	8.9	-	-	13.0	9.4	+38%	+51%	1%
Vietnam	5.6	2.1	0.1	-	7.9	18.4	-57%	-52%	1%
Other countries	28.6	4.5	-	4.5	37.6	38.5	-2%		2%
• thereof Switzerland[5]	1.9	0.1	-	3.0	4.9	6.6	-25%	-21%	<1%
• thereof USA[6]	6.3	0.1	-	0.1	6.5	18.5	-65%	-62%	<1%

1) Sales below € 0.05 million were rounded to € 0.0 million.
2) In some cases, figures were converted into local currency since the invoicing company's reporting currency was Euros.
3) Including local sales from the Forum Bioscience acquisition consolidated since October 1, 2007.
4) Including local sales from the MAKIZ acquisition consolidated since September 1, 2007.
5) Local Swiss business consolidated until June 30, 2006.
6) Local US business consolidated until August 21, 2006.
7) Limited comparability due to initial consolidation of the Heomfarm Group in 2006.

Development of STADA's ten largest national markets

Due to the clear focus of Group activities on Europe, all of STADA's ten largest national markets are in Europe.

In **Germany**, which continues to be the largest national market for STADA, the Group achieved sales growth of 20% to € 579.8 million in fiscal year 2007 (previous year: € 481.9 million). In 2007, too, operating profitability was thereby again within the scope of Group average.

Overall, in 2007, the STADA Group achieved a market share in the total German pharmaceutical market of 2.6% (previous year: 2.5%) in terms of sales, corresponding to position 10 (previous year: position 10) and a market share of 6.4% (previous year: 5.4%) in terms of units sold, corresponding to position 3 (previous year: position 3).[1] STADA thus further improved its market position in the domestic market Germany in 2007.

Thereby, STADA, in 2007, operated with five different sales concepts, so-called labels in the German market: STADApharm GmbH, Bad Vilbel (including the sub-label STADA Medical GmbH, Bad Vilbel, which is focused on vaccines[2], among other things) and ALIUD PHARMA GmbH & Co. KG, Laichingen, are full-line generics suppliers; cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, is a specialist supplier with a mainly generic product portfolio for oncology and since the beginning of 2008 also for nephrology and diabetes; Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, mainly sells prescription-free generics and STADA GmbH, Bad Vilbel, is focused on the sale of the Group's Branded Products in the German market.

Also in 2007, the increase in the German **Generics business**, which, in the reporting year, rose to € 483.8 million (previous year: € 386.2 million) and thus by 25%, continued to be significantly responsible for growth in Germany – and this with a total decline of the German generics market of 3%.[3] According to this data, the STADA Group thus increased the overall market share in the German generics market to 10.9% in 2007 (previous year: 9.3%), thereby reaching a peak market share of 11.2% in the fourth quarter of 2007 (fourth quarter of 2006: 9.8%).[4]

1) Data from IMS Health based on sales from manufacturers to the distribution channels.
2) In 2007, products with the indication focus diabetes were marketed under the STADA Medical label.
3) Data from IMS Health based on sales from manufacturers to the distribution channels; however, based on sales from the distribution channels to patients, the German generics market, pursuant to data from IMS Health, grew by 1% in 2007. The difference is explained among other things by a reduction of inventories in the distribution channels after the adoption of a legal ban on the granting of discounts for prescription drugs from manufacturers in favor of the distribution channels in May 2006.
4) Data from IMS Health based on sales from manufacturers to the distribution channels.

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

STADA had initially responded by means of differentiated reactions from the Group's various German generics sales lines to the GKV-WSG and its effects, which were still unclear in the first months of 2007.

In particular STADA's generics sales label ALIUD PHARMA, which operates in the market without a sales force, based on mailing concepts and which thus, due to low-price cost structures, is able to pursue more price-aggressive sales strategies, concluded discount agreements early to great extent, thus having more than 85 discount agreements with a total of approx. 63 million publicly insured persons as of March 1, 2008.[2] Through this sales strategy, ALIUD PHARMA took very successfully advantage of the current market changes, achieving a strong sales increase of 69% to € 204.5 million in fiscal year 2007 (previous year: € 120.7 million).

The STADA Group's traditional generics sales label in Germany, STADApharm, had initially continued to place the sales focus on the established and until then successful service-oriented concept of support for doctors with a country-wide sales force. In the market, however, it became clear in the course of 2007 that prescribing doctors in the long term apparently only make little use of the possibility of ruling out the substitution despite relevant sales pitches, thus, in the clear majority of cases, giving away the decision on the final generics choice. As a result, STADApharm also accelerated the conclusion of such discount agreements and achieved the conclusion of 47 discount agreements with a total of approx. 39 million publicly insured persons as of March 1, 2008.[2] Against this backdrop, sales supported by STADApharm (including STADA Medical) recorded a total increase of 4% to € 255.1 million in the reporting year (previous year: € 245.5 million).

The STADA Group's two other sales labels active in the Generics segment achieved the following sales in 2007: cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH € 18.7 million (previous year: € 17.3 million, increase 8%) as well as Hemofarm € 1.4 million (previous year: € 2.2 million since consolidation into the Group as of August 1, 2006).

In the Executive Board's assessment, these differing results from the different generics sales labels confirm that the GKV-WSG has led to sustained structural changes for prescription products in the German generics market: for busi-

1) Act for strengthening competition in public health insurance.

2) Total of publicly insured persons in Germany: approx. 70 million.

ness success and in particular growth opportunities in this market, the form and the scope of the discounts granted to the individual health insurance organizations and the selection of the pharmacy among competing products with a discount agreement are now increasingly playing the central role in sales, while the importance of the doctor's prescription for the product selection and of the sales measures targeted toward this has strongly decreased. This assessment from the Executive Board is valid regardless of the legal difficulties in terms of the awarding of tenders which have arisen in individual tenders of discount agreements.[1)]

Against this backdrop, from the Executive Board's perspective, the operating structures of German generics sales had to be quickly, i.e. still in the course of 2007, adapted to these serious market changes that were becoming evident. On September 28, 2007 the Executive Board therefore initiated a comprehensive restructuring of parts of its German generics sales. Within the scope of this restructuring, over 200 jobs in doctors-related sales forces and related sales functions in STADA's two German sales companies, STADApharm and STADA Medical were eliminated by the end of the year 2007. STADA was thereby able to provide each employee affected by this with the offer to continue their employment in the sales force of an external service provider. For this, STADA reported one-time expenses in connection with personnel measures in the total amount of € 28.1 million before taxes[2)] or € 17.9 million after taxes (see "Earnings Situation – Development of Earnings"). Compared to the original expectations (burden totaling € 29.2 million before taxes or € 18.5 million after taxes pursuant to the company's ad hoc release of September 28, 2007 and interim report for the first nine months of 2007) the final burdens thus slightly decreased.

Furthermore, in the current first quarter of 2008 STADApharm and STADA Medical bundled their sales activities in the scope of the restructuring and conceptually reorganized them without own sales employees targeting doctors.[3)] To enable nevertheless direct sales contact from STADA with the prescribing doctors, STADA currently still makes use of leasing sales forces with a total of approx. 50 sales representatives. The own existing nationwide pharmacy sales force of the STADApharm label remain unchanged and, in accordance with the great importance of pharmacies for the selection of generics in the scope of discount agreements, plays a central role in the current sales concept. Other sales labels of the Group, in particular also ALIUD PHARMA, were not significantly affected by the restructuring.

The goal of the restructuring was, by adapting the sales structures to the changed demand mechanisms, to consistently reduce the fixed sales costs of the German generics business in the STADA Group. Regardless of the expected burdens on the sales-related gross margin through existing and future discount agreements, the German generics business should, also in the future, be able to contribute its significant share to the operating profit of the STADA Group.

1) In September 2007, the Allgemeinen Ortskrankenkassen (AOK) announced that they would complete discount agreements with various German STADA sales companies for a total of 23 active pharmaceutical ingredients (see the company's Corporate News from September 17, 2007). Due to objections against this tender procedure, the AOK has, however, only been able to award discount agreements for six pharmaceutical active ingredients to STADA sales companies.

2) In accordance with IAS 19, reported below operating profit as a separate line in the income statement.

3) In the scope of the restructuring the sales responsibility for special sales activities in the indication area diabetes was transferred from STADA Medical to cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH.

The far-reaching changes in the structure of the German generics market will thus, from today's perspective, not lastingly burden STADA's position in the German generics market. For 2008, the Executive Board expects a further improvement of the Group's market share in this market segment.

However, the establishment of new reference prices and, as a result of this, the also possible establishment of new co-payment exemption limits for numerous active pharmaceutical ingredients expected as of June 1, 2008 could distinctly affect sales and earnings of the German generics business if STADA's sales companies did not only have to reduce the prices of the products concerned – as planned by the sales companies based on an assessment of the current competitive situation – to the area of the new reference prices, but beyond that, due to competitive pressure, largely or entirely to the area of possible new, then at least 30%[1] lower co-payment exemption limits. Such a – from today's perspective not planned – price reduction for possible new co-payment exemption limits would probably clearly exceed the annual price erosion usually expected by STADA for the German market.

Sales in Germany in the Group's second core segment, Branded Products, with € 92.9 million, were slightly above the prior year level in fiscal year 2007 (previous year: € 89.8 million). Weaker seasonal sales of individual branded products of the sales label STADA GmbH in 2007 (for Ladival® among others) were offset through sales from product launches, in particular also through the launch of the branded product Locabiosol®[2] which was licensed on October 1, 2007 and thereby subject to a new sales positioning through STADA GmbH.

STADA's important branded products nevertheless continued to be market leaders in their respective segments in the German pharmacy market. Examples of this are: Grippostad®C (local sales in 2007: € 21.1 million, previous year: € 15.7 million) with a market share of approx. 32% in the market for flu drugs[3], Kamistad® (local sales in 2007 € 6.2 million, previous year: € 6.7 million) with a market share of approx. 22% in the market for prescription-free stomatoligical products[3], Hoggar® (local sales in 2007: € 6.2 million, previous year: € 6.0 million) with a market share of approx. 36% in the market for prescription-free chemical sleep aids and relaxants[3] as well as STADA's sunscreen portfolio under the brand Ladival® (local sales in 2007: € 12.4 million, previous year: € 16.9 million) which, with a market share of approx. 43%, clearly remains market leader in the market for sunscreens sold in pharmacies.[4]

Overall, from today's perspective the Executive Board expects once again sales growth in Germany in 2008, with an operating profitability which continues to be within Group average.

With sales in the amount of RSD[5] 11,588.7 million or € 145.1 million, **Serbia** was the second largest national market for STADA in 2007 after local sales were, for the first time, consolidated in the Group over a whole year. In the previous year, after the acquisition of the Serbian Hemofarm Group, Serbian sales since the initial consolidation as of August 1, 2006 were included in Group sales, subsequently achieving a total of RSD 3,882.5 million or € 46.1 million in the remaining five months of fiscal year 2006.

1) Based on pharmacy retail price including VAT (AVP); based on ex-factory prices clearly higher discounts in terms of percentage points are partly required for achieving a certain reduction of the AVP in the scope of the German drug price regulation for prescription drugs.
2) Inhalation spray for the treatment of acute inflammatory diseases of the upper airways.
3) Data from IMS Health based on ex-factory prices.
4) STADA estimate at pharmacy retail prices based on data provided by IMS Health.
5) In fiscal year 2006, Hemofarm in Serbia achieved – partly under its former owners and adjusted for disposals carried out since then – sales in the amount of RSD 8,843.9 million.

The local sales company there, Hemofarm A.D., Vrsac, with a market share of approx. 22.2% (previous year: approx. 25.0%) continues to be the clear market leader in the overall Serbian pharmaceutical market.[1)]

The administrative integration of the Hemofarm Group was successfully completed in fiscal year 2007. Thus, for the further integration the focus is now placed on medium and long-term transfer processes of production and development activities, which have so far been awarded to external third parties, into existing Hemofarm production units, which should lead to further cost optimizations in the current fiscal year 2008 as well as in 2009, in particular.

In the course of a focusing on the core business, Hemofarm sold its subsidiary Multivita d.o.o.[2)], which is mainly active in Serbia in the area of nutritional supplements, in the second quarter of 2007 as well as its subsidiary Symbiofarm d.o.o.[3)], which is active in Serbia in the area of herbicide, in the third quarter of 2007 (for both see "Business and General Conditions – Acquisitions and Disposals"). Also in 2008, further disposals appear possible for Hemofarm if attractive offers are made by interested parties for business units which are not part of the core business.[4)]

In view of the clear market leadership of STADA's Serbian sales companies, the Group, in Serbia, too, is dependent on the structural market environment and regulatory influences there. Regardless of the current difficult international political situation for Serbia, the local Hemofarm management as well as STADA's Executive Board assume, from today's perspective, nationally, on a Serbian level, a stable health care environment which is not essentially affected by this and thus a further positive development of local sales in 2008.

Overall, the subsidiaries taken together with the local Serbian Hemofarm in the internal reporting entity of a subgroup[5)] (including the local Group companies in Bosnia-Herzegovina, Montenegro and Macedonia as well as one of the Russian Group companies), all of which are also managed by the Serbian Hemofarm management, reported overall operating profitability above Group average in 2007. Here, the Hemofarm management as well as STADA's Executive Board do, on the Subgroup level, not expect changes in the favorable margin situation.

In **Russia**, which, after the successful acquisition of the Russian MAKIZ group in the third quarter of 2007 and its initial consolidation as of September 1, 2007 (see "Business and General Conditions – Acquisitions and Disposals") now is STADA's third largest national market, overall sales generated by the Group there – partly also due to the initial inclusion of acquired sales[6)] – but also regardless of a high sales level in the relevant previous year[7)] – increased by 53% to € 133.8 million (previous year: € 87.5 million).

1) STADA estimate based on data from IMS Health at ex-factory prices.
2) Up to the date of sale at the end of May 2007, Multivita sales in the total amount of € 2.0 million, thereof approx. € 1.8 million in Serbia, were generated within the STADA Group in fiscal year 2007.
3) Up to the date of sale on September 25, 2007, Symbiofarm sales in the total amount of € 2.3 million were generated in Serbia within the STADA Group in fiscal year 2007.
4) With contract from December 28, 2007, the Serbian Hemofarm sold the subsidiary Hemomont d.o.o., Podgorica, Montenegro, as per March 30, 2008; this sale will therefore only have an effect in the first quarter of 2008.
5) The subgroup essentially comprises the former structure of the Hemofarm Group which STADA acquired in 2006.
6) Initially consolidated sales in Russia 2007: for January to July: € 21.0 million Hemofarm sales, for September to December: € 19.0 million MAKIZ sales.
7) The biggest local Nizhpharm product Chondroxide has, as is known, no longer been part of the Russian reimbursement program (DLO) since June 1, 2006; in fiscal year 2006, approx. € 5.8 million were still achieved for this product in the scope of this program.

STADA now operates with three local labels in Russia: JSC Nizhpharm, Nizhny Novgorod, is focused on branded products, but also sells some generics, mainly for self-pay patients; the portfolio of Hemofarm's local Russian sales unit is primarily composed of generics, also mainly for self-pay patients; the products of the newly acquired MAKIZ group with the individual companies active in sales CJSC Makiz-Pharma, Moscow and CJSC Skopinpharm, Ryazanskaya obl., are composed at about one half of branded products and one half of generics and are additionally focused both on self-pay patients as well as on sales in the scope of the Russian state health care program for selected circles of population (DLO program). The coordination of these local labels is carried out in the scope of a joint executive committee to which belong managers of all Russian labels as well as of the Group's headquarters.

A pro forma addition of the market shares of all three labels in 2007 results in a market share of the STADA Group in the overall Russian pharmaceutical market of approx. 2.1%.[1)] Since all three labels have local Russian production sites (see "Business and General Conditions – Procurement and Production"), they can also be seen as local suppliers, then taking, summed up in this pro forma addition, position 2 among the local Russian pharmaceutical companies.[1)]

Against the backdrop of these local sales structures, Group sales achieved in Russia in 2007 can be divided into a share of 54% Generics (previous year 47%) and 44% Branded Products (previous year 53%) or in a share of approx. 88% outside of and approx. 12% within the DLO program.

In view of the positive effects from the acquisition of the MAKIZ group that can be expected, the unchanged structural market growth as well as numerous launches, STADA, in the current fiscal year 2008, assumes a further clear expansion of the Group's Russian activities so that Russia, pursuant to the current corporate plans, will become the second largest national market in the current fiscal year 2008. Russia should thus continue to achieve operating profitability above the Group average in 2008, too.

In **Italy**, STADA recorded sales growth of 8% to € 117.2 million in fiscal year 2007 (previous year: € 109.0 million). Adjusted for the Defibrotide branded products sold at the beginning of the year, sales in Italy increased by 10%.

A growth driver in this context was the generics segment with the local label EG S.p.A., Milan, which, with sales growth of 31% to € 70.0 million, contributed a total of 60% to STADA's Italian business in 2007 (previous year: 49%). In the reporting year, STADA, with a market share of approx. 16.7% (previous year: approx. 15.8%), thus remained on position 2 in the Italian generics market.[2)]

1) STADA estimate based on data from RMBC (Research Marketing Business Consulting, local Russian market research institute) at ex-factory prices.
2) STADA estimate based on data from IMS Health at ex-factory prices.

STADA assumes that the Italian generics business will, due to numerous launches, benefit also in the current fiscal year 2008 from the growth in the Italian market and record a positive sales development.

The branded products segment with the label Crinos S.p.A, Milan, achieved – also, among other factors, due to lost sales contributions from the Defibrotide products which have already been given away – a decrease of 8% to € 45.0 million in Italy in 2007 (previous year: € 48.8 million), thus contributing still 38% to STADA's Italian sales (previous year: 45%).

Overall, however, the growth momentum of the generics business is once again expected to prevail in 2008 so that in total, from today's perspective, further growing sales can be expected for STADA in Italy. Regardless of the intensive marketing and sales activities during the current strong growth phase of the generics segment, operating profitability of the Italian business will thereby remain, as planned, approximately within the Group average in 2008, too.

In **Belgium**, sales decreased by 7% to € 101.8 million in fiscal year 2007 (previous year: € 109.6 million). Thereby, bringing-forward effects due to stockpiling at the end of 2006 must still be considered. In addition, an overall clearly curbed growth dynamic was noticeable in the Belgian generics market in 2007, among other reasons because regulatory measures stimulating generics expired in the course of the third quarter of 2007. The Group's Belgian generics label, S.A. Eurogenics N.V., Brussels, was, as the clear local market leader with a market share of approx. 47.6% (previous year: approx. 46.1%)[1)] in the Belgian generics market, particularly affected by this.

An improvement in the local market conditions through new regulatory measures again increasingly stimulating generics sales can be expected only some time after the establishment of a new stable Belgian government; after the national Belgian election in June 2007, a transitional government is currently still in office.

Since the beginning of 2007, STADA has been trying to counter the current challenges in the Belgian generics market, among other things, by means of establishing an additional label, S.A. Neocare N.V., Brussels, in the area of branded products for self-medication. Such branded products already contributed 4.3% to STADA's Belgian sales in fiscal year 2007.

In addition, the local STADA management has, in a timely manner, taken appropriate measures to secure local earnings goals and thus continued to achieve for 2007, as planned, local operating profitability approximately in the area of the Group average. From today's perspective, however, against the backdrop of this difficult market situation, only an operating profitability of the Belgian business below the Group average can be expected.

1) STADA estimate based on data from IMS Health at ex-factory prices.

In **France**, the Group achieved a sales plus of 9% to € 87.0 million in the reporting year (previous year: € 79.6 million); local sales thereby continue to come mainly, namely by 95%, from the generics segment. After comprehensive stockpiling activities on the part of the pharmacy and wholesaler distribution channels, which were carried out at the end of 2006 – in advance of regulatory restrictions for the granting of discounts – had been temporarily noticeable as a diminishing effect for sales in the first quarter of 2007 and had created a high basis for the year-on-year comparison, the sales development overall in France in 2007 was nevertheless again clearly growing.

The French generics market thereby remains strongly characterized by an intensive discount competition in the pharmacy distribution channel. Under these conditions, STADA's local sales company successfully operated by means of a specifically margin-oriented discount policy in fiscal year 2007, achieving a clear improvement of operating profitability compared to the previous year, but nevertheless still remaining below the Group's average profitability. In the market, the local French generics business, under the label EG Labo SAS - Laboratoires Eurogenerics, Paris, achieved a market share of approx. 5.3% (previous year approx: 6.1%), thus occupying position 7 among the local generics suppliers.[1)]

In view of the progressive generics penetration in the French market as well as numerous launches, STADA expects a once again positive development of sales in France in 2008. Due to the continuing intensive discount competition, operating profitability will thereby probably remain below the Group average.

In **Spain**, sales grew, regardless of significant price reductions in the local generics market as of March 1, 2007, by 3% to € 62.7 million in fiscal year 2007 (previous year: € 61.1 million).

Here, it must still be taken into account that the sales licenses for two local branded products with an annual sales volume of € 2.3 million expired at the end of 2006. Adjusted for this sales disposal, sales of STADA's Spanish business grew by 7% in the reporting year. After the disposal of the two local branded products, the Branded Products segment still contributed 10.6% to STADA's Spanish sales in 2007 (previous year: 11.8%) while, accordingly, generics continued, with a share of 89.2%, to represent the by far more important core segment.

In the Spanish generics market, a clearly stronger discount competition in the pharmacy distribution channel was noticeable in 2007. Under these conditions, STADA continued to conduct a margin-oriented discount policy and thus secured operating profitability – however, on a lower level as compared to the Group average. In this context, a moderate loss of market share was deliberately put up with; STADA thus finally achieved a market share of approx. 7.9% in the Spanish generics market in 2007 (previous year: approx. 9.4%), occupying position 5 in this market.[1)]

1) STADA estimate based on data from IMS Health at ex-factory prices.

STADA assumes that in 2008, business development in the Spanish market will continue to be influenced by a stronger discount competition and further regulatory-related price reductions. Despite this, the Group expects further sales growth in the current fiscal year and a clearly positive operating profitability, which still remains, however, below the Group average.

In the **United Kingdom**, sales clearly increased in 2007 – both in local currency by 90% as well as in Euro by 89% – and reached € 75.7 million (previous year: € 40.1 million), to which, however, the takeover of the British pharmaceutical group Forum Bioscience also significantly contributed in the third quarter of 2007 and its initial consolidation as of October 1, 2007 (see "Business and General Conditions – Acquisitions and Disposals").

But also without the initial sales contribution of € 27.7 million through the Forum Bioscience acquisition in 2007, sales in the United Kingdom, with a plus of 21% in local currency or 20% in Euro, grew strongly in the reporting year.

STADA's local sales company Genus Pharmaceuticals Holdings Ltd., Newbury, has for years been pursuing a selected generics portfolio concept which targets market niches and is specifically adapted to local market structures – also partly positioned in-between generics and branded products. Thus, STADA's generics business in the United Kingdom has so far set itself apart in terms of sales from the particularly intensive price competition of classic generics and thereby achieved operating profitability above the Group average. For 2008, however, in the view of the local management as well as of STADA's Executive Board, a clearly more intensive local competitive situation and therefore also significant price pressure must thus also be expected for the niche products of Genus; in addition, there continues to be the specific risk that the market structures which the previous sales concept of Genus had successfully targeted could be changed through regulatory measures in a detrimental way.

Because of this, STADA, for several years already, has pursued the goal of expanding the Group business in the United Kingdom through branded products which are subject to less intensive competition and are exposed to a lower risk of regulatory changes. A first step was the integration of the SANKYO branded product package[1)], which was acquired in 2005, into the structures of Genus; a substantial second step in the reporting year was aforementioned acquisition of the Forum Bioscience group, whose Britannia division is composed of a comprehensive package of profitable branded products with off-patent active pharmaceutical ingredients (including APO-go® with the active ingredient apomorphine for the treatment of Parkinson's disease), which, in terms of sales, fits in perfectly with the Genus structure (see "Business and General Conditions – Acquisitions and Disposals").

In contrast, the in terms of sales by far stronger Forum Products division, which was also acquired in the scope of the Forum Bioscience acquisition and which is trading with active and supplementary ingredients among other things, in particular also in the area of veterinary medicine, thereby reporting slightly negative operating profit when share of Group overheads are taken into account, is not part of the core business.

1) Including the branded products Mobilat® and Hirudoid®.

STADA therefore – as already planned and announced when the acquisition was completed[1] – with a one-time burden in the amount of € 3.3 million before taxes or € 2.2 million after taxes, swiftly carried out, still in the fourth quarter of 2007, the separation of the two divisions Britannia and Forum Products division as well as the subsequent integration of Britannia into the Genus structures and thus into the STADA Group. For the still separately operating Forum Products division, the Group continues to examine possible strategic options, in particular also a sale of this division.

Against the backdrop of these developments, the Executive Board expects clearly growing sales for 2008 in the United Kingdom; however, also due to the currently negative profitability of the Forum Products division, only a lower operating profitability than Group average can be assumed from today's perspective.

In **the Netherlands**, STADA Group sales grew by 5% to € 40.7 million in the reporting year (previous year: € 38.9 million). The local market environment for generics continued to be and remains characterized by a very intensive price and discount competition in the wholesaler and pharmacy distribution channels. STADA's Dutch generics label, Centrafarm, Etten-Leur, occupied position 5 in the Dutch generics market in 2007, with a market share of approx. 6.4% (previous year: approx. 7.3%).[2]

STADA, already for several years, has accelerated the development of an OTC branded products business through products with off-patent active pharmaceutical ingredients; amongst others with the local label Healthypharm B.V., Etten-Leur. This branded products business now contributes 32% to STADA's Dutch sales.

Overall, STADA, also for 2008, expects further moderate growth in the Dutch Group business. Against the backdrop of the intensive competition and expected regulatory changes for a further cost reduction in the health care system, no significant improvement of the operating profit margin, which for a long time has been lower than Group average in the Netherlands, will, however, probably be possible.

In **Ireland**, sales in fiscal year 2007 grew by 40% to € 23.5 million (previous year: € 16.9 million). This includes € 4.4 million sales from the initial consolidation of Forum Bioscience's Irish sales (see "Business and General Conditions – Acquisitions and Disposals"); even without these initially consolidated sales, Group sales in Ireland grew at the double digit rate of 14%. Although comprehensive changes to the reimbursement system for off-patent branded products went into effect as of March 1, 2007 leading to changed market conditions for generics suppliers, too, and thus to greater margin pressure in the reporting period, the operating margin of the Irish sales companies overall in 2007 and without special effects from acquisitions was at about Group average; this is also expected, with further growth in sales, for 2008.

1) See the company's ad hoc release of August 31, 2007.

2) STADA estimate based on data from IMS Health at ex-factory prices.

Development in other European markets

In **Denmark**, sales decreased by 7% in local currency or in Euro by 7% to € 22.0 million in 2007 (previous year: € 23.6 million). Here, it must be taken into consideration that sales in the previous year were characterized by a high sales basis of the local low-margin parallel import business which – since part of the non-core segment Commercial Business – was, as planned, reduced in 2007. In the reporting year, with € 4.4 million (previous year: € 4.1 million), the STADA Group's local generics sales reached an increase of 6%.

In **Bosnia-Herzegovina**, sales in 2007 in the amount of BAM 39.0 million[1)] or € 19.9 million were achieved after local sales were, for the first time, consolidated in the Group over a full year. In the previous year, after the acquisition of the Serbian Hemofarm Group, which also comprised the local activities in Bosnia-Herzegovina, local sales only since the initial consolidation as of August 1, 2006 were included in Group sales, subsequently achieving a total of BAM 18.1 million or € 9.3 million in the remaining five months of fiscal year 2006. Business activities, under the label Hemofarm, are thereby mainly focused on the Serbian-oriented part of the country.

Regardless of the difficult political situation in Bosnia-Herzegovina – which also represents a specific risk for the local business – STADA's Executive Board as well as the Hemofarm management, which, in the scope of the Hemofarm Subgroup, has the local sales responsibility for the Group's business in Bosnia-Herzegovina, expect sales growth in Bosnia-Herzegovina in 2008.

In **Austria**, the STADA Group showed a strong increase in sales in the amount of 16% to € 13.1 million in fiscal year 2007 (previous year: € 11.3 million).

In **Ukraine**, in 2007 STADA achieved, due to the structural growth potentials, a clear sales increase of 51% in local currency or of 38% in Euro to € 13.0 million (previous year: € 9.4 million).

In **Portugal**, the Group increased – regardless of additional regulatory measures including price reductions for the entire portfolio of more than 15% as of January 1, 2007 – sales, due to the structurally positive trend for generics, by 19% to € 12.3 million in 2007 (previous year: € 10.3 million).

In the **Czech Republic**, Group sales went up by 5% in local currency or in Euro by 7% to € 8.9 million in the reporting year (previous year: € 8.3 million).

1) In fiscal year 2006, Hemofarm in Bosnia-Herzegovina achieved – partly under its former owners and adjusted for disposals carried out since then – sales in the amount of BAM 41,139.2 million.

In **Romania** the STADA Group reported an increase of 9% in local currency or in Euro of 15% to € 6.7 million in 2007 (previous year: € 5.8 million).

In **Finland**, the Group's sales rose by 19% to € 6.1 million in the reporting year 2007 (previous year: € 5.1 million).

Also in **Sweden**, STADA was able to increase sales by 32% in local currency and by 32% in Euro to € 2.5 million (previous year: € 1.9 million).

In **Poland, Bulgaria** and **Slovakia** the STADA Group operated only in the scope of export activities in fiscal year 2007. In the first half of the current fiscal year 2008 the Group will then also start sales activities in these national markets via own subsidiaries.

Development in Asian markets

In **Vietnam**, where STADA is active in sales in the scope of a 50:50 joint venture with a local partner, sales generated by STADA decreased by 52% in local currency or by 57% in Euro to € 7.9 million in the reporting year (previous year: € 18.4 million). It must still be taken into account here that STADA had achieved exceptionally high one-time sales due to a one-time tender business in Vietnam in fiscal year 2006. By deducting this tender business sales in Vietnam, as compared to the previous year, went up by 13% in local currency and by 1% in Euro in fiscal year 2007.

Sales in the remaining Asian countries in which the STADA Group is active with subsidiaries developed as follows in fiscal year 2007: In **the Philippines**[1] sales went up by 29% in local currency or by approx. 32% in Euro to € 9.8 million (previous year: € 7.4 million), in **China** by 59% in local currency or by 45% in Euro to € 8.0 million (previous year: € 5.5 million) and in **Thailand** by 43% in local currency or by 54% in Euro to € 3.1 million (previous year: € 2.0 million).

In **Kazakhstan**, STADA reported a rise in sales by 30% in local currency or by 22% in Euro to € 5.4 million in 2007 (previous year: € 4.5 million).

1) In the Philippines, STADA holds a 100% stake in the local sales company as of the balance sheet date.

Development of exports

In addition to sales from the local sales companies, STADA also generated **export sales** in the respective national markets. In the reporting year, STADA achieved worldwide exports to 47 countries with sales of € 37.6 million (previous year: € 13.4 million).

A division of export sales by region resulted in the following for the reporting year:
- Exports to **European countries** € 14.4 million (previous year: € 5.2 million)
- Exports to **Asian countries** € 10.6 million (previous year: € 5.1 million)
- Exports to **American countries** € 8.1 million (previous year: € 0.5 million)
- Exports to **African countries** € 4.1 million (previous year: € 2.6 million)

as well as
- Exports to the **rest of the world** € 0.5 million (previous year: € 0.002 million).

Here, it must be considered that in the previous year, export sales brought in from the acquired Hemofarm Group were included only since the initial consolidation as of August 1, 2006.

In addition, export sales in fiscal year 2007 include sales in the USA in the amount of € 6.5 million as well as in Switzerland in the amount of € 4.9 million. In fiscal year 2006 local sales of € 18.5 million in the USA as well as of € 6.6 million in Switzerland had been achieved which – since they were still mainly generated via own sales companies at the time – were not allocated to export sales in 2006.

FINANCIAL SITUATION

Overview

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

In particular in the course of the credit-financed acquisitions of the MAKIZ group and the Forum Bioscience group, the STADA Group's **net debt** grew further in the course of the year 2007 and reached € 958.5 million as of December 31, 2007 (December 31, 2006: € 773.0 million).

As of the balance sheet date, the **equity-to-assets ratio** was 36.6% (December 31, 2006: 40.1%). Thus – regardless of the acquisitions of the year 2007 financed with outside capital – it continues to be clearly in a, from the Executive Board's perspective, satisfying area of over approx. 30%. The Group therefore also continues to have sufficient financial means available for further growth.

STADA plans to accelerate the long-term growth course by making appropriate acquisitions in the future as well and continuously examines suitable takeover projects. To create a sufficient financial framework, appropriate capital measures continue to be imaginable for corresponding acquisition projects if such acquisitions would burden too strongly the equity-to-assets ratio.

Cash flow

Cash flow	2007	Previous year
Gross cash flow	201,189	153,232
Cash flow from operating activities	100,465	-13,005
• thereof influences from payments made and still outstanding from acquisitions and disposals as of the balance sheet date	-7,550	74,786
Adjusted cash flow from operating activities	*92,915*	*61,781*
Cash flow from investing activities	-241,042	-502,901
Cash flow from financing activities	98,978	575,299

Gross cash flow was clearly increased to € 201.2 million (previous year: € 153.2 million) in the reporting year due to the improved earnings situation and higher depreciation and amortization.

Reported **cash flow from operating activities**, i.e. cash flow from current business activities, amounted to € 100.5 million in 2007 (previous year: € -13.0 million), thus showing a clear increase.

When assessing this increase, special effects from payments made and still outstanding from acquisitions are to be considered:

- Due to the contractually agreed staggered payment for the purchase of the SANKYO branded products package in the fourth quarter of 2005, liabilities in the amount of € 28.1 million were still outstanding from this acquisition as of December 31, 2006. These were entirely settled in 2007 including the unwinding of receivables, thus burdening for the last time operating cash flow in the amount of € 29.0 million in the reporting year.
- The staggered purchase price for the acquisition of the MAKIZ group (see "Business and General Conditions – Acquisitions and Disposals"), which partly depends on the locally not yet audited results of fiscal year 2007, presumably amounted to a total of € 106.0 million including net liabilities in the amount of approx. € 20.0 million. Thereof, liabilities in the total amount of € 29.9 million, which will be settled in 2008, were still outstanding as of December 31, 2007 so that, in order to have an adjusted operating cash flow, effects associated with this staggered payment had to be adjusted.
- In 2007 a total of € 8.0 million flowed to STADA from the disposal of Defibrotide products in Italy in fiscal year 2006 (see „Business and General Conditions – Acquisitions and Disposals") which must be taken into account when considering adjusted operating cash flow.

Operating cash flow adjusted for these special effects from payments made or still outstanding from acquisitions and disposals amounted to € 92.9 million in the reporting year (previous year: € 61.8 million[1)]) and thus also clearly improved.

For **cash flow from investing activities**, net cash outflows of € 241.0 million occurred in the reporting year (previous year: net cash outflow of € 502.9 million). Here, the acquisitions of the MAKIZ group and the Forum Bioscience group in the reporting year were significantly noticeable. In this context, STADA invested approx. € 155.1 million for the acquisition of consolidated companies (previous year: approx. € 484.8 million) (see "Business and General Conditions – Acquisitions and Disposals"). Investments in intangible assets for the short-term expansion of the product portfolio were incurred in the amount of € 6.1 million in fiscal year 2007 (previous year: € 0).

In cash flow from investing activities, STADA also achieved an inflow of cash and cash equivalents in the total amount of € 25.2 million in 2007. The sale of consolidated companies had a share of € 9.8 million in this (previous year: € 30.3 million) (see "Business and General Conditions – Acquisitions and Disposals").

Investments in other intangible assets in the amount of € 59.1 million (previous year: € 54.1 million) mainly relate to payments for the medium and long term expansion of the product portfolio in form of the acquisition of approvals or approval dossiers as well as for the purchasing of software in connection with the introduction of SAP at the Group's headquarters in Bad Vilbel and at the location in Laichingen.

1) In fiscal year 2006, the following items had to be considered in the adjustment of cash flow from operating activities: a) A reduction of operating cash flow of € 38.9 million which had to be adjusted at the time resulted from the staggered payment of existing liabilities from the purchase of the SANKYO branded products package in the fourth quarter of 2005. b) Due to the contractually agreed staggered payments from the sale of the STADA sales company in the USA in the third quarter of 2006, receivables, totaling € 23.9 million, were still outstanding as of December 31, 2006 and thus had to be adjusted in the cash flow from operating activities of the previous year. The actual amount of receivables did not change in 2007 and is therefore not relevant for the adjustment of fiscal year 2007 with the exception of a resulting unwinding in the amount of € 1.4 million. c) Due to the contractually agreed staggered payments from the sale of Defibrotide products in Italy, receivables, totalling € 12.0 million, were still outstanding for STADA as of the balance sheet date of the previous year and had to be adjusted in the cash flow from operating activities of the previous year.

Investments in property, plant and equipment reached a total of € 42.0 million in 2007 (previous year: € 26.4 million). One focus, in this context, were investments in production sites; thus, for the construction of a second production site in Ho Chi Minh City, Vietnam, in the scope of a 50:50 joint venture with a local partner, an investment volume of approx. € 5.6 million was incurred for STADA. Due to the stronger orientation towards in-house production and the increasing number of production sites in the Group (see "Business and General Conditions – Procurement and Production"), in the future a clearly higher level than in prior years is to be expected in the future for this type of investment.

In addition, STADA builds, in Florstadt, Germany, a new logistics center with an expected total investment volume of approx. € 34 million in the first construction stage up to the end of 2008 (thereof, investments already incurred in 2007: € 8.6 million).

Finally, STADA also plans to start a new construction with laboratory and office rooms on its own premises at the Bad Vilbel location in 2008; this is associated with an expected total investment volume of, from today's perspective, approx. € 11.5 million.

Investments in financial assets amounted to € 4.0 million in 2007 (previous year: € 13.0 million).

Cash flow from financing activities, which, also in this fiscal year, was characterized clearly by the third-party financing of the Group's acquisitions, reached € 99.0 million in 2007 (previous year: € 575.3 million).

From the conversion of warrants into STADA shares, the Group received inflows from capital increase in 2007 in the amount of € 7.6 million (previous year: € 78.2 million) (see "Appendix [Notes IFRS] – 3.13.").

In total, **cash flow for fiscal year 2007**, net of all inflows and outflows of cash and cash equivalents, amounted to € -48.0 million (previous year: € 56.7 million).

Free cash flow, i.e. cash flow from current business activities plus cash flow from investing activities, amounted to € -140.6 million in the reporting year (previous year: € -515.9 million). **Free cash flow, adjusted** for expenses from acquisitions and proceeds from disposals, amounted to € 1.0 million in 2007 (previous year: € 4.0 million).

Development of the balance sheet

The rise in **total assets** to € 2,553.9 million as of the reporting date December 31, 2007 (December 31, 2006: € 2,150.2 million) was based on the further expansion of the STADA Group's operating business including the acquisitions of fiscal year 2007 (see "Acquisitions and Disposals") in particular the additions of the MAKIZ group and the Forum Bioscience group (see "Appendix [Notes IFRS] – 1.2.").

On the assets side of the balance sheet, **non-current assets** – influenced by the acquisitions of the MAKIZ group and the Forum Bioscience group – increased to € 1,511.9 million as of December 31, 2007 (December 31, 2006: € 1,294.7 million).

Thereof, the acquisition of the MAKIZ group contributed € 149.5 million to non-current assets; in this connection, approx. € 63.1 million resulted from the allocation of the paid value added to the individual assets in accordance with IFRS 3. The non-allocated goodwill from the MAKIZ acquisition remaining for the consolidated balance sheet amounted to € 58.2 million after the conducted preliminary purchase price allocation.

The acquisition of the Forum Bioscience group brought in an amount of € 53.6 million to non-current assets; here, € 11.8 million resulted from the allocation of the paid value added to the individual assets in accordance with IFRS 3. The non-allocated goodwill from the Forum Bioscience acquisition remaining for the consolidated balance sheet amounted to € 24.9 million after the conducted purchase price allocation.

Due to the deconsolidations of the two Serbian Hemofarm subsidiaries Multivita and Symbiofarm (see "Business and General Conditions – Acquisitions and Disposals") non-current assets decreased by € 0.5 million.

As of the balance sheet date, **intangible assets** recorded an increase to € 1,096.5 million (December 31, 2006: € 944.7 million). To this, the acquisitions of the MAKIZ group and the Forum Bioscience group contributed with a total of € 174.6 million intangible assets brought in. This balance sheet item remains influenced by the active expansion policy that has been pursued for years with corresponding investments in new products, brands, licenses, product developments and companies. The intrinsic value of these intangible assets is, in accordance with IFRS, checked at least once a year in the fourth quarter as well as when necessary event-related through impairment tests. In fiscal year 2007, this resulted in unscheduled depreciation including financial assets in the amount of € 35.3 million (previous year: € 13.8 million) (see "Earnings Situation – Development of Earnings").

In addition to this, in the reporting year, development costs in the amount of € 10.2 million (December 31, 2006: € 8.5 million) were capitalized as internally-created intangible assets (see "Appendix [Notes IFRS] – 3.1.").

Property, plant and equipment as per December 31, 2007 recorded – with € 20.0 million of property, plan and equipment brought in for the MAKIZ group and € 8.1 million for the Forum Bioscience group – an increase to € 298.8 million (December 31, 2006: € 260.4 million). In addition to the acquisition-related growth, this increase can be traced essentially to investments in buildings and machinery.

Financial assets, with € 39.0 million as of the balance sheet date (December 31, 2006: € 39.0 million), were at a similar level as in the previous year.

Non-current trade accounts receivable, which include, among other things, receivables from long-term loans to companies consolidated on a pro rata basis, went up slightly with an unchanged low overall level to € 1.2 million as per December 31, 2007 (December 31, 2006: € 1.0 million).

Other non-current assets rose to € 53.5 million as of the balance sheet date (December 31, 2006: € 36.2 million); the main reason for this are reclassifications due to changes in terms. A counter-effect to be classified here, as of the balance sheet date 2006, was the outstanding purchase price sum from the sale of STADA Inc. to DAVA Inc. in the amount of € 23.9 million was still classified here. Due to the maturity of a partial amount of this outstanding purchase price receivable in the first quarter of 2008, the remaining purchase price item, which has a long-term maturity, was reduced to € 13.8 million as of December 31, 2007.

Current assets recorded an increase to € 1,042.0 million as of December 31, 2007 (December 31, 2006: € 855.6 million). In this connection, an respectively increase to € 38.4 million can be traced to the MAKIZ group and to € 51.6 million to the Forum Bioscience group.

The disposals of the fiscal year had an opposite effect on current assets and resulted in a reduction of this balance sheet item of € 5.3 million.

Inventories showed an increase to € 393.1 million as of December 31, 2007 (December 31, 2006: € 295.6 million). Adjusted for effects from the initial consolidations of the MAKIZ group and the Forum Bioscience group (inventories brought in: € 18.4 million), inventories rose by 27% in 2007 and thus at a rate approximately proportional to sales.

The current trade accounts receivable increased due to both the organic and especially, however, the acquisition-based expansion of the operating business to € 480.9 million (December 31, 2006: € 355.1 million). Adjusted for effects from the initial consolidations of the MAKIZ group and the Forum Bioscience group, current trade account receivables rose by only 18% in 2007.

Other current assets – in the amount of € 84.3 million as of the balance sheet date (previous year: € 75.4 million) – included, among other things, prepaid expenses/deferred charges and receivables from the tax authorities and were thus subject to reporting date effects from the operating business. In addition, the partial amount of € 11.5 million from aforementioned sale of STADA Inc. to DAVA Inc. from fiscal year 2006 which is due in the first quarter of 2008 had to be classified here.

The STADA Group, with only € 2.3 million as of December 31, 2007 (December 31, 2006: € 0.03 million), continued to have no noteworthy holdings in the area of current securities.

The item cash and cash equivalents – in the amount of € 81.5 million as of the balance sheet date (December 31, 2006: € 129.4 million) – was essentially influenced by reporting date effects from the operating business.

On the equity and liabilities side of the balance sheet, **shareholders' equity** rose to € 933.8 million as of December 31, 2007 (December 31, 2006: € 863.1 million). Thereby, proceeds from capital increases from the conversion of warrants into a total of 464,700 new STADA shares (see "Business and General Conditions – STADA Share") improved the equity of the STADA Group by a total of € 7.6 million in the course of fiscal year 2007.

Minority interest of € 21.1 million as of the balance sheet date (December 31, 2006: € 19.7 million) continued to relate essentially to minority interest brought in within the scope of the acquisition of the Hemofarm Group in 2006.

As of December 31, 2007, **non-current provisions** amounted to € 31.6 million (December 31, 2006: € 28.2 million).

Non-current financial liabilities recorded a reduction to € 614.4 million as of the balance sheet date (December 31, 2006: € 701.3 million); thereby, reclassifications to current financial liabilities due to maturities were significant. The weighted average interest rate for the STADA Group's non-current financial liabilities thereby amounted to approx. 4.6% p.a. on the balance sheet date.

As per December 31, 2007, with € 1.0 million (December 31, 2006: € 1.1 million), **non-current trade accounts payable** were at the usual low level for the size of the STADA Group.

Other non-current liabilities rose to € 17.7 million as of December 31, 2007 (December 31, 2006: € 3.1 million), due to accrued loan interest, among other factors.

Current provisions increased to € 29.0 million as of December 31, 2007 (December 31, 2006: € 6.8 million). The increase is primarily based on provisions for personnel measures in the German generics business (see "Business and General Conditions – Regional Development – Germany").

Current financial liabilities rose to € 427.9 million as of the balance sheet date (December 31, 2006: € 201.2 million) because the acquisitions of the MAKIZ group and the Forum Bioscience group were initially fully financed through current liabilities. The weighted average interest rate for the STADA Group's current financial liabilities thereby amounted to approx. 5.1% p.a. on the balance sheet date.

Current trade accounts payable increased to € 234.2 million as of December 31, 2007 (December 31, 2006: € 156.9 million)) and resulted, among other things, from stockpiling at the end of the year in the context of operational necessity in the German generics business.

Other current liabilities recorded an increase to € 176.1 million as of the balance sheet date (December 31, 2006: € 127.3 million) and resulted from outstanding purchase price liabilities from acquisitions of fiscal year 2007, among other factors.

SUPPLEMENTARY REPORT

Significant events that occurred between the end of fiscal year 2007 and the date of signing the Management Report and the financial statements for 2007 are stated, for better understanding, within the respective context of the Management Report.

Against this backdrop, only supplementary events that are, in the Executive Board's view, particularly important are listed in this supplementary report. For detailed information as well as the effects on the business, financial and earnings situation, please refer to the relevant explanations in the Management Report.

The events for this supplementary report are:

- In the first quarter of 2008, STADA launched the product Silapo® (active pharmaceutical ingredient Epo-zeta) in Germany (see "Business and General Conditions – Product Development").
- On March 6, 2007, the Executive Board of STADA Arzneimittel AG resolved and published a proposal on the increase of the dividend by 15% to € 0.71 per common share (see "Earnings Situation – Dividend").
- Also in the current first quarter of 2008, in various national markets (e.g. in Germany, Serbia, Belgium, Spain, the UK, the Netherlands and Bosnia Herzegovina) regulatory measures have once again been discussed, announced, adopted, introduced or they were adjudicated upon; this has partially already had significant effects on the structures and the competitive situation in the respective national markets or such effects seem possible (see, for each, "Development of Segments – Regional Development").
- STADA, in the first quarter of 2008, further expanded its international sales network through the start of additional Group-owned sales companies in Poland, Bulgaria, Romania and Slovakia (see "Business and General Conditions – Sales and Marketing"); the companies should start their sales activity in the first half of 2008.
- In the first quarter of 2008, STADA has so far received announcements from UBS AG, Zurich, Switzerland, and from Fidelity International Limited, Hamilton, Bermuda, on exceeding the reporting threshold of a total of 3% in accordance with § 26 section 1 WpHG (see "Business and General Conditions – STADA Share").

RISK REPORT

Risk management system

Business opportunities usually also require business risks. STADA has implemented an established and ongoing risk management system in order to identify both general business risks and specific risks associated with this type of business activity and reduce these risks to an appropriate amount considering the expected benefit of the business activity involved.

The structure of the risk management system did not change in 2007. STADA's risk management system is centrally operated by the risk management department and is regularly reviewed for effectiveness and suitability. Thereby, a Group-wide standardized risk reporting and messaging system is used to identify significant risks, especially such risks that may jeopardize the continued existence of the company. In addition, the local risk officers present written and oral reports to give a clear picture of the current risk situation of the Group. The risk management system aims to identify relevant risks for STADA and assess their effects on STADA so that suitable measures can be initiated in due time, if necessary.

In assessing risks, STADA also relies on the experience with the respective business activities that exists within the Group. In addition, STADA makes use of the risk management software R2C (Risk to Chance) for the surveying and evaluating of business risks.

The Group's independent auditor has reviewed STADA's risk management system and confirms that the system is in compliance with statutory requirements.

Risk fields

From the STADA Executive Board's current perspective, anticipated risks to the Group's activities particularly include the following risks.

Regulatory risks

STADA's business activities are to a great extent influenced by regulations pertaining to the public health care system in individual countries and by the resulting market structures. Thereby, regulations in the health care system are based on regulations such as laws or directives which are enacted by the respective national state and/or

supranational structures, in particular also by the European Union and/or are repealed or modified by means of judicial decisions. Therefore there is a risk for STADA, which is inherently linked to STADA's business model, that changes to existing regulations or the passing of new regulations on a national or supranational level, particularly on the EU level, may negatively influence relevant market structures and thus adversely affect business activities of the Group or individual subsidiaries.

STADA's national sales structures in individual markets, for instance, are geared to local regulatory conditions with regard to the marketing, sale and trade of drugs and other products, which vary from one country to another and which, in addition, can partly be subject to supranational influences. As a result, investments that rely on the continuation of existing market structures may prove worthless and existing market positions may be jeopardized if the government or supranational regulations which determine these market structures change.

Often, national regulations also directly (e.g. through statutory price reductions) or indirectly (e.g. through reference prices, mandatory discounts or terms and/or requirements concerning discounts) regulate drug prices or supranational regulations influence them. Should STADA therefore be compelled to price reductions, mandatory discounts, the granting of discounts, the conclusion of discount contracts, retrospective negotiations for existing discount contracts or to other directly or indirectly margin-reducing measures, this will have an immediate negative impact on STADA's earnings situation, unless such measures also serve to balance the margins via a stimulation of units sold, improvements of earnings or lowering costs. This also applies in the event that drugs are classified as non-reimbursable under the respective national social security systems. Regulatory interventions that directly or indirectly give increased purchasing power to individual customers or customer groups (such as for example doctors, pharmacists, patients, health insurance organizations, buying groups, pharmacy chains, wholesalers, mail-order companies) or which lead to changes in purchasing behavior (such as through regulations on the substitution of doctors' prescriptions in pharmacies, specific demand-regulating co-payment regulations for patients, legally promoted target price agreements between individual market participants, the regulation of discounts in individual distribution channels such as in pharmacies, bonus-malus provisions for the selection of drugs in favor of doctors and/or pharmacies as well as changes in the ownership structure of doctors' practices and/or pharmacies) could also have adverse effects on STADA.

Accurate predictions concerning the introduction and scope of potential changes in national or supranational regulations as well as their effects on the market structures which are of relevance for STADA are not possible since the introduction and scope of such regulations depends on the politics of the respective country and even after the final introduction of such regulations, the effects are influenced to a large degree by the reactions of the market participants affected.

Additionally, in other areas of its own business processes STADA's business activities are also subject to risks from national or supranational regulations. This is particularly applicable to regulations in the areas of pharmaceutical laws (see "Current product portfolio risks" and "Product portfolio expansion risks"), commercial property rights (see "Product portfolio expansion risks") and legal principles – particularly in terms of fiscal laws – of national and international business (see "Legal risks" and "Risks associated with internationalization of business"). Here, too, unfavorable regulatory changes can arise which have adverse effects on the Group's business activities or individual subsidiaries.

Current product portfolio risks

In general, new scientific findings or evaluations can lead to a less favorable risk-benefit analysis of drugs. Measures that may be taken by the company itself or by the authorities in such cases extend from recalling specific batches, strengths or dosage forms from the market to suspending, returning, restricting or withdrawing relevant approvals.

Within STADA's product portfolio, such risks exist particularly for the so-called biosimilar products (see "Business and General Conditions – Product Development") since biosimilar products are a new product category of drugs. Therefore, as is the case of any new product category of drugs, for biosimilar products, too, a higher risk of new contraindications, side effects and interactions not visible with the lower sample sizes in the clinical studies required for approval must be assumed in the beginning after the initial launch due to the then growing number of cases of patients treated. If such new contraindications, side effects of interactions occur, leading to a less favorable risk-benefit analysis including associated aforementioned consequences, this might foil, significantly affect the market success of biosimilar products which are relevant for the Group or make it financially less attractive than expected. As a result, investments by STADA that rely on the market success of these products may prove entirely or partially worthless, bank guarantees to third parties may become payable and credits to third parties may have to be entirely or partially written off.

Medical products, cosmetics, and other products that do not require prior approval may also be affected by new scientific findings or evaluations, which could lead to a restriction or cessation and/or prohibition of further sales.

The discovery of hidden or new emerging quality defects as well as regulatory and/or state requirements for products from the company's current product portfolio may also lead to a restriction or cessation and/or prohibition of further sales.

Moreover, the Group's existing product portfolio is subject to the risk that framework conditions in pharmaceutical legislation or other provisions relevant for the existence of the product portfolio can be changed through national or supranational regulations in a way that adversely affects STADA. In addition, changes to national or supranational regulations can render the sale of individual products of the Group legally impossible or uneconomical.

In all these cases, dealing with a restriction of the marketing of products from the current product portfolio, investments that rely on the unrestricted continuation of the marketing may prove partially or entirely worthless.

Risks in connection with the further expansion of the product portfolio

As a rule, drugs may only be brought to market with product-specific approval. Product market entry can be delayed considerably or prevented as a result of the extensive efforts required in preparing the approval documentation as well as due to the lengthy approval processes. Additional requirements imposed by the relevant approval authorities may also lead to a situation in which STADA is unable to market a new product as intended. In some countries, drugs are subject to some direct government price controls or require additional approvals for reimbursement via the relevant national social security system. The launch of a drug affected by a lengthy process of price control or reimbursement approval may be delayed considerably for STADA in these countries.

In general, meticulous observance of relevant legislation is also extremely important for every product, including during development and approval. This also particularly applies to a great extent to the observance of commercial property rights for generics (patents, SPCs and "data exclusivity"). If individual legislative requirements are violated, the result may be a delay or even prevention of the launch of a new product due to legal steps taken by competitors or rejection by the approval authorities.

Development and approval risks as well as risks associated with the compliance with commercial property rights particularly exist for biosimilar products (see "Business and General Conditions – Biosimilar Projects"). Since biosimilar products are a new product category with specific production and quality requirements, there is a higher risk here than in development projects for ordinary generics. On the one hand, development and approval processes for biosimilar products may fail entirely or partially, be substantially delayed, or become considerably more costly. On the other hand, competitors may take action to prevent the market launch due to alleged infringement of commercial property rights or may enter the market earlier or with more effective products than STADA. At last, the future production of these products may become more expensive and the future sale, and in particular the thereby realizable prices, may prove less profitable than expected. All this may lead to the fact that a future market entry of

biosimilar products which are of relevance for the Group fails, is significantly impaired or is rendered financially less attractive than expected. As a result, investments by STADA that rely on the market entry and later market success of these products may prove entirely or partially worthless, bank guarantees to third parties may become payable, and credits to third parties may have to be entirely or partially written off.

Moreover, when expanding the product portfolio, the Group is also subject to the risk that framework conditions in pharmaceutical legislation or provisions concerning commercial property rights or other provisions that are relevant for the expansion of the product portfolio can be changed through national or supranational regulations in a way that adversely affects STADA. As a result, investments for the product portfolio expansion that rely on the continuation of existing provisions may prove partially or entirely worthless.

Competitive risks

The health care and pharmaceutical markets in which STADA operates are highly competitive.

Some of STADA's competitors possess considerably higher financial and organizational resources, production capabilities, sales strengths, and/or market power than STADA. In addition, new competitors may appear in all markets where STADA is active. Effective market activities on the part of competitors, e.g. in terms of price adjustments, scope of service, better delivery and discount conditions, may be to the distinct detriment of STADA's own success. Competitors may also accept targeted losses in individual market segments, for individual products, or in individual subsidiaries, in order to safeguard or expand their own competitive position. This is particularly true with regard to potential price and/or conditions wars with competitors, given the intense competition in the Generics segment which is STADA's larger core segment, especially if these products can be offered by competitors at lower cost and/or in improved dosage forms.

It is also possible that the increased purchasing power of individual customers or customer groups (such as doctors, pharmacists, patients, health insurance organizations, buying groups, pharmacy chains, wholesalers and mail-order companies), or regulatory measures (such as legal requirements for discount contracts), could intensify competition regarding price, service, and purchasing terms as well as more unfavourable framework conditions of tenders, tender bids and discount contracts. STADA may therefore be placed before the alternative either to sell at not cost-covering prices in individual national markets or to forego substantial sales. The loss of these sales may then also lead to a further degradation of the earnings situation with existing sales, for example due to a declined utilization of existing capacities or a worsened quantity scale in case of external procurement.

Other competition-based risks relate to the loss or the non-consideration of tenders, tender bids or discount contracts due to aggressive bidding behavior on the part of competitors. This can be associated with substantial losses in so far existing or planned units sold, sales and earnings. Moreover, this may lead to a situation where created inventories are not needed at all or not in the amount planned, which may result in an impairment and destruction of the inventories.

STADA is willing to accept losses if necessary, in particular in national markets that in the company's view exhibit major growth potential with respect to sales and/or earnings in order to maintain or advance its own competitive position. These losses may also be higher than anticipated as a result of competition activities, customer behavior or government regulation.

Risks associated with growth

In the event that the Group's facilities, human resources, internal structures, management tools or financial resources cannot keep pace with the Group's growth, STADA may be adversely affected.

New companies and products acquired in the past or in the future or acquired or self-created other assets may not be integrated into the Group as planned, or only at higher costs than originally expected, and/or intended synergy effects may not be achieved, or not achieved in the planned amount. Acquired companies or products may not generate the results anticipated in the market. Furthermore, there could be unexpected difficulties in introducing acquired products into new markets or in their maintaining existing market positions. All this could necessitate unscheduled depreciation on acquired assets.

In financing future expansion, there is an inherent risk that the Group may only be able to obtain capital or loans under disadvantageous conditions, or not at all.

Legal risks

STADA's business activity, in particular in the core segment Generics, is associated with an elevated risk of legal disputes regarding commercial property rights (especially patents and SPCs) as well as allegations of violations of company or trade confidentiality; such disputes may be initiated by third parties against STADA or by STADA against third parties. Such events could result in considerable costs, in particular when such proceedings occur in the USA. Moreover, they may result in significant damage claims and a temporary or permanent ban on the marketing of particular products.

If there is a serious risk of future damage claims, STADA creates product-specific provisions considered to be commensurate with potential damage claims; these provisions amounted to € 2.7 million for the Group as of December 31, 2007 (December 31, 2006: € 2.5 million). In principle, STADA cannot guarantee that such provisions will be sufficient for individual instances or in total.

STADA's business activities engender risks associated with liability claims. Should specific Group products prove to be defective and/or to cause undesirable side effects or should individual services or activities of the Group be carried out in a faulty way, this could result in substantial damage claim liabilities – especially in the USA – and in the restriction or withdrawal of the approval for the products concerned or in the withdrawal of the service approvals. There is, in principle, no assurance that the insurance policies maintained by the Group, depending on type and scope, will offer sufficient protection against all possible damage claims or losses.

In addition, STADA is subject to specific legal risks as an exchange-listed company. In the case of an actual or even merely alleged violation of applicable law, the company could be subject to both penalties and damage claims. Such instances may result in substantial additional costs, in particular for legal counsel.

Moreover, the Group is also subject to the risk that relevant legal conditions may be changed by national or supranational regulations in a way that adversely affects STADA. As a result, investments that rely on the continuation of existing provisions may prove partially or entirely worthless.

In addition, the implementation of the comprehensive regulation to which STADA is respectively subject in the individual national markets may be influenced in a market-relevant way through court decisions on the form of individual regulatory rules. Due to this too, operative decisions may prove wrong or investments made may prove entirely or partly worthless if these court decisions turn out different than expected.

Risks associated with internationalization of business

STADA must take into account varied and changing legal and tax conditions as well as the relevant market situation in each of its markets. This may be associated with considerable effort. Increased bad debt risk may also be incurred abroad.

In addition, STADA assumes that justified own claims – whether claims towards third parties arising from business transactions or from concluded contracts, or whether claims towards state institutions or administrations from existing laws or regulations – can principally, in a foreseeable period, be enforced within the laws of a country where STADA undertakes business with affordable costs and without any adverse effects on business in this country. If,

contrary to expectations, it turns out that in a country where STADA undertakes business this is not the case, investments that rely on the enforceability of own claims may prove worthless and existing market positions may be jeopardized.

In addition, STADA uses the opportunity to transfer goods and services within the Group. There is no guarantee that the fiscal authorities in individual countries may not take a critical view of such transactions and impose retroactive tax demands on the Company.

Moreover, there is the risk that conditions which are relevant for the Group's international operating activities – especially also the conditions of fiscal laws – may be changed by national or supranational regulations in a way that adversely affects STADA. In addition, in connection with the internationalization, there is the risk that the political conditions in individual countries generally and for STADA or the Group's business activity specifically are changed in a detrimental way due, for example, to international tensions or internal political developments in individual countries where STADA does business. As a result, investments that rely on the continuation of existing provisions and existing political conditions may prove partially or entirely worthless.

STADA also conducts business outside of the Euro zone. Currency risks for STADA associated with this result by far mainly from operating activities, investments and financing measures. Thus, a portion of both procurement and the Group's invoicing is undertaken in currencies other than the Euro. In 2007, approx. 33% of Group sales were achieved in currencies other than the Euro (previous year: approx. 25%). Due to the ongoing international expansion also in countries outside of the Euro zone, this share is expected to further grow in 2008. Exchange rate fluctuations between Euro and non-Euro currencies may therefore significantly impact the Group's earnings.

Risks due to foreign currencies which do not significantly influence the Group's cash flows (such as, for example, risks resulting from the translation of assets and liabilities of foreign corporate units into the Group's reporting currency) are not hedged while risks due to foreign currencies are usually hedged to the extent that they significantly influence the Group's cash flows.

Thereby, STADA, on principle, employs different financial derivatives to hedge assets, liabilities and anticipated future cash flows denominated in foreign currency. In the 2007 reporting year, STADA made particular use, among other things, of foreign-exchange futures contracts. The maturity dates of futures contracts are usually selected to match the company's anticipated cash flows. Generally, however, their terms do not exceed one year. Based on the respective foreign currency planning, a hedge strategy is thereby developed in the context of a risk analysis, making use of the variance-covariance method.

However, it cannot be ruled out that the hedging strategies against currency risks turn out to be insufficient, wrong or suboptimal because, for example, the financial markets develop contrary to expectations and that detrimental effects on STADA's business, financial and earnings situation result from this.

Parts of STADA's business activities, especially in the areas of product development, sales, procurement and production are related to the USA and are there, in the company's view, subject to elevated legal risks as compared to other countries, particularly also in the areas of liability and patent litigation. These US activities may be associated with substantial additional costs, in particular for legal counseling. The same applies to disputes resulting from agreements with third parties as well as a violation of confidentiality regarding company and trade secrets.

Economic risks

A weak economy as a rule increases cost pressures in individual national health care systems and as a consequence also increases the frequency and extent of regulatory intervention in market structures including risks for the Group as described above.

Moreover, units sold and sales of those Group products or product lines are particularly sensitive to changes in the economic environment for which the consumer is not reimbursed under the local health insurance system, but bears a major part or all of the costs himself. In the scope of STADA's product portfolio this is true in particular for drugs used for self-medication, for products without a pharmaceutical character and for services offered.

Additional risks associated with overall business processes

External suppliers, contract manufacturers, sales licensees and other contractors have been integrated into STADA's business processes to a considerable extent, particularly in the areas of development, procurement, pharmaceutical production and packaging as well as sales, though also to an increasing degree in other areas. Furthermore, the Group is taking increasing advantage of the opportunity of having essential Group services performed by third parties, with whom cooperations are entered into. In addition, as of the due date December 31, 2007, STADA had specifically licensed 15,604 German pharmacies (previous year: 15,656) to undertake the final packaging of partially packed products delivered by STADA in their own pharmacies. This license currently applies to five branded products.

When third parties are incorporated into the company's business process, the risk arises that individual business or alliance partners may not comply properly or at all with their obligations or that they may terminate their agreements with the company, resulting in material adverse effects for STADA. Moreover, STADA could become liable for infringements on the part of business or alliance partners.

The basic principles of financial policy and of financial risk management are determined and/or confirmed at least annually by the Executive Board. All transactions above a relevance threshold determined by the Executive Board additionally require the Executive Board's prior approval, who, in addition, is regularly informed on the nature, scope and the amount of the current risks. Regarding assets, liabilities and scheduled transactions, these risks particularly comprise risks from changes to exchange rates (see "Risk Report – Risks associated with internationalization of business"), interest rates and stock-exchange prices. It is the objective of financial risk management to limit these market risks through the current operative and finance-related activities. For this purpose, depending on the assessment of the financial risk, derivative and non-derivative hedging instruments are used. However, on principle only those financial risks are hedged which have significant consequences on the Group's cash flow. Derivative financial instruments are used exclusively as hedging instruments; they are not used for trading or other speculative purposes. However, it cannot be ruled out that the management's decisions in terms of financial policy turn out to be insufficient, wrong or suboptimal because, for example, the financial markets develop contrary to expectations and that adverse effects on STADA's business, financial and earnings situation result from this.

STADA generally conducts business transactions not against cash payment, but on an invoicing basis to numerous individual debtors. The theoretical commercial risk of debtor default is therefore associated with this. STADA partly uses suitable measures to safeguard itself against this, such as guarantees or loan insurances. However, it cannot be ruled out that these measures are insufficient and non-payments of individual debtors arise to a significant extent. In fiscal year 2007, provision for bad debts in the Group in this regard amounted to 0.8% (previous year: 1.0%) of net sales.

STADA is dependent on global developments with respect to purchase prices for active ingredients or auxiliary materials required as well as on the prices negotiated with contract manufacturers in the case of products produced by these companies; these prices may fluctuate significantly depending on the product. There is no assurance that procurement cost increases and/or supply shortages of individual products will not have adverse effects on the Group's sales and/or profit margins.

STADA's own production sites are additionally exposed to the risk of faulty or inefficient planning and production processes as well as of potential production faults and breakdowns which may have a negative effect on costs, competitiveness, supply availability and the associated expectations regarding units sold, sales and earnings as well as the image with client.

Numerous contracts in the STADA Group include – especially in the areas of product development and production as well as for distribution rights – so-called "Change of Control" clauses, which usually provide both contracting parties, as is usual in the industry, with reciprocal extraordinary termination rights for agreements concluded by the parties in the case that one of the contracting partners becomes subject to a so-called change of control (change

of majority shareholder) e.g. after a successful takeover offer. In the case of a change of control in the STADA Group this could result in material adverse effects for STADA if contracting parties make use of such extraordinary termination rights, in particular if the extent of these terminations is beyond individual cases.

STADA uses electronic data processing extensively in its business processes. Therefore, the Group has to make continuous investments to appropriately adapt these systems to its growing and/or changing business processes. In the event that the Group's electronic data processing is nonetheless insufficient and/or inefficient, this would have adverse effects on business processes at STADA. Should electronic data be lost despite extensive backup measures, or should such data be subject to unauthorized access, this would also have material adverse effects on STADA. Currently, the gradual conversion of various IT systems to an integrated SAP system is being carried out in the Group. Generally, when introducing new or converting existing IT systems, there is an elevated risk that unanticipated events occur which, during the initial phase and also during the integration and expansion phase can have adverse effects on the course of business processes and thus can adversely influence business activities of the Group and/or of individual subsidiaries.

STADA is in possession of a number of business and trade secrets that must be treated with confidentiality. To safeguard these, STADA makes use of confidentiality agreements with employees, external alliance partners, and service providers as well as with certain other contractual partners. However, there is no guarantee that these agreements and other protective measures taken to ensure business and trade secrecy actually represent effective protection or that they will not be violated. There is also no assurance that business and trade secrets will not become known to competitors by other means. This may have material adverse effects on STADA.

STADA relies heavily on qualified employees. As a result of its flat corporate structure, a small number of managers is in possession of essential expert knowledge, in particular in management and in product development and approval, in procurement, logistics and production as well as in marketing and sales. The departure of managers from the ranks of Group or subsidiary management and/or of employees with specialist knowledge could have materially adverse effects on the Group. The Group's continued success also depends on its ability to attract and keep qualified employees in the future. In its search for qualified employees, STADA competes with numerous other companies, in particular with competitors in the pharmaceutical industry.

It is STADA's expressed goal that all business processes and Group activities be carried out exclusively within the framework of the respectively valid laws. To this end, within the scope of the Compliance Management system installed at STADA, all employees are regularly, and adapted to the scale of their individual areas of responsibility, trained and instructed. It can, however, not be completely ruled out that employees, in the execution of business processes deviating from the Group regulation of full compliance, act, negligently or intentionally, in breach of

legal regulations and that such breaches negatively effect the business activities of the Group and/or individual subsidiaries or the business, financial and earnings situation of STADA, e.g. following the discovery of such legal breaches through the imposition of damages and/or compensation and/or the payment of fines, exclusion from tenders or damage to reputation.

Like any company, STADA as a Group and the STADA subsidiaries in their national markets are subject to additional general business risks such as strikes, accidents, natural disasters, sabotage, criminal activities, terrorism, war, and other unforeseeable negative influences. STADA protects itself against such risks to the extent possible and financially reasonable through appropriate insurance policies. However, it cannot be ruled out that these insurances are insufficient and that such general business risks result in negative effects on the business, financial and earnings situation.

Overall evaluation

In the event that one or more of the above-mentioned risks should materialize, this could have material adverse effects on STADA's business, financial and earnings situation. However, from today's perspective no risks are discernable which alone or in combination could jeopardize the STADA Group's continuance.

REFERRAL TO LEGALLY REQUIRED DISCLOSURES IN MANAGEMENT REPORT

In order to avoid repetition in the text, the reader is referred to the relevant information in the Appendix (Notes IFRS) regarding the following legally required disclosures in the Management Report:

- necessary disclosures in accordance with § 315 (2) No. 2 of the German Commercial Code (HGB): Appendix (Notes IFRS) – 6.5.
- necessary disclosures in accordance with § 315 (2) No. 4 of the German Commercial Code (HGB): Appendix (Notes IFRS) – 6.6.3. and 6.7.3.
- necessary disclosures in accordance with § 315 (4) of the German Commercial Code (HGB): Appendix (Notes IFRS) – 3.14., 6.6.1. and 6.6.3.4.

PROGNOSIS REPORT

Also in the years to come, STADA wants to continue the sustained growth course.

Continued strategic orientation to long term growth markets

With STADA's unchanged strategic orientation to products with off-patent active pharmaceutical ingredients in selected segments of the pharmaceutical market and an emphasis on generics, the Group continues, from the Executive Board's perspective, to focus on long term growth markets. This positive market assessment is confirmed through forecasts from independent market research institutes (see also "Business and General Conditions – Business Model, Core Segments and Structural Environment").

Challenges and risks for STADA's business model

However, STADA's business model continues to hold challenges and risks which are a result of the structures and mechanisms of the market segments in which STADA is active (see "Business and General Conditions – Business Model, Core Segments and Structural Environment" as well as "Risk Report"). These challenges and risks in the individual national markets are unavoidable for the Group since they are inherently connected to the structural growth opportunities of STADA's business model.

Thus, in the future, the Group will therefore continue to be active in markets and market segments which are characterized by high price sensitivity, intense competition and a frequently changing regulatory environment. STADA will thereby, in the future, too, have to react flexibly and at short notice, if required, to this type of challenges by means of counter measures such as sales restructurings.

Operative strengths support further growth course

Also in the future, proven operative strengths will continue to support the growth course pursued by STADA.

Through its increasing internationalization the Group achieves a further risk diversification in view of individual national market risks. In addition, the international sales infrastructure as well as experiences with rapid and effective change management should allow STADA, in the future, too, to react flexibly to structural and regulatory market changes in order to make optimum use of the market potentials in the individual national markets.

The high expertise in product development including a well-filled product pipeline will allow the Group, probably also in the years to come, to continuously expand its product portfolio – particularly in the growth sector Generics. Associated with this portfolio expansion is the prospect of economy of scales effects in the sales area if the sales companies can place such new products in the market without creating further new structures.

For the continuous cost optimization pursued within the Group, a focus remains on the reduction of cost of sales. Against this backdrop, STADA will, in the global procurement of active pharmaceutical ingredients and auxiliary materials, continue to increasingly draw on suppliers in low-cost countries. In addition, STADA continues to have the goal to achieve cost improvements in the pharmaceutical production through the better utilization of in-house production capacities.

Furthermore, in the Executive Board's opinion, the employees, with their specific understanding of the markets in which STADA is active as well as their comprehensive expertise, particularly in the areas of sales, product development, procurement and pharmaceutical production, continue to contribute significantly to the Group's successful business development.

Finally, STADA also has the willingness and flexibility to react to changes in local market structures by means of rapid and adequate operative responses. This capacity to adapt own structures to external changes is an additional operative strength of STADA.

Overall, these proven operative strengths will, from the Executive Board's perspective, also in the future make a significant positive contribution to the growth course pursued by the Group.

Regional Development

The Executive Board's specific expectations regarding the development of individual national markets are – to the extent that, from today's perspective, they seem to be of material importance for the Group – presented in the overall context of the respective national market in the scope of secondary segment reporting (see "Development of Segments – Regional Development"), referred to here.

Growth acceleration through active acquisition policy

To further accelerate Group growth, STADA intends to continue the active acquisition policy of recent years if suitable objects at an appropriate price present themselves.

On the one hand, in this context, one objective is the expansion of the international sales structure, particularly in the East-European markets. On the other hand, economy of scale effects in connection with acquisitions can open up additional sales and earnings potentials, for example through the acquisition of suitable products or companies. Furthermore, from the Executive Board's perspective, the growing size of the company also makes acquisitions or closer cooperations for vertical integration, in the area of the production of active pharmaceutical ingredients for example thinkable.

To create a sufficient financial framework, appropriate capital measures continue to be imaginable for corresponding acquisition projects.

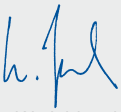
Continuation of successful growth course expected

Overall, the outlook for STADA's future development continues, from the Executive Board's perspective, to be positive.

Indeed, significant regulatory measures, intensive competition and significant pressure on margins can always occur in individual national markets. However, in view of the strategic focusing on growth markets and the Group's proven operative strengths, the Executive Board assumes, from today's perspective, that STADA will be able to achieve sustainable operative growth under challenging conditions in the future, too, and thus will be able to continue the Group's successful growth course in the years to come.

Bad Vilbel, March 10, 2008

H. Retzlaff
Chairman of the Executive Board



W. Jeblonski
Chief Financial Officer

Dr. A. Oehmichen
Chief Legal Officer

C. Schumann
Chief Research & Development Officer

Dr. H.- M. Schwarm
Chief Procurement, Production and Logistics Officer

STADA
Arzneimittel

STADA CONSOLIDATED FINANCIAL STATEMENTS 2007

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement for the period from Jan. 1 to Dec. 31 in € 000s	2007	Previous year	Notes IFRS
01. Sales	1,570,490	1,245,050	2.1.
02. Cost of sales	815,161	618,841	2.2.
03. Gross profit	**755,329**	**626,209**	2.3.
04. Other operating income	56,299	53,601	2.4.
05. Selling expenses	358,208	323,208	2.5.
06. General and administrative expenses	115,386	90,995	2.6.
07. Research and development expenses	39,022	32,156	2.7.
08. Other operating expenses	83,509	52,987	2.8.
09. Operating profit	**215,503**	**180,464**	2.9.
10. Personnel measures in the German generics business (in accordance with IAS 19)	-28,134	-	2.10.
11. Closing of US activities	-	-12,045	2.11.
12. Investment income	411	250	2.12.
13. Interest result	-37,093	-23,511	2.13.
14. Financial result	**-36,682**	**-23,261**	2.14.
15. Earnings before taxes	**150,687**	**145,158**	2.15.
16. Taxes on income	44,019	52,695	2.16.
17. Net income	**106,668**	**92,463**	2.17.
thereof			
• net income distributable to shareholders of STADA Arzneimittel AG	105,136	91,833	2.18.
• net income relating to minority interests	1,532	630	2.19.
18. Earnings per share in € (in accordance with IAS 33.10)	1.80	1.70	2.20.
19. Earnings per share in € (diluted) (in accordance with IAS 33.31)	1.74	1.62	2.21.

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

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as of Dec. 31 in € 000s Assets		2007	Previous year	Notes IFRS
A.	**Non-current assets**	**1,511,864**	**1,294,672**	
	1. Intangible assets	1,096,528	944,675	3.1.
	2. Property, plant and equipment	298,799	260,351	3.2.
	3. Financial assets	38,969	39,027	3.3.
	4. Non-current trade accounts receivable	1,188	1,002	3.4.
	5. Other non-current assets	53,517	36,214	3.5.
	6. Deferred tax assets	22,863	13,403	3.6.
B.	**Current assets**	**1,042,033**	**855,551**	
	1. Inventories	393,080	295,610	3.7.
	2. Current trade accounts receivable	480,868	355,063	3.8.
	3. Other current assets	84,275	75,416	3.9.
	4. Current securities	2,331	33	3.10.
	5. Cash and cash equivalents	81,479	129,429	3.11.
Total assets		**2,553,897**	**2,150,223**	

Equity and Liabilities		2007	Previous year	Notes IFRS
A.	**Shareholders' equity**	**933,847**	**863,086**	3.12./3.13.
	1. Share capital	152,675	151,467	3.14.
	2. Reserves and unappropriated retained earnings	760,098	691,960	3.15.
	3. Minority interests	21,074	19,659	3.16.
B.	**Non-current liabilities and provisions**	**752,814**	**795,038**	
	1. Non-current provisions	31,633	28,230	3.17.
	2. Non-current financial liabilities	614,408	701,345	3.18.
	3. Non-current trade accounts payable	1,007	1,088	3.19.
	4. Other non-current liabilities	17,654	3,133	3.20.
	5. Deferred tax liabilities	88,112	61,242	3.21.
C.	**Current liabilities and provisions**	**867,236**	**492,099**	
	1. Current provisions	29,029	6,787	3.22.
	2. Current financial liabilities	427,931	201,157	3.23.
	3. Current trade accounts payable	234,226	156,850	3.24.
	4. Other current liabilities	176,050	127,305	3.25.
Total equity and liabilities		**2,553,897**	**2,150,223**	

CONSOLIDATED CASH FLOW STATEMENT

Cash flow provided by operating activities in € 000s	2007	Previous year	Notes IFRS
1.1. Cash flow (gross)	201,189	153,232	4.1.
thereof			
• 1.1.1. Net income (including net income relating to minority interest)	106,668	92,463	
• 1.1.2. due to depreciation and amortization (+) / write-ups (-) of non-current assets	101,722	63,903	
• 1.1.3. due to increase (+) / decrease (-) in non-current provisions	3,350	6,343	
• 1.1.4. due to gains (-) / losses (+) on disposals of non-current assets	-10,551	-9,477	
1.2. Cash flow due to changes in assets[1)]	-182,317	-98,394	
thereof			
• 1.2.1. due to changes in inventories	-69,248	-20,956	
• 1.2.2. due to changes in trade accounts receivable	-80,573	-43,199	
• 1.2.3. due to changes in other receivables / prepaid expenses	-21,241	-34,107	
• 1.2.4. due to changes in current securities	-2,937	-21	
• 1.2.5. due to changes in deferred tax assets	-8,318	-111	
1.3. Cash flow due to changes in equity and liabilities[1)]	81,593	-67,843	
thereof			
• 1.3.1. due to changes in current provisions	22,242	2,802	
• 1.3.2. due to changes in trade accounts payable	29,781	-19,561	
• 1.3.3. due to changes in other liabilities / deferred income	26,466	-51,688	
• 1.3.4. due to changes in deferred tax liabilities	3,104	604	
1. Cash flow from operating activities	100,465	-13,005	4.2.

1) Adjusted for initially consolidated and deconsolidated companies.

Cash flow from investing activities in € 000s	2007	Previous year	Notes IFRS
2.1. Payments	-266,245	-578,282	
thereof			
• 2.1.1. for the acquisition of consolidated companies (after deducting acquired cash and cash equivalents)	-155,064	-484,807	
• 2.1.2. for significant material purchases of intangible assets for current expansion of the product portfolio (as a rule in the reporting year)	-6,100	0	
• 2.1.3. for purchases of other intangible assets	-59,105	-54,078	
• 2.1.4. for purchases of property, plant and equipment	-42,011	-26,431	
• 2.1.5. for purchases of financial assets	-3,965	-12,966	
2.2. Proceeds	25,203	75,381	
thereof			
• 2.2.1. from the disposals of consolidated companies (after deducting possible disposed cash and cash equivalents)	9,753	30,289	
• 2.2.2. from sales of intangible assets from significant disposals of launched products	2,300	9,451	
• 2.2.3. from the disposals of intangible assets	7,638	6,220	
• 2.2.4. from the disposals of items of property, plant and equipment	325	10,829	
• 2.2.5. from the disposals of financial assets	5,187	18,592	
2. Cash flow from investing activities	-241,042	-502,901	4.3.

Cash flow from financing activities in € 000s	2007	Previous year	Notes IFRS
3.1. Payments in the context of financing activities	-171,833	-148,818	
thereof			
• 3.1.1. to shareholders (dividend distribution)	-36,047	-20,818	
• 3.1.2. for the redemption of bonds and finance facilities	-135,786	-128,000	
3.2. Proceeds in the context of financing activities	270,811	724,117	
thereof			
• 3.2.1. from additions to shareholders' equity / share capital of STADA Arzneimittel AG	1,208	12,366	
• 3.2.2. from additions to shareholders' equity / capital reserve of STADA Arzneimittel AG	6,436	65,872	
• 3.2.3. from the issue of bonds and finance facilities	263,167	645,879	
3. Cash flow from financing activities in € 000s	98,978	575,299	4.4.

Net cash flow for the period in € 000s	2007	Previous year	Notes IFRS
1. Cash flow from operating activities	100,465	-13,005	
2. Cash flow from investing activities	-241,042	-502,901	
3. Cash flow from financing activities	98,978	575,299	
4. Changes in cash and cash equivalents (sub-total)	-41,599	59,393	
5. Other changes in shareholders' equity/currency translation	15,372	13,248	
6. Influence on changes in the balance sheet by companies consolidated for the first time	-21,723	-15,968	
7. Net cash flow for the period	-47,950	56,673	4.5.

Development of cash and cash equivalents in € 000s	2007	Previous year	
0. Cash and cash equivalents at beginning of period	129,429	72,756	
7. Net cash flow for the period	-47,950	56,673	4.6.
8. Cash and cash equivalents at end of period	81,479	129,429	

STATEMENT OF RECOGNIZED INCOME AND EXPENSES

Statement of recognized income and expenses in € 000s	2007	Previous year	Notes IFRS
Currency translation differences	-5,381	14,653	3.12.
Actuarial losses from provisions for pensions	-1,044	-5,879	3.17.
Actuarial gains from provisions for pensions	251	351	3.17.
Other	-277	735	3.12.
Deferred taxes	-1,455	2,058	
Income and expenses recognized directly in shareholders' equity	**-7,906**	**11,918**	
Net income	106,668	92,463	2.17.
• thereof net income distributable to shareholders of STADA Arzneimittel AG	105,136	91,833	2.18.
• thereof net income relating to minority interests	1,532	630	2.19.
Total of all recognized income and expenses	**98,762**	**104,381**	

APPENDIX (NOTES IFRS)

1. General

1.1. Basis of Presentation

STADA Arzneimittel Aktiengesellschaft, Bad Vilbel, Germany is a joint-stock company registered under German law. The company is active worldwide in the health care and pharmaceuticals market, especially in the core segments of Generics and Branded Products.

STADA Arzneimittel AG's consolidated financial statements are prepared in accordance with the accounting standards promulgated by the International Accounting Standards Board (IASB) – the International Financial Reporting Standards (IFRS), as applicable in the EU, and the supplementary provisions pursuant to § 315 a (1) of the German Commercial Code (HGB). The IFRS to be applied as of January 1, 2007 and the coesponding interpretations of the International Financial Reporting Interpretations Committee were observed.

The consolidated financial statements of STADA Arzneimittel AG provide a true and fair view of the Group's business, financial and earnings situation as well as cash flows during the fiscal year.

The consolidated financial statements of STADA Arzneimittel AG conform with the EU regulation No. 1606/2002 (IAS-regulation) from the European Parliament and Council from July 19, 2002 as well as with further regulations on the adoption of international accounting standards of the EU Commission based on the International Accounting Standards (IAS) and/or International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB).

In order to ensure that the consolidated financial statements are no less valid than if they had been prepared in accordance with the German Commercial Code (HGB), they meet all disclosure obligations imposed by the HGB but not included under regulations of the IASB, in particular the preparation of a management report.

The exemption rule stated in § 264 b of the HGB was applied to ALIUD PHARMA GmbH & Co. KG. The exemption rule stated in § 264 (3) of the HGB was applied to Bepha Beteiligungsgesellschaft für Pharmawerte mbH, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Eurovax GmbH, LIFE TRANS Pharma Vertriebs GmbH, STADA GmbH, STADA Medical GmbH, STADA R&D GmbH, STADApharm GmbH, STADA Pharma International GmbH, TAXON Arzneimittel GmbH and Uzara-Werk GmbH - Pharmazeutika.

1.2. Scope of consolidation

The consolidated financial statements of STADA Arzneimittel AG include the financial statements of all significant companies that are controlled by STADA Arzneimittel AG, either directly or indirectly through its subsidiaries. Control as interpreted in IAS 27 (Consolidated Financial Statements and Accounting for equity stakes in subsidiaries) exists if STADA Arzneimittel AG or its sub-

sidiaries are in a position to determine the financial and operating policies of a company for derivation of a commercial benefit. These companies are included in the consolidated financial statements from the time at which STADA Arzneimittel AG or its subsidiaries acquire the means to control them.

The inclusion ceases at the time when these means of control are relinquished.

The consolidated financial statements of STADA Arzneimittel AG as of December 31, 2007 include the following subsidiaries (wholly-owned unless otherwise specified):

- ALIUD PHARMA GmbH & Co. KG, Laichingen, Germany
- ALIUD Pharma Verwaltungs-GmbH, Laichingen, Germany
- BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany
- Cajavec – Sistemi Upravljanja A.D., Banja Luka, Bosnia-Herzegovina
- cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, Germany
- Centrafarm B.V., Etten-Leur, The Netherlands
- Centrafarm Nederland B.V., Etten-Leur, The Netherlands
- Centrafarm Pharmaceuticals B.V., Etten-Leur, The Netherlands
- Centrafarm Services B.V., Etten-Leur, The Netherlands
- Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal
- Clonmel Healthcare Ltd., Clonmel, Ireland
- Crinos S.p.A., Milan, Italy
- Croma Medic, Inc., Manila, The Philippines
- Crosspharma Ltd., Belfast, United Kingdom
- EG Labo SAS - Laboratoires Eurogenerics, Paris, France
- EG S.p.A., Milan, Italy
- Genus Pharmaceuticals Holdings Ltd., Newbury, United Kingdom
- Genus Pharmaceuticals Ltd., Newbury, United Kingdom
- Health Vision Enterprise Ltd., Hong Kong, China (51% stake)[1)]
- Healthypharm B.V., Etten-Leur, The Netherlands
- Hemofarm A.D., Vrsac, Serbia
- Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina (79.81%)
- Hemofarm Inženjering d.o.o., Belgrade, Serbia
- Hemofarm Komerc d.o.o., Skoplje, Macedonia (99.18%)
- Hemofarm Koncern - Zorka Pharma A.D., Sabac, Serbia (77.78%)
- Hemofarm S.R.L., Temisvar, Romania
- Hemomont d.o.o.[2)], Podgorica, Montenegro (71.02%)
- HEMOPHARM ENGINEERING Gesellschaft für Planung und Projektierung mbH, Bad Homburg, Germany
- Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, Germany
- JSC Nizhpharm, Nizhny Novgorod, Russia (99.58% stake)
- Laboratorio Prodotti Farmaceutici Boniscontro & Gazzone S.r.l., Milan, Italy
- Laboratorio STADA, S.L., Barcelona, Spain
- LIFE TRANS Pharma Vertriebs GmbH, Bad Vilbel, Germany
- Nizhpharm-Kasachstan Ltd.[3)], Almaty, Kazakhstan

1) Only 50% of Health Vision Enterprise was consolidated by STADA due to the preferred and agreed incorporation of senior executives on an equal footing in the operational management of Health Vision Enterprise.

2) With contract from December 28, 2007, the Serbian Hemofarm sold the subsidiary Hemomont d.o.o., Podgorica, Montenegro as per March 30, 2008; this sale will therefore only have an effect in the first quarter of 2008.

3) Name of the company has been translated from Cyrillic into English.

- Nizhpharm-Ukraine Ltd., Kiev, Ukraine
- OOO Hemofarm Obninsk, Obninsk, Russia
- Oy STADA Pharma Ab, Helsinki, Finland
- PharmaCoDane ApS, Copenhagen, Denmark
- Pharmasuisse AG, Chur, Switzerland
- Quatropharma Holding B.V., Etten-Leur, The Netherlands
- S.A. Eurogenerics N.V., Brussels, Belgium
- S.A. Neocare N.V., Brussels, Belgium
- SFS International Ltd., Clonmel, Ireland
- STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria
- STADA Asiatic Company, Ltd., Bangkok, Thailand (60% stake)
- STADA Financial Investments Ltd., Clonmel, Ireland
- STADA GmbH, Bad Vilbel, Germany
- STADA Import/Export Ltd., Tortola, British Virgin Islands (50% stake)
- STADA Medical GmbH, Bad Vilbel, Germany
- STADA PHARMA CZ, s.r.o., Prague, Czech Republic
- STADA Pharma International GmbH, Bad Vilbel, Germany
- STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China
- STADA Production Ireland Ltd., Clonmel, Ireland
- STADA R&D GmbH, Bad Vilbel, Germany
- STADA Service Holding B.V., Etten-Leur, The Netherlands
- STADApharm GmbH, Bad Vilbel, Germany
- STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam (50% stake)
- TAXON Arzneimittel GmbH, Bad Vilbel, Germany
- UAB STADA-Nizhpharm-Baltiya, Vilnius, Lithuania
- Uzara-Werk GmbH - Pharmazeutika, Bad Vilbel, Germany
- Zorka Pharma - Hemija Sabac d.o.o., Sabac, Serbien

Included for the first time:

- Britannia Pharmaceuticals Ltd., Redhill (Surrey), United Kingdom
- CJSC Biodyne Pharmaceuticals, Moscow, Russia
- CJSC Makiz-Pharma, Moscow, Russia
- CJSC Skopinpharm, Ryazanskaya obl., Russia
- Forum Bioscience Holdings Ltd., Redhill (Surrey), United Kingdom
- Forum Products Ltd., Redhill (Surrey), United Kingdom

1.3 Information on share ownership

In accordance with § 313 (2) 1-4 and (3) of the German Commercial Code (HGB) the following disclosures concerning the share ownership of STADA Arzneimittel AG are made[1]:

Direct investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany	100%
BIOCEUTICALS Arzneimittel AG[2], Bad Vilbel, Germany	14.99%
Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal	100%
Clonmel Healthcare Ltd., Clonmel, Ireland	100%
Crinos S.p.A., Milan, Italy	96.77%
EG Labo SAS - Laboratoires Eurogenerics, Paris, France	100%
EG S.p.A., Milan, Italy	98.5%
Hemofarm A.D., Vrsac, Serbia	100%
JSC Nizhpharm, Nizhny Novgorod, Russia	99.58%
Laboratorio STADA, S.L., Barcelona, Spain	100%
LIFE TRANS Pharma Vertriebs GmbH, Bad Vilbel, Germany	100%
Oy STADA Pharma Ab, Helsinki, Finland	100%
S.A. Eurogenerics N.V., Brussels, Belgium	100%
S.A. Neocare N.V., Brussels, Belgium	92.73%
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria	100%
STADA GmbH, Bad Vilbel, Germany	100%
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China	100%
STADA Pharma International GmbH, Bad Vilbel, Germany	100%
STADA R&D GmbH, Bad Vilbel, Germany	100%
STADA Service Holding B.V., Etten-Leur, The Netherlands	100%
STADA Verwaltungs GmbH[3], Bad Vilbel, Germany	100%
STADApharm AS[4], Oslo, Norway	100%
STADApharm GmbH, Bad Vilbel, Germany	100%
Uzara-Werk GmbH - Pharmazeutika, Bad Vilbel, Germany	100%

1) The results of the individual financial statements under local law are influenced by intercompany trade accounts. Equity is always shown at 100%, even if the share in capital is lower.
2) Equity (share capital): € 1,224 thousand, result 2007: € -3,903 thousand (under local law).
3) Equity (share capital): € 25 thousand, result 2007: € 0 thousand (under local law).
4) Equity (share capital): NOK 101 thousand, result 2007: NOK 0 thousand (under local law).

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH of at least 20%:

Name of the company, registered office	Share in capital
ALIUD PHARMA GmbH & Co. KG, Laichingen, Germany	100%
ALIUD PHARMA Verwaltungs-Ges.mbH, Laichingen, Germany	100%
BIOLINE Naturmedizin Ges. mbH[1], Vienna, Austria	100%
cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, Germany	100%
Crinos S.p.A., Milan, Italy	3.23%
Croma Medic, Inc., Manila, The Philippines	100%
EG S.p.A., Milan, Italy	1.5%
Eurovax GmbH[2], Bad Vilbel, Germany	100%
Health Vision Enterprise Ltd., Hong Kong, China	51%
IIP Institut für industrielle Pharmazie Forschungs- und Entwicklungsgesellschaft mbH[3], Aschaffenburg, Germany	25%
PharmaCoDane ApS, Copenhagen, Denmark	100%
STADA Asiatic Company, Ltd., Bangkok, Thailand	60%
TAXON Arzneimittel GmbH, Bad Vilbel, Germany	100%

Indirect investments of STADA Arzneimittel AG through ALIUD PHARMA GmbH & Co. KG of at least 20%:

Name of the company, registered office	Share in capital
ALIUD PHARMA GmbH & Co. KEG[1][4], Vienna, Austria	100%
ALIUD PHARMA Verwaltungs-Ges.m.b.H.[1][5], Vienna, Austria	100%
STADA PHARMA CZ, s.r.o., Prague, Czech Republic	100%
Zimmer AL Data GmbH[6], Neu-Ulm, Germany	30%

Indirect investments of STADA Arzneimittel AG through Health Vision Enterprise Ltd. of at least 20%:

Name of the company, registered office	Share in capital
JETWIN INTERNATIONAL INVESTMENT LIMITED[7], Hong Kong, China	100%
Health Vision Medicine[8], Hong Kong, China	100%

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH and through Crinos S.p.A. of at least 20%:

Name of the company, registered office	Share in capital
Laboratorio Prodotti Farmaceutici Boniscontro & Gazzone S.r.l., Milan, Italy	100%

Indirect investments of STADA Arzneimittel AG through STADA GmbH of at least 20%:

Name of the company, registered office	Share in capital
STADA Medical GmbH, Bad Vilbel, Germany	100%

1) Currently under liquidation.
2) Equity (share capital): € 39 thousand, result 2007: € 161 thousand (under local law).
3) Equity (share capital): € 1,912 thousand, result 2007: € 1,175 thousand (under local law).
4) Equity (share capital): € 193 thousand, result 2005: € 0 thousand (under local law).
5) Equity (share capital): € 32 thousand, result 2005: € 0 thousand (under local law).
6) Equity (share capital): € 13 thousand, result 2004: € -2 thousand (under local law).
7) Equity (share capital): HKD -15 thousand, result 2007: HKD -4 thousand (under local law).
8) Values are included in Health Vision Enterprise Ltd.

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. of at least 20%:

Name of the company, registered office	Share in capital
Alphacen N.V.[1], Etten-Leur, The Netherlands	100%
Cellpharm B.V.[2], Etten-Leur, The Netherlands	100%
Centad B.V.[3], Etten-Leur, The Netherlands	100%
Centrachemie B.V.[4], Etten-Leur, The Netherlands	100%
Centrafarm Nederland B.V., Etten-Leur, The Netherlands	100%
Centrafarm Pharmaceuticals B.V., Etten-Leur, The Netherlands	100%
Centrafarm Services B.V., Etten-Leur, The Netherlands	100%
Healthypharm B.V., Etten-Leur, The Netherlands	100%
Quatropharma Holding B.V., Breda, The Netherlands	100%

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and Quatropharma Holding B.V. of at least 20%:

Name of the company, registered office	Share in capital
Centrafarm B.V., Etten-Leur, The Netherlands	100%

Indirect investments of STADA Arzneimittel AG via S.A. Eurogenerics N.V. of at least 20%:

Name of the company, registered office	Share of capital
S.A. Neocare N.V., Brussels, Belgium	7.27%

Indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd. of at least 20%:

Name of the company, registered office	Share in capital
CIG (HONG KONG) LIMITED[5], Hong Kong, China	70%
DATApharm Co. Ltd.[6], Tortola, British Virgin Islands	50%
STADA Import/Export Ltd., Tortola, British Virgin Islands	50%
STADA Pharmaceuticals (Beijing) Ltd.[7], Beijing, China	75%
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam	50%

Indirect investments of STADA Arzneimittel AG through Clonmel Healthcare Ltd. of at least 20%:

Name of the company, registered office	Share in capital
Crosspharma Ltd., Belfast, United Kingdom	100%
Genus Pharmaceuticals Holdings Ltd., Newbury, United Kingdom	100%
SFS International Ltd., Clonmel, Ireland	100%
STADA Financial Investments Ltd., Clonmel, Ireland	100%
STADA Finland Oy[8], Helsinki, Finland	100%
STADA Production Ireland Ltd., Clonmel, Ireland	100%
STADApharm AB[9], Malmö, Sweden	100%

1) Equity (share capital): € 45 thousand, result 2007: € 0 thousand (under local law).
2) Equity (share capital): € 18 thousand, result 2007: € 0 thousand (under local law).
3) Equity (share capital): € 45 thousand, result 2007: € 0 thousand (under local law).
4) Equity (share capital): € 11 thousand, result 2007: € 0 thousand (under local law).
5) Equity (share capital): HKD -275 thousand, result 2007: HKD -89 thousand (under local law).
6) Equity (share capital): USD 3,805 thousand, result 2007: USD 1,804 thousand (under local law).
7) Equity (share capital): CNY 44,595 thousand, result 2007: CNY 228 thousand (under local law).
8) Currently under liquidation.
9) Equity (share capital): SEK 1,998 thousand, result 2005: SEK -979 thousand (under local law).

Indirect investments of STADA Arzneimittel AG through Clonmel Healthcare Ltd. and Genus Pharmaceuticals Holdings Ltd. of at least 20%:

Name of the company, registered office	Share in capital
Genus Pharmaceuticals Ltd., Newbury, United Kingdom	100%
Forum Bioscience Holdings Ltd., Redhill (Surrey), United Kingdom	100%

Indirect investments of STADA Arzneimittel AG through Clonmel Healthcare Ltd. and Genus Pharmaceuticals Holdings Ltd. As well as through Forum Bioscience Holdings Ltd. of at least 20%:

Name of the company, registered office	Share in capital
Britannia Pharmaceuticals Ltd., Redhill (Surrey), United Kingdom	100%
Forum Products Ltd., Redhill (Surrey), United Kingdom	100%

Indirect investments of STADA Arzneimittel AG through Crinos S.p.A. of at least 20%:

Name of the company, registered office	Share in capital
Laboratorio Prodotti Farmaceutici Boniscontro & Gazzone S.r.l., Milan, Italy	100%

Indirect investments of STADA Arzneimittel AG through OJSC Nizhpharm of at least 20%:

Name of the company, registered office	Share in capital
CJSC Biodyne Pharmaceuticals, Moscow, Russia	100%
CJSC Makiz-Pharma, Moscow, Russia	100%
CJSC Skopinpharm, Ryazanskaya obl., Russia	100%
Nizhpharm-Kasachstan Ltd.[1], Almaty, Kazakhstan	100%
Nizhpharm-Ukraine Ltd., Kiev, Ukraine	100%
OJSC Promis[2], Nizhny Novgorod, Russia	31.67%
UAB STADA-Nizhpharm-Baltiya, Vilnius, Lithuania	100%

Indirect investments of STADA Arzneimittel AG through Ciclum Farma, Unipessoal, LDA, of at least 20%:

Name of the company, registered office	Share in capital
STADA LDA[3], Paco de Arcos, Portugal	98%

Indirect investments of STADA Arzneimittel AG through Laboratorio STADA SL of at least 20%:

Name of the company, registered office	Share in capital
Ciclum, S.L.[4], Barcelona, Spain	100%
STADA Genericos, S.L.[5], Barcelona, Spain	100%
STADA LDA[3], Paco de Arcos, Portugal	2%

1) Name of the company has been translated from Cyrillic into English.
2) Equity (share capital): RUB 53 thousand, result 2006: RUB 7 thousand (under local law).
3) Equity (share capital): € 5 thousand, result 2007: € 0 thousand (under local law).
4) Equity (share capital): € 0.9 thousand, result 2007: € -0.7 thousand (under local law).
5) Equity (share capital): € 2 thousand, result 2007: € -1 thousand (under local law).

Indirect investments of STADA Arzneimittel AG through Hemofarm A.D. of at least 20%:

Name of the company, registered office	Share in capital
Agrovojvodina Vrsac A.D.[1], Vrsac, Serbia	100%
Cajavec – Sistemi Upravljanja A.D., Banja Luka, Bosnia-Herzegovina	67.27%
Hemofarm Arabia Ltd.[2], Damaskus, Syria	50%
Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina	79.81%
Hemofarm Inženjering d.o.o., Belgrade, Serbia	100%
Hemofarm Komerc d.o.o., Skoplje, Macedonia	99.18%
Hemofarm Koncern – Zorka Pharma A.D., Sabac, Serbia	77.78%
Hemofarm S.R.L., Temisvar, Romania	100%
Hemofarm USA Corporation[3], Washington, USA	100%
Hemomont d.o.o., Podgorica, Montenegro	71.02%
HEMOPHARM ENGINEERING Gesellschaft für Planung und Projektierung mbH, Bad Homburg, Germany	100%
Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, Germany	100%
OOO Hemofarm Obninsk, Obninsk, Russia	100%
Pharmasuisse AG, Chur, Switzerland	100%
Velefarm A.D.[4], Belgrade, Serbia	20.65%

Indirect investments of STADA Arzneimittel AG through Hemofarm A.D. and Hemofarm Inženjering d.o.o. of at least 20%:

Name of the company, registered office	Share in capital
OOO Hemofarm Inženjering Obninsk[5], Obninsk, Russia	100%
Global Project d.o.o.[6], Vrsac, Serbia	100%

Indirect investments of STADA Arzneimittel AG through Hemofarm A.D. and Hemofarm Inženjering d.o.o. and Global Project d.o.o. of at least 20%:

Name of the company, registered office	Share in capital
Dehidrator A.D.[7], Vrsac, Serbia	62.32%

Indirect investments of STADA Arzneimittel AG through Hemofarm A.D. and Hemofarm Koncern – Zorka Pharma A.D. of at least 20%:

Name of the company, registered office	Share in capital
Zorka Pharma - Hemija Sabac d.o.o., Sabac, Serbia	100%

Indirect investments of STADA Arzneimittel AG through Hemofarm A.D. and through Hemofarm Inženjering d.o.o. as well as through Global Project d.o.o. and through Dehidrator A.D. of at least 20%:

Name of the company, registered office	Share in capital
Izgradnja d.o.o.[8], Vrsac, Serbia	60%

1) Currently under liquidation.
2) Equity (share capital): USD 100 thousand, result 2005: RSD 0 thousand (under local law).
3) Equity (share capital): RSD 9,839 thousand, result 2006: RSD 3,492 thousand (under local law).
4) Equity (share capital): RSD 4,510,339 thousand, result 2006: RSD 111,264 thousand (under local law).
5) Equity (share capital): RSD 8,370 thousand, result 2006: RSD -779 thousand (under local law).
6) Equity (share capital): RSD 41 thousand, result 2006: RSD -1,278 thousand (under local law).
7) Equity (share capital): RSD 11,353 thousand, result 2006: RSD -25,256 thousand (under local law).
8) Equity (share capital): RSD 0 thousand, result 2006: RSD -954 thousand (under local law).

1.4. Changes in the scope of consolidation due to initial consolidation

On August 31, 2007, STADA completed the acquisition of the Russian pharmaceutical group MAKIZ through STADA's Russian subsidiary JSC Nizhpharm, Nizhny Novgorod.

The staggered purchase price, which partly depends on the locally not yet audited results of fiscal year 2007[1)], amounted, before possible adjustments, to an expected total of € 106.0 million including net liabilities in the amount of approx. € 20.0 million.

At the time of initial consolidation, the MAKIZ Group's substantial assets and liabilities as well as the preliminary purchase price allocation carried out are as follows:

Preliminary purchase price allocation from the initial consolidation of the MAKIZ group in € million	Carrying amount before purchase price allocation	Purchase price allocation	Carrying amounts after purchase price allocation
Non-current assets	21.9	121.3	143.2
• thereof goodwill	-	58.2	58.2
• thereof intangible assets	0.5	63.1	63.6
• thereof property, plant and equipment	19.8	-	19.8
Current assets	30.4	-	30.4
• thereof inventories	8.2	-	8.2
• thereof trade accounts receivable	19.4	-	19.4
Non-current liabilities and provisions	3.7	15.1	18.8
• thereof, passive deferred taxes	1.8	15.1	16.9
Current liabilities and provisions	36.0	-	36.0
• thereof, trade receivables	24.6	-	24.6

Remaining goodwill after preliminary purchase price allocation thus amounts to € 58.2 million and represents the desired expanded market presence as well as expected operational synergy effects on the Russian market.

Acccounting of the corporate merger from the acquisition of the MAKIZ Group can, as of December 31, 2007 only be carried out on a preliminary basis because both the carrying amount of identifiable assets, debt or contingent liabilities as well as the purchase costs of the merger could to date only be determined provisionally on the balance-sheet date.

On September 21, 2007 STADA completed the acquisition of the British pharmaceutical Group Forum Bioscience Holdings Ltd. through British subsidiaries.

The purchase price, following purchase price adjustments due to changes in working capital, amounts to GBP 36.4 million or approx. € 52.2 million.

At the time of the initial consolidation, the substantial assets and liabilities of the pharmaceutical group Forum Bioscience Holdings Ltd. as well as the purchase price allocation carried out are as follows:

1) Maximum purchase price: € 135 million less net debt of the Group at closing.

Purchase price allocation from the initial consolidation of the Forum Bioscience Holdings in € million	Carrying amount before purchase price allocation	Purchase price allocation	Carrying amounts after purchase price allocation
Non-current assets	24.9	30.6	55.5
• thereof goodwill	-	24.9	24.9
• thereof other intangible assets	12.9	9.0	21.9
• thereof property, plant and equipment	5.8	2.8	8.6
Current assets	50.8	-	50.8
• thereof inventories	15.4	-	15.4
• thereof trade accounts receivable	30.4	-	30.4
Non-current liabilities and provisions	-0.4	4.5	4.1
• thereof, passive deferred taxes	-0.4	4.5	4.1
Current liabilities and provisions	47.2	0.2	47.4
• thereof, trade receivables	36.6	-	36.6

Remaining goodwill after purchase price allocation thus amounts to € 24.9 million which reflects the desired expanded market presence, particularly in the United Kingdom as well as expected future earnings potential.

Thus, the consolidated balance sheet as of December 31, 2007 was impacted in the reporting year 2007 by changes in the scope of consolidation due to initial consolidations as follows:

Effects from initial consolidations of the Group in 2007 in € million	
Non-current assets	203.1
• thereof intangible assets	174.6
• thereof property, plant and equipment	28.1
Current assets	90.0
• thereof inventories	18.4
• thereof trade accounts receivable	62.3
Current liabilities and provisions	69.3
• thereof financial liabilities including financial liabilities of the parent company	55.2

1.5. Changes in the scope of consolidation due to deconsolidations

Following the completion of the administrative integration of the Hemofarm Group in the first quarter of 2007, STADA decided, within the scope of a structural analysis, to concentrate the operating units of the Serbian Hemofarm subgroup more strongly on the core business. This led to various disposals in Serbia in the reporting year 2007.

The Serbian subsidiary Hemofarm sold its subsidiary Multivita d.o.o., Vrsac, Serbia, which is active in the area of nutritional supplements, in the second quarter of 2007 for a price of approx. € 6.1 million and with a book profit in the amount of approx. € 2.4 million before taxes or € 2.2 million after taxes.

In addition, Hemofarm sold its subsidiary, Symbiofarm d.o.o., Belgrade, Serbia, which is active in the area of herbicide, in the third quarter of 2007 for a price of approx. € 4.2 million and with a book profit of approx. € 2.4 million before taxes or approx. € 2.1 million after taxes.

In addition, the Serbian companies Intertref d.o.o., Vrsac, Serbia, and Panfarma d.o.o., Belgrade, Serbia, were liquidated and have thus been removed from the scope of consolidation.

In the reporting year 2007 these changes in the scope of consolidation due to deconsolidations impacted the consolidated balance sheet as of December 31, 2007 as follows:

Effects from deconsolidations of the Group in 2007 in € million

Non-current assets	0.5
• thereof, intangible assets	0.5
Current assets	4.8
• thereof inventories	1.3
• thereof trade accounts receivable	2.7
Current liabilities and provisions	0.7
• thereof other liabilities	0.4

1.6. Principles of consolidation

STADA Arzneimittel AG's consolidated financial statements have been prepared in accordance with the relevant accounting principles of the company as presented hereinafter.

Subsidiaries are consolidated on the basis of their individual financial statements that are adjusted to conform to uniform Group financial reporting and evaluation policies (so-called trade balance sheets II).

Equity is consolidated in accordance with IFRS 3 using the purchase method, under which acquisition costs of the investment are offset against the acquired equity portion at the time of acquisition. Thereby, for those subsidiaries included for the first time in the reporting year, the values at the time of the acquisition were taken. The relevant interim financial statements are available for this. Differences arising subsequently are allocated to assets and liabilities insofar as fair values differ from amounts recognized in the financial statements. Any remaining difference is reported as goodwill under non-current assets.

Until December 31, 2003, this goodwill was amortized using the straight-line method in accordance with IAS 22 over a period of useful life that is uniform throughout the Group. Since fiscal year 2004, goodwill has no longer been amortized on a straight-line basis over the period of useful life. Instead, an impairment test is performed at least once per year; this may result in the need to recognize an impairment loss (impairment only approach). For the process adopted in the impairment tests, please refer to the notes on intangible assets under note 3.1.

Payables and receivables among the companies included are netted, inter-company adjustments and provisions have been dissolved. Interim results as well as earnings and expenses among the companies included are eliminated. Tax deferrals are made with respect to consolidation processes affecting the income statement, provided these deferrals comply with the "concept of temporary differences" as defined in IAS 12.

Joint venture companies are proportionately consolidated in accordance with IAS 31 "Financial Reporting of Interests in Joint Ventures". These include Health Vision Enterprise Ltd., Hong Kong, STADA Import/Export Ltd., British Virgin Islands, as well as STADA Vietnam J.V. Co., Ltd., Vietnam.

Subsidiaries and joint venture companies, whose influence, both individually and as a whole, on business, financial and earnings situation is insignificant, are not consolidated. These are recognized at fair value, which usually corresponds to amortized cost. This is also applicable to equity interests. Non-consolidated companies jointly account in total for less than 1% of Group sales.

1.7. Changed accounting policies

As of fiscal year 2007, STADA applies IFRS 7 "Financial Instruments: Disclosures"; this replaces the disclosure of, among other things, IAS 32.

IFRS 7 restructures the disclosure regulations for financial instruments. A financial instrument is a contract which for one company leads to the creation of a financial asset and, at the same time, for another company leads to the creation of a financial liability or equity instrument. Financial assets thereby include in particular cash and cash equivalents, trade accounts receivable and loans made as well as securities for trading purposes and held-to-maturity securities. Financial liabilities, for the most part, substantiate an entitlement in cash or cash equivalents and effect, in particular, bonds, trade accounts payable, liabilities to banks as well as promissory notes and other liabilities evidenced by paper.

In addition, STADA observes the changed IAS1 "Presentation of Financial Statements" as well as the new IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions".

The standards and interpretations not yet adopted by the EU Commission, IFRS 8 "Operating Segments", IAS 23 "Borrowing Costs", IFRIC 12 "Services Concession Agreements", IFRIC 13 "Customer Bonus Programs", and IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" will not be applied in advance. Significant effects from their later application are not expected.

As opposed to previous accounting periods, STADA decided, as of fiscal year 2007, to disclose interest expenses of the current period, which are incurred in the valuation of provisions for pensions, in the financial result.

1.8. Currency translation

The consolidated financial statements of STADA Arzneimittel AG are expressed in Euro. In the separate financial statements of subsidiaries, foreign currency transactions are translated at the exchange rate applicable at the time of the transactions. Monetary assets and liabilities stated in foreign currency are translated at the closing rate. Exchange gains and losses are recognized in "Other operating income" or "Other operating expenses".

Essential currency relations	Middle rate on Dec. 31 in €		Average rate for the calendar year in €	
in local currency to €	2007	Previous year	2007	Previous year
Pound sterling	1.36129	1.48943	1.45501	1.46679
Russian ruble	0.02778	0.02921	0.02870	0.02943
Serbian dinar	0.01269	0.01264	0.01252	0.01188
US dollar	0.67953	0.75867	0.72517	0.79251

The Group enters into futures and options contracts to hedge currency risks. The relevant Group accounting policies for these financial derivatives are described in note 6.3.

Annual financial statements of subsidiaries prepared in foreign currencies are translated in accordance with IAS 21 "Effects of Changes in Foreign Exchange Rates" using the functional currency concept. Foreign subsidiaries in the STADA Group are regarded as commercially independent sub-units.

Balance sheet items are generally translated at closing rates. Excepted from this are shareholder's equity and, if applicable, the carrying amounts of equity holdings of consolidated subsidiaries, which are translated at historical rates.

Income and expense items are converted at average annual rates. Excepted from this are write-downs on goodwill which are converted at historical rates in accordance with IAS 21.31.

Currency translation differences arising from the use of different exchange rates for items in the balance sheet and the income statement are netted in shareholders' equity with no effect on income.

1.9. Use of estimates

In preparing the consolidated financial statements, there is a strictly limited need to estimate certain items. The main areas of application for estimates are the determination of the useful life of assets from non-current assets, the measuring of discounted cash flows in the scope of impairment tests and the creation of provisions for ongoing legal procedures, retirement benefits and corresponding disclosures, taxes, inventory valuations, discounts, returns, product liability, warranties as well as disclosures for IFRS 7. STADA's estimates are respectively based on experience and other assumptions which are considered to be applicable in the particular circumstances. The actual values can – although the estimates and assumptions are constantly reviewed – differ from the estimates.

2. Notes to the Consolidated Income Statement with Summary of Significant Accounting Policies

Consolidated income statement structure

The structure of the consolidated income statement follows the internationally accepted cost-of-sales method. STADA adds extra items to the breakdown given in IAS 1.82, where this is necessary for further clarification of the earnings situation.

2.1. Sales

Sales in € 000s	2007	Previous year
Sales	1,570,490	1,245,050

Sales are recorded in this report in accordance with the principle of revenue recognition: Revenues from the sale of products, goods and services are recognized when goods have been delivered or services rendered and both risk and title have passed to the buyer. Furthermore, it must be possible to reliably assess the selling costs and the amount of the expected consideration. Expenses related to accruals for future revenue reductions are recorded in the period in which the sales are realized.

A breakdown of sales by primary and secondary (regional) segment is contained in the segment report under note 5. The sales figure of the primary segment “Group holdings /other” also includes revenues from the sale of approvals and product dossiers.

2.2. Cost of sales

Cost of sales in € 000s	2007	Previous year
Cost of sales	815,161	618,841

Cost of sales includes the costs of conversion of the products sold and the purchase price of commercial goods sold or given free of charge. In addition to these commercial goods, in accordance with IAS 2, cost of sales also include direct costs such as cost of materials and personnel expenses as well as overhead costs, depreciation of production equipment and write-downs of excess or obsolete inventories.

2.3. Gross profit

Gross profit in € 000s	2007	Previous year
Gross profit	755,329	626,209

2.4. Other operating income

Other operating income in € 000s	2007	Previous year
Income from reductions of valuation allowances and similar income	3,074	701
Income from disposal of non-current assets	12,571	10,225
Currency translation gains	4,827	16,740
Income from the reversal of provisions	873	95
Compensation for lost product margins		5,392
Earnings from patent litigation	9,000	
Income from sales tax correction	165	
Remaining other operating income	25,789	20,448
Total	56,299	53,601

The remaining other operating income includes such items as income from insurance compensation, compensation claims and other income not directly associated with functional costs. Moreover, income from the disposal of non-current assets includes book profit from the sale of companies no longer included in the scope of consolidation (see 1.5.) in the total amount of € 4.8 million (previous year: € 3.2 million).

2.5. Selling expenses

Selling expenses in € 000s	2007	Previous year
Selling expenses	358,208	323,208

Reported selling expenses comprise in addition to the costs for sales departments and sales force, the costs for advertising and marketing activities including samples for doctors. Discounts in the form of free retail packages (discount in kind) are not included; in accordance with IFRS, they are recognized as a part of cost of sales.

2.6. General and administrative expenses

General and administrative expenses in € 000s	2007	Previous year
General and administrative expenses	115,386	90,995

Personnel and material costs of service and administrative units are reported under general and administrative expenses, unless they have been charged to other functional areas as internal services.

2.7. Research and development expenses

Research and development expenses in € 000s	2007	Previous year
Research and development expenses	39,022	32,156

Research expenses are the costs of an independent, planned quest for new scientific or technical discoveries. The product portfolio of the STADA Group continues to focus on products that do not require the Group to conduct its own research. Just as in the previous year, no research expenses have been incurred within the STADA Group in the 2007 reporting year. Development expenses basically consist of expenses involved in the technical and commercial implementation of theoretical discoveries.

As a rule, the objective of a development process within the STADA Group is to obtain national or multinational regulatory drug approval. In this context, development costs relative to approvals for new drugs obtained by STADA are capitalized if the following preconditions can all be shown to have been met:

- It is technically possible to complete the asset (generally, achieve regulatory approval), enabling it to become available for use or sale.
- There must be a clear intention to use or sell the asset.
- Both the opportunity and the resources must exist to allow completion of the asset and to use or sell it in the future.
- The asset must bring the Group a future economic benefit.
- It must be possible to reliably calculate the development costs of the asset.

In addition, in fiscal year 2007, development costs for new products in the amount of € 8.2 million (previous year: € 7.2 million) were capitalized (see 3.1.).

2.8. Other operating expenses

Other operating expenses in € 000s	2007	Previous year
Value adjustment of accounts receivable and similar expenses	7,263	6,181
Losses on the disposal of non-current assets	2,020	748
Currency translation expenses	10,185	16,117
Unscheduled depreciation on non-current assets	29,443	11,099
Unscheduled depreciation on goodwill	5,809	2,670
Compensation payments	-	1,900
Not realized acquisition projects	2,868	-
Remaining other operating expenses	25,921	14,272
Total	**83,509**	**52,987**

Unscheduled depreciation on goodwill in fiscal year 2007 effects for the most part depreciation on goodwill of Genus Pharmaceuticals Ltd. with € 3.3 million as well as of Health Vision Enterprise Ltd. with € 2.0 million.

The remaining other operating expenses contain non-recurring personnel expenses of € 9.6 million (previous year: € 2.6 million), thereof € 3.3 million in the context of the separation of the two divisions Britannia and Forum Products in the scope of the acquisition of the Forum Bioscience group.

2.9. Operating profit

Operating profit in € 000s	2007	Previous year
Operating profit	215,503	180,464

2.10. Personnel measures in the German generics business (in accordance with IAS 19)

Personnel measures in the German generics business in € 000s	2007	Previous year
Personnel measures in the German generics business	-28,134	0

A burden in the total amount of € 28.1 million before taxes or € 17.9 million after taxes resulted from restructuring measures in STADA's German generics business in 2007. This one-time restructuring expense was, in accordance with IAS 19, classified as an expense in the scope of personnel measures and was presented in accordance with IAS 1 (framework) as a separate line below operating profit. Thus, operating profit is not affected by this.

2.11. Closing of the US activities

Closing of the US activities in € 000s	2007	Previous year
Closing of the US activities	-	-12,045

On August 21, 2006, STADA Arzneimittel AG and DAVA Pharmaceuticals Inc., New Jersey, USA, executed a contract which was concluded on July 13, 2006 for the sale of all shares of the wholly-owned subsidiary STADA Inc., Cranbury, New Jersey, USA to DAVA. In connection with this closing of the US activities a loss in the amount of € 12.0 million before taxes (reported below operating profit) or € 6.3 million after taxes was incurred in the previous year.

2.12. Investment income

Investment income in € 000s	2007	Previous year
Investment income	411	250

Investment income relates to profit distributions from unconsolidated equity holdings.

2.13. Interest result

Interest result in € 000s	2007	Previous year
Interest income	14,713	5,544
thereof: From financial instruments of the evaluation categories in accordance with IAS 39:		
• Loans and receiveables	1,505	956
• Held to maturity financial assets	242	2
Interest expenses	-51,806	-29,055
thereof: From financial instruments of the evaluation categories in accordance with IAS 39:		
• Financial liabilities valued with amortized costs	-48,246	-24,839
Interest result	**-37,093**	**-23,511**

From the valuation of interest swaps within the scope of existing promissory notes, earnings of € 5.4 million and expenses of € 3.0 million were created in the reporting year.

2.14. Financial result

Financial result in € 000s	2007	Previous year
Investment income	411	250
Interest result	-37,093	-23,511
Financial result	**-36,682**	**-23,261**

In fiscal year 2007, the Group refinanced itself at interest rates between 3.2% and 11.4%. On the balance sheet date of December 31, 2007, the weighted average interest rate for nun-current financial liabilities was approx. 4.6% and for current financial liabilities approx. 5.1%.

The financial result 2007 includes, for the first time, interest expenses which are incurred in the valuation of provisions for pensions (see 1.7.).

2.15. Earnings before taxes

Earnings before taxes in € 000s	2007	Previous year
Earnings before taxes	150,687	145,158

Earnings before taxes include depreciation and amortization of € 101.7 million (previous year: € 63.9 million) and € 272.4 million in personnel expenses (previous year: € 187.7 million).

2.16. Taxes on income

Taxes on income in € 000s	2007	Previous year
Taxes within the accounting period	44,082	52,564
Taxes outside of the accounting period, net	-63	131
Taxes on income	**44,019**	**52,695**
Taxation ratio	**29.2%**	**36.3%**

The item “Taxes on income” includes taxes on income and earnings paid or owed in the individual countries as well as deferred taxes. Other taxes that cannot be meaningfully attributed to the sales, administration or research and development functions are reported under “Other operating expenses”.

Loss carryforwards are only capitalized if a future utilization of these claims is sufficiently likely to happen. Tax loss carryforwards capitalized as of the December 31, 2007 reporting date amount to € 34,703 thousand.

IAS 12.81 requires the actual tax charge to be compared with what would theoretically have resulted if the appropriate tax rates were applied to consolidated pre-tax income reported. This is done for all domestic and foreign companies using the national tax rates applicable to their various legal forms.

Deferred taxes result from timing differences between carrying amounts in the tax accounts of individual companies and in the consolidated accounts, under application of the "liability method."

Due to changes in the tax rate, the figure for deferred taxes shown in shareholder's equity amounts to € 1.7 million.

The following deferred taxes reported arise from individual balance sheet items:

Deferred taxes in € 000s	Dec. 31, 2007 Deferred tax assets	Dec. 31, 2006 Deferred tax assets	Dec. 31, 2007 Deferred tax liabilities	Dec. 31, 2006 Deferred tax liabilities
Intangible assets	4,578	478	72,298	52,383
Property, plant and equipment	979	1,335	11,576	7,828
Financial assets	119	177	0	19
Inventories	6,332	7,542	2,122	1,998
Receivables	568	261	818	1,827
Other assets	762	146	24	355
Pension provisions	1,808	3,129	0	0
Other provisions	1,641	1,836	1,413	207
Liabilities	2,262	802	173	0
Tax loss carryforwards	4,126	1,072	0	0
Offsetting	-312	-3,375	-312	-3,375
Total deferred taxes	**22,863**	**13,403**	**88,112**	**61,242**

As the following reconciliation shows, the actual Group tax charge for fiscal year 2007 was lower than the tax charge calculated solely by applying the appropriate tax rates to domestic and foreign Group companies:

Calculation of income tax expense in € 000s	2007	Previous year
Earnings before taxes	150,687	145,158
Tax rate for all domestic and international companies based on the respective tax rates	29.8%	32.2%
Theoretical tax expense	44,922	46,818
Tax effects due to application of IAS 12.34 (use of tax losses carried forward)	-3,054	733
Taxes outside of the accounting period	-63	131
Tax rate change	-5,310	0
Tax effects due to non-deductible expenses and other items	7,524	5,013
Income tax expense shown on the income statement	**44,019**	**52,695**
• thereof deferred taxes	16,276	24,131
Actual taxation ratio	29.2%	36.3%

2.17. Net income

Net income in € 000s	2007	Previous year
Net income	106,668	92,463

2.18. Net income distributable to shareholders of STADA Arzneimittel AG

Net income distributable to shareholders of STADA Arzneimittel AG in € 000s	2007	Previous year
Net income distributable to shareholders of STADA Arzneimittel AG	105,136	91,833

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

2.19. Net income relating to minority interests

Net income relating to minority interests in € 000s	2007	Previous year
Net income relating to minority interests	1,532	630

Net income relating to minority interests for the fiscal year 2007 reflects minority interest profits within the Hemofarm Group, STADA Asiatic and Nizhpharm.

2.20. Earnings per share

Earnings per share	2007	Previous year
Net income distributable to shareholders of STADA Arzneimittel AG in € 000s	105,136	91,833
Average number of shares	58,315,643	53,983,327
Earnings per share in €	1.80	1.70

Non-diluted basic earnings per share are calculated according to IAS 33.10 by dividing net income distributable to the shareholders of STADA Arzneimittel AG by the average number of shares outstanding, less own shares. The number of shares increased in 2007 due to the exercise of warrants.

2.21. Diluted earnings per share

Diluted earnings per share	2007	Previous year
Net income distributable to shareholders of STADA Arzneimittel AG in € 000s	105,136	91,833
Average number of shares	58,315,643	53,983,327
Potentially diluting shares from warrant 00/15 (ISIN DE0007251845)	2,233,757	2,568,772
Average number of shares (incl. potentially diluting shares from warrant 00/15)	60,549,400	56,552,099
Diluted earnings per share in €	1.74	1.62

Diluted earnings per share are calculated according to IAS 33.24 by dividing net income distributable to the shareholders of STADA Arzneimittel AG by the average number of shares outstanding, less own shares and adjusted for the effect of still outstanding warrants, taking into account the share price at the reporting date. It is assumed that all warrants potentially affecting dilution would be exercised.

3. Notes to the Consolidated Balance Sheet with Summary of Significant Accounting Policies

3.1. Intangible assets

Intangible assets in € 000s	Regulatory drug approvals, trademarks, software, licenses and and similar rights	Goodwill	Advance payments	Total
Accumulated cost as of Jan. 1, 2007	**730,800**	**310,289**	**91,643**	**1,132,732**
Currency translation differences/adjustments	-1,649	109	-1,580	-3,120
Changes in the scope of consolidation	79,771	-	616	80,387
Additions	30,677	93,350	26,511	150,538
Disposals	5,177	255	2,246	7,678
Reclassifications	24,147	-	-24,111	36
Accumulated cost as of Dec. 31, 2007	**858,569**	**403,493**	**90,833**	**1,352,895**
Accumulated amortization as of Jan. 1, 2007	**152,471**	**21,030**	**14,556**	**188,057**
Currency translation differences/adjustments	-4,668	177	1,807	-2,684
Changes in the scope of consolidation	1,009	-	-	1,009
Straight-line amortization in the reporting year	38,877	-	-	38,877
Impairment losses in the reporting year	20,913	5,809	5,446	32,168
Disposals	132	-	211	343
Write-ups	-734	-	-	-734
Reclassifications	17	-	-	17
Accumulated amortization as of Dec. 31, 2007	**207,753**	**27,016**	**21,598**	**256,367**
Net book value as of Dec. 31, 2007	**650,816**	**376,477**	**69,235**	**1,096,528**

Intangible assets acquired are recognized at cost less straight-line amortization. The useful life of regulatory drug approvals, trademarks, licenses, dossiers with data for or in preparation of drug approvals, software, concessions, copyrights and similar rights is between 3 and 20 years. Impairment losses are recognized pursuant to IAS 36 wherever indicated by impairment tests. The largest position in unscheduled amortization effects the so-called "early-entry"[1] launches with € 10.7 million.

Goodwill reported under "intangible assets" in the consolidated financial statements predominantly reflects differences arising from the consolidation of equity. These amounts stem from the initial consolidation of subsidiaries included in fiscal years since 1996.

Goodwill has been amortized over a maximum useful life of 20 years up to and including 2003. Starting in fiscal year 2004 goodwill and intangible assets with indeterminate useful lives are no longer amortized on a straight-line basis. Instead, they are regularly tested for impairment once a year in the fourth quarter. Additional reviews take place if indications of impairment become

1) Early entry: early product launch of a first generic with approval of the initial supplier before expiration of the relevant commercial property right.

apparent. In order to assess recoverability, the carrying amount of each cash-generating unit is determined by ascertaining assets, liabilities and provisions as well as corresponding goodwill. If the recoverable amount of a cash-generating unit is lower than the carrying amount, an impairment loss results. The recoverable amount is defined as the higher of the fair value less cost of sales (IAS prior to 2004: "net selling price") and the value in use (i.e. the present value of estimated future cash flows from the cash-generating unit). The discounted cash flow method is used to determine anticipated cash flows, applying a uniform pre-tax rate of 10.4% (previous year: 10.3%) throughout the Group and a planning horizon of three years. An inflation-adjusted growth rate of 1.5% (previous year: 1.5%) has been assumed throughout the Group for the period after the planning horizon elapses.

Development costs of € 10.2 million were capitalized in fiscal year 2007 (previous year: € 8.5 million), thereof € 1.8 million result from capitalized development costs for the introduction of SAP software.[1] Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs and external services, together with a portion of directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life, generally 20 years. If the requirements for capitalizing an internally-created intangible asset are not satisfied, the development costs are, however, recognized immediately as an expense in the period in which they are incurred (see 2.7.).

3.2. Property, plant and equipment

Property, plant and equipment in € 000s	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other fixtures and fittings tools and equipment	Advance payment and construction in progress	Total
Accumulated cost as of Jan. 1, 2007	**179,186**	**153,319**	**46,391**	**20,440**	**399,336**
Currency translation differences/adjustments	2,124	11,833	-9,865	-413	3,679
Changes in the scope of consolidation	19,064	13,712	5,258	-45	37,989
Additions	4,397	7,265	6,902	23,447	42,011
Disposals	543	3,561	2,985	486	7,575
Reclassifications	15,134	-18,800	29,229	-25,599	-36
Accumulated cost as of Dec. 31, 2007	**219,362**	**163,768**	**74,930**	**17,344**	**475,404**
Accumulated depreciation as of Jan. 1, 2007	**40,155**	**72,978**	**25,852**	**-**	**138,985**
Currency translation differences/adjustments	2,342	7,109	-4,829	-	4,622
Changes in the scope of consolidation	2,210	7,684	3,191	-	13,085
Straight-line depreciation	7,299	11,092	9,010	193	27,594
Disposals	541	694	6,211	-	7,446
Write-ups	-	-140	-78	-	-218
Reclassifications	-	-17,076	17,059	-	-17
Accumulated depreciation as of Dec. 31, 2007	**51,465**	**80,953**	**43,994**	**193**	**176,605**
Net book value as of Dec. 31, 2007	**167,897**	**82,815**	**30,936**	**17,151**	**298,799**

1) At the Group's headquarters in Bad Vilbel and at the site in Laichingen, Germany.

Property, plant and equipment are reported at cost less depreciation. Subsequent acquisition costs are capitalized; financing costs are not capitalized. Where acquisitions are made in a foreign currency, subsequent changes in exchange rates have no impact on the recording of original costs.

Items of property, plant and equipment are depreciated according to their useful life using the straight-line method. The depreciation period may be up to 50 years in the case of buildings, 8 to 20 years in the case of technical facilities and 3 to 14 years for other plant and office furniture and equipment. To the extent necessary, impairment losses are recognized pursuant to IAS 36; these are reversed if the reasons for the original recognition of an impairment loss no longer exist.

Where items are rented or leased and beneficial ownership lies with the Group company concerned (finance lease), they are capitalized at the net present value of the lease installments in accordance with IAS 17 (revised 1997) and depreciated over their useful life. The corresponding payment commitments under future lease installments are reported as liabilities. The total value of these capitalized leased assets is not of material significance when compared with the total volume of non-current assets.

3.3. Financial assets

Financial assets in € 000s	Equity interests available for sale	Loans to other equity interests	Other loans	Total
Accumulated cost as of Jan. 1, 2007	39,934	-	40	39,974
Currency translation differences/adjustments	7,394	-	-	7,394
Changes in the scope of consolidation	-	-	90	90
Additions	3,965	-	-	3,965
Disposals	866	-	-	866
Accumulated cost as of Dec. 31, 2007	**50,427**	**-**	**130**	**50,557**
Accumulated amortization as of Jan. 1, 2007	947	-	-	947
Currency translation differences/adjustments	7,558	-	-	7,558
Unscheduled depreciation in the reporting year	3,083	-	-	3,083
Accumulated amortization as of Dec. 31, 2007	**11,588**	**-**	**-**	**11,588**
Net book value as of Dec. 31, 2007	**38,839**	**-**	**130**	**38,969**

Financial assets available for sale are generally reported at market value. Changes in market value attributable to normal share-price volatility are reported under shareholders' equity with no effect on income. In case of permanent reductions in value, an impairment test in accordance with IAS 39 is applied. If the market value of the asset cannot be reliably established, it is measured at acquisition cost less value adjustments. On this basis, financial assets (equity interests) were assigned a carrying amount of € 38,839 thousand as of December 31, 2007 (previous year: € 38,987 thousand). All remaining financial assets (total carrying amount: € 130 thousand, previous year: € 40 thousand) are recorded at acquisition costs.

3.4. Non-current trade accounts receivable

Non-current trade accounts receivable in € 000s	Dec. 31, 2007	Previous year
Non-current trade accounts receivable from third parties	1,188	1,002

Non-current trade accounts receivable from third parties are reported at nominal value and include, among other items, long-term loans to companies and equity interests consolidated pro rata.

3.5. Other non-current assets and prepaid expenses/deferred charges

Other non-current assets and prepaid expenses/deferred charges in € 000s	Dec. 31, 2007	Previous year
Outstanding purchase price receivables	13,802	23,886
Receivables due from the authorities	1,164	19
Other	38,551	12,309
Total	**53,517**	**36,214**

As of the balance sheet date 2006, under outstanding purchase price receivables the entire outstanding purchase price sum from the sale of STADA Inc. to DAVA Inc. in the amount of € 23.9 million was still classified here. Due to the maturity of a partial amount of this outstanding purchase price receivable in the first quarter of 2008, the remaining purchase price item, which has a long-term maturity, is reduced to € 13.8 million as of December 31, 2007 (see 3.9.).

In addition, other non-current assets mainly include customer loans.

3.6. Deferred tax assets

Deferred tax assets in € 000s	Dec. 31, 2007	Previous year
Deferred tax assets	18,737	12,331
Deferred tax assets in accordance with IAS 12.34	4,126	1,072
Total	**22,863**	**13,403**

Deferred taxes are the result of accounting differences in the Group's financial statements for management vs. tax purposes, as well as consolidation measures, provided these differences offset each other over time. Deferred taxes are accounted for according to IAS 12 (revised 2000). Under the "liability method" those tax rates will be used that are applicable at the balance sheet date or that have already been resolved and communicated for the future.

The "Deferred tax assets" item consists of imputable loss carryforwards insofar as it is probable that future taxable profits will enable these previously unused tax benefits to be available.

3.7. Inventories

Inventories in € 000s	Dec. 31, 2007	Previous year
Raw and auxiliary materials and manufacturing supplies	67,860	52,374
Work in progress	19,315	10,336
Finished goods	301,499	229,881
Advance payments to suppliers	4,406	3,019
Total	**393,080**	**295,610**

Inventories are measured at cost. As required by IAS 2, the cost of sales includes both costs that are directly incurred in production and overheads that can be allocated to the production process, including reasonable depreciation on production facilities. Financing costs are not included. If required, the lower net realizable value is recorded.

The carrying amount of inventories recorded at net realizable value is € 8.9 million (previous year: € 8.4 million). Inventory costs are calculated based on weighted average costs. Write-downs on inventories at the balance sheet date amount to € 41.7 million (previous year: € 10.1 million) and are reflected in the carrying amount of € 393.1 million.

3.8. Current trade accounts receivable

Current trade accounts receivable in € 000s	Dec. 31, 2007	Previous year
Trade accounts receivable from third parties	491,206	364,891
Trade accounts receivable from non-consolidated Group companies	2,074	2,128
Value adjustments vis-à-vis third parties	-12,412	-11,956
Total	**480,868**	**355,063**

Trade accounts receivable are reported at cost.

As in every business operation, at STADA, too, partly overdue current trade receivables occur, which can be divided by the length of time that they are overdue as of the balance sheet date as follows:

Trade accounts receivable from third parties including value adjustments in € 000s	Dec. 31, 2007	Previous year
Not overdue	419,308	312,189
Overdue up to 30 days	28,845	15,200
Overdue between 31 and 90 days	18,505	14,198
Overdue between 91 and 180 days	8,206	6,313
Overdue more than 180 days	3,930	5,035
Total net book values	**478,794**	**352,935**

STADA creates value adjustments for doubtful receivables in order to book estimated losses that are the result of the insolvency of customers. The basis for the evaluation of the suitability of the value adjustments on doubtful receivables includes the due date structure of the net receivables and experience relating to the writing-off of receivables in the past, the creditworthiness of the customer as well as changes in the payment conditions.

In the case of a worsening in the financial situation of the customer, the scope of the actual write-off to be taken may exceed the scope of the expected write-off.

The following chart shows income and expenses within the scope of the changes in value adjustments to receivables and/or the complete write-off of receivables as well as the receipt of payment for receivables that had already been written-off:

Changes in value adjustments in € 000s	Dec. 31, 2007	Previous year
Income from the reduction of value adjustments on receivables and the receipt of payment for receivables already written-off as well as similar income	3,074	701
Expenses from value adjustments of accounts receivable as well as similar expenses	7,263	6,181

Reported income is shown under other operating income (see 2.4.), reported expenses under other operating expenses (see 2.8.).

3.9. Other current assets and prepaid expenses/deferred charges

Other current assets and prepaid expenses/deferred charges in € 000s	Dec. 31, 2007	Previous year
Outstanding purchase price receivables	11,481	-
Receivables due from the tax authorities	19,492	17,270
Prepaid expenses/deferred charges	8,448	9,797
Other	44,854	48,349
Total	**84,275**	**75,416**

The partial amount of € 11.5 million from the sale of STADA Inc. to DAVA Inc. which is due in the first quarter of 2008 had to be classified here (see 3.5.). In the previous year this partial amount was still to be reported under non-current assets.

3.10. Current securities

Current securities in € 000s	Dec. 31, 2007	Previous year
Current securities	2,331	33

Current securities comprise securities of the category “held-to-maturity“ as well as financial assets held for sale.

3.11. Cash and cash equivalents

Cash and cash equivalents in € 000s	Dec. 31, 2007	Previous year
Checks, cash and bank balances	81,479	129,429

The term “bank balances“ refers to short-term call deposits and fixed term deposits of up to 90 days. Changes in cash and cash equivalents as defined by IAS 7 are shown in the above cash flow statement.

3.12. Consolidated Statement of Changes in Shareholders' equity

Consolidated Statement of Changes in Shareholders' Equity in € 000s

2007	Number of common shares	Share capital	Capital reserve
Balance as of Dec. 31, 2007	**58,721,100**	**152,675**	**464,044**
Dividend payment of STADA Arzneimittel AG			
Dividend payment of other Group companies			
Capital increase from warrant 2000/2015 of STADA Arzneimittel AG	464,700	1,208	6,436
Changes in retained earnings (own shares)			
Disolution of reserves for fair value assessment and cash flow hedges			
Changes in provisions for payments to employees in accordance with IAS 19			
Currency translation differences			
Changes from consolidation procedures			
Net income 2007[1)]			
Reclassification of minority interests in net income 2007			
Balance as of Jan. 1, 2007	**58,256,400**	**151,467**	**457,608**
Previous year			
Balance as of Dec. 31, 2006	**58,256,400**	**151,467**	**457,608**
Dividend payment of STADA Arzneimittel AG			
Capital increase from warrant 2000/2015 of STADA Arzneimittel AG	4,756,100	12,366	65,872
Changes in retained earnings (own shares)			
Appropriations of retained earnings			
Changes in the minority interests in profit carried forward from Nizhpharm OJSC and Croma Medic			
Disolution of reserves for fair value assessment and cash flow hedges			
Changes in provisions for payments to employees in accordance with IAS 19			
Currency translation differences			
Changes from consolidation procedures			133
Net income 2006[1)]			
Reclassification of minority interests in net income 2006			
Balance as of Jan. 1, 2006	**53,500,300**	**139,101**	**391,603**

1) Net income including net income relating to minority interest.
2) Thereof, an amount of € 1,704 thousand applies from changes of interest rates for deferred taxes

Retained earnings	Unappropriated retained earnings[1]	Currency translation diffrence[1]	Provisions for fair value assessment and cash flow hedges	Provisions for payments to employees in accordance with IAS 19[1]	Minority interest	Total shareholders' equity
35,044	255,859	14,569	164	-9,582	21,074	933,847
	-36,047					-36,047
					-133	-133
						7,644
	71					71
			-277			-277
				-2,248[2]		-2,248
		-5,397			16	-5,381
	464					464
	106,668					106,668
	-1,532				1,532	-
35,044	186,235	19,966	441	-7,334	19,659	863,086
35,044	186,235	19,966	441	-7,334	19,659	863,086
	-20,818					-20,818
						78,238
	-1,446					-1,446
-15,000	15,000					-
	828				-828	-
			441			441
				-3,176		-3,176
		14,653				14,653
	202				17,585	17,920
	92,463					92,463
	-630				630	-
50,044	100,636	5,313	0	-4,158	2,272	684,811

3.13. Equity

Group equity amounted to € 933.8 million as of the balance sheet date (previous year: € 863.1 million). Thus, an equity-to-assets ratio of 36.6% existed at the balance sheet date, December 31, 2007 (previous year: 40.1%).

3.14. Share capital

As of the balance sheet date, share capital consisted of 58,721,100 common shares, each with an arithmetical share in share capital of € 2.60 (prior year: 58,256,400).

These common shares of STADA Arzneimittel AG are, without exception, registered shares which, pursuant to the articles of incorporation, can only be transferred to the share registry with the approval of the company and which, in accordance with the articles of incorporation, grant one vote each in the Annual Shareholders' Meeting. Shareholders are exclusively persons who are listed in the share register as such, and only such persons are entitled to participate in the company's Annual Shareholders' Meeting and to exercise their voting rights. No shareholder and no shareholder group shall have any special rights.

The repeated increase in the number of shares over the course of 2007 was entirely due to the continuing exercise of options from STADA warrants 2000/2015. The number of shares until December 31, 2007 thereby increased by 464,700 to 58,721,100 and the company's share capital of STADA Arzneimittel AG increased by € 1,208,220 to € 152,674,860. Therewith, as of December 31, 2007, 183,456 warrants 2000/2015 for the subscription of 3,669,120 STADA common shares were still outstanding. Thus, in the reporting year 2007, 23,235 warrants were exercised in total.

In the first quarter of the current fiscal year 2008, another 24 warrants were exercised by March 1, 2008. The number of shares has thereby risen by 480 to 58,721,580 and share capital has increased by € 1,248 to € 152,676,108. Thus, as of March 1, 2008, 183,432 warrants 2000/2015 for the subscription of 3,668,640 STADA common shares were still outstanding.

The Executive Board has been authorized by the Annual Shareholders' Meeting on June 14, 2005 to raise new authorized capital. This advance resolution authorizes the Executive Board, with the consent of the Supervisory Board, to increase the company's issued capital stock on one or more occasions on or before June 14, 2009, by up to a total of € 69,408,066.00 by issuing up to 26,695,410 registered shares with transfer restrictions against cash and/or non-cash capital contributions. The shareholders' statutory subscription rights can thus be excluded in the following cases: (a) for fractional amounts, (b) in the case of capital increases against cash contributions of up to 10% of the company's issued capital stock, provided the issue price of the new shares is not lower than the stock exchange price of those shares already quoted on the exchange with the same conditions pursuant to §§ 203 (1) 1, 186 (3) 4 of the German Stock Corporation Act (AktG) and (c) in the case of capital increases against contribution in kind of up to 10% of the company's issued capital stock to be able to offer the company's new shares to third parties in the scope of mergers or in purchasing companies, parts of companies or equity interests in companies. The Executive Board has not made use of this authorization to date.

The Annual Shareholders Meeting of June 20, 2007 authorized STADA to purchase and use own shares until December 20, 2008. So far, STADA has not made use of the purchase authorization and only used the authorization to sell to employees within the scope of the employee stock option program.

As of the reporting date, the company held 114,351 own shares, each with an arithmetical par value of € 2.60, which is equivalent to 0.2% of the share capital. As of December 31, 2006, STADA held 117,346 of its own shares. In fiscal year 2007, STADA did not purchase any of its own shares, and sold 2,995 of its own shares at an average price of € 42.00.

Thus, as of the balance sheet date on December 31, 2007, after deducting own shares, a total of 58,606,749 restricted registered STADA common shares are entitled to vote (previous year: 58,139,054 voting common shares).

3.15. Reserves and unappropriated retained earnings

Changes in the capital reserve are shown in the statement of changes in shareholders' equity (3.12.) and include the capital reserve of STADA Arzneimittel AG in accordance with HGB.

3.16. Minority interests

Minority interests include interests in the Hemofarm Group as well as the companies JSC Nizhpharm and STADA Asiatic Company, Ltd.

3.17. Non-current provisions

Non-current provisions in € 000s	Dec. 31, 2007	Previous year
Pension provisions[1)]	31,633	28,230

The revision of IAS 19 by the IASB in December 2004 created an additional option for the accounting party to treat actuarial gains or losses. In accordance with IAS 19.93, since January 1, 2005, actuarial gains and losses can also be reported under shareholders' equity with no effect on income.

From 2006, STADA made use of this recommendation for the first time. This change significantly increases the transparency of reporting overall and the comparability with other annual financial statements of comparable companies. The amounts recognized with no effect on income are thereby disclosed in a separate statement of all income and expenses recognized in equity.

1) In addition to the above items, a partial amount of the pension provisions in the amount of € 399 thousand (previous year: € 378 thousand) was recorded in current provisions (see 3.22.).

The provisions for pensions and similar obligations reported in the consolidated financial statements of STADA Arzneimittel AG are based on actuarial principles. IAS 19 (Employee Benefits) stipulates valuation using the Projected Unit Credit method.

According to IAS 19, this procedure for determining the net present value of future entitlements requires future salary and pension increases to be included in the calculation, as well as known pensions and entitlements. Future pension benefits are also subject to individual pension agreements. Percentages contained in individual pension agreements may vary.

For German Group companies, non-current pension provisions developed as follows:

Change in projected benefit obligations for pension provisions for German Group companies in € 000s	Dec. 31, 2007	Previous year
Balance as of Jan. 1	**22,581**	**15,881**
Service cost	909	621
Interest cost	1,073	800
Actuarial gain (-) / loss (+)	1,044	5,879
Benefits paid	-590	-600
Past service cost/adjustments	-1,057	-
Balance as of Dec. 31	**23,960**	**22,581**

The table below shows the actuarial assumptions upon which these pension plans are based:

Weighted-average assumptions for pension plans for German Group companies	Dec. 31, 2007	Previous year
Discount rate	5.0%	4.5%
Salary trend	3.0%	3.0%
Benefits trend	1.5%	1.25%

Components of periodic pension cost for German Group companies are as follows:

Components of periodic pension cost for German Group companies in € 000s	Dec. 31, 2007	Previous year
Service cost	909	621
Interest cost	1,073	800
Net pension cost	**1,982**	**1,421**

For international Group companies, non-current pension provisions developed as follows:

Change in projected benefit obligations for pension provisions for international Group companies in € 000s	Dec. 31, 2007	Previous year
Balance as of Jan. 1	**6,027**	**5,175**
Currency adjustments	-187	0
Service cost	2,457	960
Interest cost	672	722
Actuarial gain (-) / loss (+)	-251	-351
Benefits paid	-594	-536
Other	-52	57
Balance as of Dec. 31	**8,072**	**6,027**

The table below shows the actuarial assumptions upon which these pension plans are based:

Average assumptions for pension plans for international Group companies	Dec. 31, 2007	Previous year
Discount rate	9.0%	8.5%
Salary trend	12.8%	4.3%
Benefits trend	18.5%	24.0%

Components of periodic pension cost for international Group companies are as follows:

Components of periodic pension cost for international Group companies in € 000s	Dec. 31, 2007	Previous year
Service cost	2,457	960
Interest cost	672	722
Net pension cost	**3,129**	**1,682**

3.18. Non-current financial liabilities

Amounts due to banks in € 000s	Term remaining Dec. 31, 2007 over 1 year up to 5 years	Term remaining previous year over 1 year up to 5 years	Term remaining Dec. 31, 2007 over 5 years	Term remaining previous year over 5 years	Term remaining Dec. 31, 2007 total	Term remaining previous year total
Promissory notes	380,500	367,500	189,500	224,500	570,000	592,000
Amounts due to banks	44,408	109,345	-	-	44,408	109,345
Total	**424,908**	**476,845**	**189,500**	**224,500**	**614,408**	**701,345**

The liabilities of the STADA Group are generally reported at their repayment amount. Any difference between the amount paid out and the amount repayable on maturity is amortized.

Liabilities in foreign currencies are converted at closing rates. If the requirements for hedging transactions under IAS 39.142 are met, then the hedge rate in accordance with IAS 39.136 and not the rate at the reporting date is applied. Liabilities to banks include certificated debt in the amount of € 61.7 million (previous year: € 74.1 million).

3.19. Non-current trade accounts payable

Non-current trade accounts payable in € 000s	Dec. 31, 2007	Previous year
Trade accounts payable to third parties	1,007	1,088

3.20. Other non-current liabilities

Other non-current liabilities in € 000s	Dec. 31, 2007	Previous year
Tax liabilities	-	19
Personnel related liabilities	1,999	2,174
Other liabilities	15,655	940
Total	**17,654**	**3,133**

3.21. Deferred tax liabilities

Deferred tax liabilities in € 000s	Dec. 31, 2007	Previous year
Deferred tax liabilities	88,112	61,242

Deferred taxes are the result of accounting differences in the Group's financial statements for management vs. tax purposes, as well as consolidation measures, provided these differences offset each other over time. Deferred taxes are accounted for according to IAS 12 (revised 2000). Under the "liability method" those tax rates will be used that are applicable at the balance sheet date or that have already been resolved and communicated for the future. Further clarification of deferred tax liabilities is contained in note 2.16. "Taxes on income".

3.22. Current provisions

Current provisions in € 000s	Dec. 31, 2007	Previous year
Current pension provisions	399	378
Provisions set aside for damages	2,705	2,475
Warranties	3,746	3,934
Provisions for personnel measures in the German generics business (in accordance with IAS 19)	22,179	-
Total	**29,029**	**6,787**

STADA reports current provisions according to IAS 37.10; only liabilities of uncertain timing or amount are included in the item "Other provisions". Liabilities incurred due to outstanding accounts or obligations vis-à-vis personnel and tax authorities, as well as other liabilities are no longer recorded as provisions, but under the relevant liability item ("Trade accounts payable" and "Other liabilities").

The measurement of reported provisions takes into account all obligations identifiable on the balance-sheet date that are based on past transactions or past events. Provisions are only made in relation to a legal or constructive obligation to third parties.

Other current provisions include provisions set aside for damages, which developed as follows:

Provisions set aside for damages in € 000s	Dec. 31, 2007	Previous year
Opening balance	**2,475**	**967**
Added	1,174	1,603
Utilized	71	0
Released	873	95
Closing balance	**2,705**	**2,475**

Other current provisions include warranties, which developed as follows:

Warranties in € 000s	Dec. 31, 2007	Previous year
Opening balance	**3,934**	**2,626**
Added	3,657	3,934
Utilized	3,845	2,626
Closing balance	**3,746**	**3,934**

In addition, current provisions also include provisions for personnel measures in the German generics business (in accordance with IAS 19), which developed as follows:

Provisions for personnel measures in the German generics business (in accordance with IAS 19) in € 000s	Dec. 31, 2007	Previous year
Opening balance	0	0
Added	27,423	-
Utilized	5,244	-
Closing balance	22,179	0

The reported provisions for personnel measures in the German generics business (in accordance with IAS 19) relate to restructuring measures of the German generics sales (see 2.10.).

3.23. Current financial liabilities

Current financial liabilities in € 000s	Dec. 31, 2007	Previous year
Promissory notes	22,000	-
Amounts due to banks	405,931	201,157
Total	427,931	201,157

The liabilities of the STADA Group are generally reported at their repayment amount. Any difference between the amount paid out and the amount repayable on maturity is amortized.

Liabilities in foreign currencies are converted at closing rates. If the requirements for hedging transactions under IAS 39.142 are met, then the hedge rate in accordance with IAS 39.136 and not the rate at the reporting date is applied.

3.24. Current trade accounts payable

Current trade accounts payable in € 000s	Dec. 31, 2007	Previous year
Trade accounts payable to third parties	191,663	131,723
Trade accounts payable to non-consolidated Group companies	1,311	1,430
Advances received on orders from third parties	2,492	2,297
Liabilities from outstanding accounts	38,760	21,400
Total	234,226	156,850

3.25. Other current liabilities

Other current liabilities in € 000s	Dec. 31, 2007	Previous year
Tax liabilities	43,091	30,972
Personnel related liabilities	28,212	23,349
Other liabilities	104,747	72,984
Total	**176,050**	**127,305**

3.26. Other financial obligations (off balance sheet)

In addition to provisions, debts and contingent liabilities, other financial obligations consist of:

Other financial obligations in € 000s	Dec. 31, 2007	Previous year
Rental agreements and leases	52,718	49,495
Other obligations	203,668	167,413
Currency forward hedges	2,649	735
Total	**259,035**	**217,643**

Other financial obligations (off balance sheet) as of the balance sheet date include a capital guarantee provided by STADA Arzneimittel AG obligating STADA Arzneimittel AG vis-à-vis BIOCEUTICALS Arzneimittel AG to provide BIOCEUTICALS Arzneimittel AG with sufficient capital to avoid negative share capital and an otherwise possible excessive debt burden. This capital guarantee was limited to € 25.0 million on the balance sheet date of the year under review.

4. Notes to the consolidated cash flow statement

4.1. Cash flow (gross)

Cash flow (gross) in € 000s	2007	Previous year
Net income (including net income relating to minority interest)	106,668	92,463
Cash flow (gross) due to depreciation and amortization (+) / write-ups (-) of non-current assets	101,722	63,903
Cash flow (gross) due to increase (+) / decrease (-) in non-current provisions	3,350	6,343
Cash flow (gross) due to gains (-) / losses (+) on disposals of non-current assets	-10,551	-9,477
Total	201,189	153,232

4.2. Cash flow from operating activities

Cash flow provided by operating activities in € 000s	2007	Previous year
Gross cash flow	201,189	153,232
Cash flow due to changes in inventories	-69,248	-20,956
Cash flow due to changes in trade accounts receivable	-80,573	-43,199
Cash flow due to changes in other receivables / prepaid expenses	-21,241	-34,107
Cash flow due to changes in current securities	-2,937	-21
Cash flow due to changes in deferred tax assets	-8,318	-111
Cash flow due to changes in current provisions	22,242	2,802
Cash flow due to changes in trade accounts payable	29,781	-19,561
Cash flow due to changes in other liabilities / deferred income	26,466	-51,688
Cash flow due to changes in deferred tax liabilities	3,104	604
Total	100,465	-13,005

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

By adjusting the cash flow from operating activities for special effects from payments made and still outstanding from acquisitions and disposals, the result for the reporting year is an **adjusted cash flow from operating activities** in the amount of € 92.9 million (previous year: € 61.8 million).

Adjusted operating cash flow in € 000s	2007	Previous year
Operating cash flow	100,465	-13,005
Cash flow influence on outstanding liabilities and payments from the acquisition of the SANKYO branded product package in the fourth quarter of 2005	29,000	38,900
Cash flow influence on outstanding liabilities from the acquisition of the MAKIZ group in the third quarter of 2007	-29,947	0
Cash flow influence on outstanding liabilities from the sale of STADA's sales companies in the USA in the third quarter of 2006	1,397	23,886
Cash flow influence on outstanding liabilities from the sale and payments received for the Defibrotide products in the fourth quarter of 2006	-8,000	12,000
Total	92,915	61,781

4.3. Cash flow from investing activities

Cash flow from investing activities in € 000s	2007	Previous year
Payments for the acquisition of consolidated companies (after deducting acquired cash and cash equivalents)	-155,064	-484,807
Payments for significant purchases of intangible assets for current expansion of the product portfolio (as a rule in the reporting year)	-6,100	0
Payments for purchases of other intangible assets	-59,105	-54,078
Payments for purchases of property, plant and equipment	-42,011	-26,431
Payments for purchases of financial assets	-3,965	-12,966
Proceeds from the disposals of consolidated companies (after deducting possible disposed cash and cash equivalents)	9,753	30,289
Proceeds from significant sales of intangible assets from the disposal of launched products	2,300	9,451
Proceeds from the disposals of intangible assets	7,638	6,220
Proceeds from the disposals of items of property, plant and equipment	325	10,829
Proceeds from the disposals of financial assets	5,187	18,592
Total	-241,042	-502,901

Cash flow from investment activities reflects the cash outflows for investments reduced by the inflows from disposals. This amounted to € -241.0 million in the reporting year (previous year: € -502.9 million).

In the table on cash flow from investing activities, the influence of changes in the balance sheet by companies consolidated for the first time is disclosed in a separate line. There, exclusively payments made for the acquisition of consolidated companies (acquisition price after deducting possible acquired cash and cash equivalents) in the reporting year are shown. In fiscal year 2007, these payments related to the acquisition prices of the companies purchased in the context of the acquisition of the MAKIZ group as well as of the Forum Bioscience group – less funds adopted (€ 104.4 million or € 50.7 million) if applicable. Disclosure of the previous year of payments made for the acquisition of consolidated companies resulted mainly from the takeover of the Hemofarm group.

In addition, investments in intangible assets for the short-term expansion of the product portfolio were incurred in the amount of € 6.1 million in 2007 (previous year: € 0.0 million). Acquisition-related sales growth is also principally associated with such investments in the reporting year.

Thus, € 161.2 million were used in total for acquisitions in 2007 (previous year: € 484.8 million) (payments for capital expenditure for the purchase of consolidated companies after deducting possibly acquired cash and cash equivalents plus payments for material purchases of intangible assets for the short-term expansion of the product portfolio).

Proceeds from the sale of consolidated companies related, in the reporting year, to the selling prices from the sales of Multivita d.o.o. and Symbiofarm d.o.o., in the previous year primarily to the sales of STADA Inc. at the time.

4.4. Cash flow from financing activities

Cash flow from financing activities in € 000s	2007	Previous year
Payments to shareholders (dividend distribution)	-36,047	-20,818
Payments for the redemption of bonds and finance facilities	-135,786	-128,000
Proceeds from additions to shareholders' equity / share capital of STADA Arzneimittel AG	1,208	12,366
Proceeds from additions to shareholders' equity / capital reserve of STADA Arzneimittel AG	6,436	65,872
Proceeds from the issue of bonds and finance facilities	263,167	645,879
Total	**98,978**	**575,299**

Cash flow from financing activities encompasses changes in financial liabilities, as well as dividend payments or additions to shareholder's equity or related transaction costs.

Proceeds from additions to shareholders' equity / capital reserve of STADA Arnzneimittel AG relate to proceeds from capital increases through the exercise of warrants 2000/2015 (see 3.14.).

4.5. Net cash flow for the period

Net cash flow for the period in € 000s	2007	Previous year
Cash flow from operating activities	100,465	-13,005
Cash flow from investing activities	-241,042	-502,901
Cash flow from financing activities	98,978	575,299
Changes in cash and cash equivalents (sub-total)	**-41,599**	**59,393**
Other changes in shareholders' equity/currency translation	15,372	13,248
Influence on changes in the balance sheet by companies consolidated for the first time	-21,723	-15,968
Total	**47,950**	**56,673**

Net cash flow for the period, i.e. of the reporting year 2007, is the balance of cash inflows and outflows from operating activities, financing activities and investing activities, as well as from other changes in shareholders' equity and from currency translation as well as the influence of changes in the balance sheet by companies consolidated for the first time. This developed to € 48.0 million in 2007 (previous year: € 56.7 million) and resulted in cash and cash equivalents of € 81.5 million at December 31, 2007 (previous year: € 129.4 million).

Cash and cash equivalents include cash and call deposits with a maximum remaining term of 90 days as well as short-term and highly liquid financial investments that can be converted to cash immediately and are subject only to minor price fluctuation risks.

4.6. Free cash flow for the period

Free cash flow for the period in € 000s	2007	Previous year
Cash flow from operating activities	100,465	-13,005
Cash flow from investing activities	-241,042	-502,901
Total	**-140,577**	**-515,906**

Free cash flow includes cash flow from operating activities and cash flow from investing activities and is therefore significantly shaped by investments and disposals.

Free cash flow adjusted for the effects from disposals and investments is as follows:

Adjusted free cash flow for the period in € 000s	2007	Previous year
Adjusted cash flow from operating activities (see 4.2.)	92,915	61,781
Cash flow from investing activities	-241,042	-502,901
+ Payments made for the acquisition of consolidated companies (after deducting acquired cash and cash equivalents)	155,064	484,807
+ Payments for significant investments in intangible assets for the short-term expansion of the product portfolio (as a rule in the reporting year)	6,100	0
./. Proceeds from the disposals of consolidated companies (after deducting possible disposed cash and cash equivalents)	9,753	30,289
./. Proceeds from significant sales of intangible assets from the disposal of launched products	2,300	9,451
Adjusted free cash flow for the period	**984**	**3,947**

4.7. Additional disclosures on cash flow

Payments of income taxes and interest in the 2007 reporting period totaled € 39.8 million and € 45.0 million, respectively. The relevant receipts from interest-bearing transactions amounted to € 10.1 million.

5. Segment Reporting

In accordance with the "risks and rewards approach" and the "management approach" of IAS 14, segment reporting is based on the internal organizational and reporting structure of the STADA Group. The measurement approaches for segment reporting are in accordance with the accounting and measurement methods used in the IFRS consolidated financial statements. Services between the segments are offset based on market prices.

5.1. Primary segments

	Core segment Generics		Core segment Branded Products	
Segment reporting (primary) in € 000s	2007	Previous year	2007	Previous year
Income and expenses				
External sales[1]	1,154,388	911,245	303,991	259,056
Segment earnings/operating profit	206,208	149,727	50,853	49,992
Closing of US activities	-	12,045	-	-
Personnel measures in the German generics business (in accordance with IAS 19)	28,134	-	-	-
Investment income	-	-	-	-
Interest expense	29,300	14,735	10,670	4,566
Interest income	21,711	7,788	2,529	741
Earnings before taxes	170,845	130,735	42,712	46,167
Taxes on income	69,847	54,040	15,220	14,478
Net income	100,638	76,695	27,492	31,689
Net income distributable to shareholders of STADA Arzneimittel AG	99,168	76,307	27,430	31,574
Other information				
Segment assets	642,290	564,788	227,198	215,806
Liabilities	382,908	227,577	174,656	105,445
Capital expenditure	70,422	32,905	95,073	10,393
Depreciation/amortization	40,683	16,447	18,797	16,134
Other non-cash expenses	36,911	21,409	4,078	5,282

1) Sales were generated from transactions with other segments for the segments of Generics (€ 25,682 thousand), Branded Products (€ 3,643 thousand), Commercial Business (€ 143 thousand), and Group holdings/other (€ 203,334 thousand).

	Commercial business		Group holdings/other		Eliminations within segments		Consolidated	
	2007	Previous year	2007	Previous year	2007	Previous year	2007	Previous year
	68,997	63,719	43,114	11,030	-	-	1,570,490	1,245,050
	8,900	6,352	-50,429	-25,618	-29	11	215,503	180,464
	-	-	-	-	-	-	-	12,045
	-	-	-	-	-	-	28,134	-
	-	-	411	250	-	-	411	250
	630	856	75,689	42,153	-64,483	-33,255	51,806	29,055
	221	387	54,706	29,894	-64,454	-33,266	14,713	5,544
	8,491	5,883	-71,001	-37,627	-	-	150,687	145,158
	1,049	1,000	-42,097	-16,823	-	-	44,019	52,695
	7,442	4,883	-28,904	-20,804	-	-	106,668	92,463
	7,442	4,762	-28,904	-20,810	-	-	105,136	91,833
	16,766	9,308	24,730	59,781	-	-	910,984	849,683
	9,119	9,701	904,593	848,155	-	-	1,471,276	1,190,878
	150	135	30,869	192,911	-	-	196,514	236,344
	1,977	603	40,265	30,719	-	-	101,722	63,903
	1,240	771	7,849	17,026	-	-	50,078	44,488

The primary segmentation within the STADA Group is based on sales differentiation. Thus, the allocation to the individual segments is determined to a large extent by the sales positioning. If this positioning changes for parts of the product portfolio, associated sales are reallocated.

Accordingly, STADA's primary segmentation is divided into two core segments, Generics and Branded Products, as well as into the two non-core segments Commercial Business and Group holdings/other.

Pursuant to STADA's segment definition, which has been used since 2006, Generics are products for the health care market – usually with a drug character – which contain one or several active pharmaceutical ingredients whose commercial property rights have expired or will expire shortly and whose sales positioning complies with one of the two following criteria:

- The product is offered by emphasizing its low price, usually in contrast to the product of another supplier which contains the identical active pharmaceutical ingredient

or

- the product is an integral part of a marketing concept targeting more than one product and indication for primarily prescription products with active pharmaceutical ingredients whose commercial property rights have usually expired.

According to STADA's segment definition, which has been used since 2006, Branded Products are products for the health care market which contain one or several active pharmaceutical ingredients whose commercial property rights have usually expired and whose sales positioning complies with one of the two following criteria:

- The product is sold under a product-specific brand name and with emphasis on specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products

or

- the product is part of a marketing concept for primarily non-prescription products which are mainly sold under a product-specific brand name and with emphasis on different specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products.

STADA also conducts business and has equity interests in fields outside the core segments. The objective of these activities is to supplement and support the Group's activities in the core segments. Transactions that mainly involve trading and selling – such as in wholesaling activities – are grouped together in the Commercial Business segment. All other activities, such as the sale of drug approvals and equity interests, are reported under Group holdings/other.

Assets and liabilities items are allocated to individual segments by objective criteria. Assets that cannot be allocated are reported in the Group holdings/other segment.

Segment assets comprise the Group's equity which can be assigned to the respective segment including the respective profit for the period less deferred tax assets attributable to the respective segment.

Segment liabilities include non-current and current liabilities without provisions and deferred tax liabilities.

5.2. Secondary segments

Segment reporting secondary segments in € 000s	Sales		Segment assets		Capital expenditure	
	2007	Previous year	2007	Previous year	2007	Previous year
Europe	**1,513,097**	**1,180,553**	**877,692**	**805,667**	**190,737**	**233,735**
Belgium	101,779	109,648	59,038	74,829	607	1,102
Bosnia-Herzegovina[1)]	19,931	9,251	11,561	6,313	-	-
Bulgaria	4,579	2,652	2,656	1,810	-	-
Denmark	22,007	23,618	12,765	16,118	-	-
Germany	579,821	481,866	336,336	328,849	58,927	195,491
Finland	6,057	5,105	3,513	3,484	10	120
France	87,043	79,594	50,490	54,319	1,483	2,798
UK	75,672	40,069	43,895	27,345	25,617	158
Ireland	23,543	16,860	13,656	11,506	3,247	5,285
Italy	117,193	108,959	67,979	74,359	4,545	11,348
Lithuania	1,104	918	640	626	-	7
Macedonia[1)]	2,940	1,550	1,705	1,058	-	-
Montenegro[1)]	9,390	2,880	5,447	1,965	-	-
The Netherlands	40,686	38,883	23,600	26,536	1,707	656
Austria	13,097	11,262	7,597	7,686	387	476
Poland	5,159	2,742	2,993	1,871	-	-
Portugal	12,266	10,288	7,115	7,021	656	263
Romania[1)]	6,718	5,819	3,897	3,971	-	-
Russia	133,775	87,505	77,598	59,718	75,458	5,426
Sweden	2,494	1,883	1,447	1,285	-	-
Serbia[1)]	145,091	46,124	84,162	31,477	16,844	9,529
Slovakia	3,767	2,544	2,185	1,736	-	-
Spain	62,735	61,075	36,390	41,681	945	639
Czech Republic	8,908	8,305	5,167	5,668	186	355
Ukraine	12,968	9,396	7,522	6,412	118	5
Rest of Europe	14,374	11,757	8,338	8,024	-	77
Asia	**44,738**	**42,902**	**25,950**	**29,278**	**5,777**	**2,609**
China	8,008	5,511	4,645	3,761	75	886
Kazakhstan	5,445	4,466	3,158	3,048	13	21
The Philippines	9,750	7,400	5,656	5,050	82	63
Thailand	3,073	2,000	1,783	1,365	9	36
Vietnam	7,884	18,396	4,573	12,554	5,598	1,603
Rest of Asia	10,578	5,129	6,135	3,500	-	-
America	**8,119**	**18,986**	**4,710**	**12,957**	**-**	**-**
Africa	**4,082**	**2,607**	**2,368**	**1,779**	**-**	**-**
Rest of world	**454**	**2**	**264**	**2**	**-**	**-**

1) Hemofarm Group consolidated since August 1, 2006.

In the reporting in the secondary segments (geographical segments), net sales to third parties made by consolidated Group companies in the respective national markets significant for STADA are reported for the following regions: Europe, Asia, America, Africa and Rest of the world.

Disclosures on segment investments in secondary segment reporting are based on additions from intangible assets and property plant and equipment as well as financial assets and are geared to the location of the respective Group company which carries out the investment.

In order to avoid an arbitrary breakdown, the allocation of assets to secondary segments was based on fixed codes linking sales to geographical segments.

However, in the scope of this reporting of the secondary segments, STADA does not disclose financial results of the consolidated companies in this Group Annual Report. As STADA is mainly active in markets which are subject to distinct government regulation on a national level, the stressing of its local Group profit allocation could stimulate detrimental regulatory measures in individual national markets.

6. Other Disclosures (including Remuneration Report)

6.1. Events after the balance sheet date

Significant business events that occurred between the end of the fiscal year and the preparation of the financial statements are disclosed in the supplementary report.

6.2. Headcount

Average number of employees in the STADA Group	2007	2006
Sales/Marketing	2,687	2,127
Production/Procurement	3,437	2,222
Product development	387	280
Administration	1,281	813
Total	7,792	5,442

On the balance sheet date the STADA Group's average number of employees totaled 8,425 in 2007 (previous year: 7,533).

6.3. Disclosure according to § 26 (1) of the German Securities Trading Act (WpHG)

In accordance with § 26 (1) of the German Securities Trading Act STADA, in 2007, published subsequent announcements with the following wording[1]:

- On April 19, 2007, UBS AG Zürich, Schweiz has informed us according to article 21, section 1 WpHG that via shares its voting rights on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, have exceeded the 3% limit of the voting rights on April 12, 2007 and now amount to 3.58% (this corresponds to 2087504 voting rights). According to article 22, section 1, sentence 1, No. 1 WpHG, 0.184% of the voting rights (this corresponds to 107428 voting rights) is to be attributed to the company from UBS Global Asset Management (Americas), According to article 22, section 1, sentence 1, No. 1 WpHG, 0.073% of the voting rights (this corresponds to 42412 voting rights) is to be attributed to the company from UBS O'Connor LLC.
- On June 05, 2007, Deutsche Bank AG, Frankfurt am Main, Germany, has informed us according to Article 21, Section 1 WpHG i.V.m. § 32 Abs. 2 InvG that their subsidiary company DWS Investment GmbH, Frankfurt am Main, Germany, via shares its Voting Rights on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, have exceeded the 3% limit of the Voting Rights on June 01, 2007 and now amount to 3.17% (this corresponds to 1852000 Voting Rights).

- On June 08, 2007, UBS AG Zürich, Schweiz has informed us according to Article 21, Section 1 WpHG that via shares its Voting Rights on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, have fallen below the 3% limit of the Voting Rights on June 06, 2007 and now amount to 1.44% (this corresponds to 837519 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 WpHG, 0.18% of the voting rights (this corresponds to 103887 voting rights) is to be attributed to the company.

- On June 18, 2007, UBS AG, Zürich, Schweiz has informed us according to Article 21, Section 1 WpHG that via shares its Voting Rights on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, have exceeded the 3% limit of the Voting Rights on June 14, 2007 and now amount to 3.37% (this corresponds to 1964569 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 WpHG, 0.18% of the voting rights (this corresponds to 103887 voting rights) is to be attributed to the company.

- On June 19, 2007, UBS AG, Zürich, Schweiz has informed us according to Article 21, Section 1 WpHG that via shares its Voting Rights on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, have fallen below the 3% limit of the Voting Rights on June 15, 2007 and now amount to 1.96% (this corresponds to 1140946 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 WpHG, 0.17% of the voting rights (this corresponds to 100953 voting rights) is to be attributed to the company.

- On June 25, 2007 Morgan Stanley, The Corporation Trust Company, Wilmington, USA, notified STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN: DE0007251803, on its own behalf and on behalf of such further subsidiaries as mentioned below pursuant Section 21, para 1 and Section 24, German Securities Trading Act, that Morgan Stanley & Co. International Plc, London, United Kingdom on June 18, 2007 has exceeded the threshold of 5 % of the voting rights of STADA Arzneimittel AG, Bad Vilbel, Germany, and on that day held 5,34 % of the voting rights (3,121,038 shares). And each of the following holding entities of Morgan Stanley & Co. International PLC
  (i) Morgan Stanley, The Corporation Trust Company, Wilmington, USA
  (ii) Morgan Stanley International Holdings Inc. Wilmington, USA
  (iii) Morgan Stanley International Limited, London, United Kingdom
  (iv) Morgan Stanley Group (Europe), London, United Kingdom and
  (v) Morgan Stanley UK Group, London, United Kingdom
  on June 18, 2007 has also exceeded the threshold of 5 % of the voting rights of STADA Arzneimittel AG, Bad Vilbel, Germany, and on that day hold 5,34 %. 5,34 % of the aforementioned voting rights, which are directly held by Morgan Stanley & Co. International PLC, London, United Kingdom, have to be attributed to each of the entities mentioned above under (i) to (v) pursuant Section 22 para. 1 Nr. 1 of the German Securities Trading Act. In each case the attribution to each of the entities set forth under (i) to (v) above occurs through each of the entities mentioned below the respective entity.

- On June 26, 2007 Morgan Stanley, The Corporation Trust Company, Wilmington, USA, notified STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN: DE0007251803, on its own behalf and on behalf of such further subsidiaries as mentioned below pursuant Section 21, para 1 and Section 24, German Securities Trading Act, that Morgan Stanley & Co. International Plc, London, United Kingdom on June 19, 2007 has fallen beneath the threshold of 5 % of the voting rights of STADA Arzneimittel AG, Bad Vilbel, Germany, and on that day held 3,18 % of the voting rights (1,858,924 shares). And each of the following holding entities of Morgan Stanley & Co. International PLC
  (i) Morgan Stanley, The Corporation Trust Company, Wilmington, USA
  (ii) Morgan Stanley International Holdings Inc. Wilmington, USA
  (iii) Morgan Stanley International Limited, London, United Kingdom
  (iv) Morgan Stanley Group (Europe), London, United Kingdom and
  (v) Morgan Stanley UK Group, London, United Kingdom
  on June 19, 2007 has also fallen beneath the threshold of 5 % of the voting rights of STADA Arzneimittel AG, Bad Vilbel, Germany, and on that day hold 3,18 %. 3,18 % of the aforementioned voting rights, which are directly held by Morgan Stanley & Co. International PLC, London, United Kingdom, have to be attributed to each of the entities mentioned above under (i) to (v) pursuant Section 22 para. 1 Nr. 1 of the German Securities Trading Act. In each case the attribution to each of the entities set forth under (i) to (v) above occurs through each of the entities mentioned below the respective entity.
- On July 11, 2007, UBS AG, Zürich, Schweiz has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, have exceeded the 3% limit of the Voting Rights on July 05, 2007 and now amount to 3.27% (this corresponds to 1906858 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.18% of the Voting Rights (this corresponds to 107880 Voting Rights) is to be attributed to the company.
- On July 19, 2007, UBS AG Zürich, Schweiz has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, have fallen below the 3% limit of the Voting Rights on July 17, 2007 and now amount to 2.95% (this corresponds to 1721383 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.17% of the Voting Rights (this corresponds to 100063 Voting Rights) is to be attributed to the company.
- Fidelity International, Surrey, United Kingdom, informed us on behalf of Fidelity International Limited, Hamilton, Bermuda, United Kingdom on July 25, 2007, in accordance with §21 section 1, WpHG that the share of voting rights of Fidelity International Limited in STADA Arzneimittel AG, Stadastr. 2-18, 61118 Bad Vilbel, Germany, on July 19, exceeded the threshold of 3% of voting rights and now amounts to 3.02% (1,762,992 shares). The voting rights are attributed to Fidelity International Limited in accordance with §22 section 1 No. 6 WpHG.

- On July 30, 2007, Deutsche Bank AG, Frankfurt am Main, Germany, has informed us according to Article 21, Section 1 WpHG i.V.m. § 32 Abs. 2 InvG that their subsidiary company DWS Investment GmbH Frankfurt am Main, Germany, via shares its Voting Rights on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, have fallen below the 3% limit of the Voting Rights on July 26, 2007 and now amount to 2,97% (this corresponds to 1.735.000 Voting Rights).
- On August 13, 2007, DWS Investment GmbH Frankfurt am Main, Germany, has informed us according to Article 21, Section 1, Article 24 of the WpHG in connection with Article 32, Section 2 of the German Investment Act, that via shares its Voting Rights on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, have exceeded the 3% limit of the Voting Rights on August 08, 2007 and now amount to 3.00% (this corresponds to 1751000 Voting Rights).
- On August 23, 2007, UBS AG, Zürich, Schweiz has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, have exceeded the 3% limit of the Voting Rights on August 21, 2007 and now amount to 3.21% (this corresponds to 1872442 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.19% of the Voting Rights (this corresponds to 108372 Voting Rights) is to be attributed to the company.
- On August 29, 2007, Deutsche Bank AG, Frankfurt am Main, Germany, has informed us according to Articles 21, Section 1, 24 of the WpHG in connection with Article 32, Section 2 of the German Investment Act, that the Voting Rights via shares on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, of its subsidiary company DWS Investment GmbH, Frankfurt am Main, Germany, have fallen below the 3% limit of the Voting Rights on August 24, 2007 and now amount to 2.985% (this corresponds to 1743000 Voting Rights).
- On August 31, 2007, UBS AG Zürich, Schweiz has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on STADA Arzneimittel AG, Bad Vilbel, Deutschland, ISIN: DE0007251803, WKN: 725180, have fallen below the 3% limit of the Voting Rights on August 27, 2007 and now amount to 2.42% (this corresponds to 1411414 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.17% of the Voting Rights (this corresponds to 100111 Voting Rights) is to be attributed to the company.
- Fidelity International, Surrey, United Kingdom, informed us on behalf of Fidelity International Limited, Hamilton, Bermuda, United Kingdom, on September 20, 2007, in accordance with § 21 section 1, WpHG that the share of voting rights of Fidelity International Limited in STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN: DE0007251803, WKN: 725180 had, on September 18, 2007, fallen, through the sale shares, below the legal threshold of 3% of voting rights and now amounts to 2.97% (corresponding to 1,735,592 voting rights).
- Notice of correction: Fidelity International, Surrey, United Kingdom, informed us on behalf of Fidelity International Limited, Hamilton, Bermuda, on September 20, 2007, in accordance with § 21 section 1, WpHG that the share of voting rights of Fidelity International Limited in STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN: DE0007251803, WKN: 725180 had, on September 18, 2007, fallen, through the sale shares, below the legal threshold of 3% of voting rights and now amounts to 2.97% (corresponding to 1735592 voting rights). 2.97% of voting rights (corresponding to 1735592 voting rights) are to be attributed to Fidelity International Limited in accordance with § 22 section 1, sentence 1, No. 6 WpHG.

In the first quarter of 2008. STADA has so far received announcements from UBS AG, Zurich, and from Fidelity International Limited, Hamilton, Bermuda, on exceeding the reporting threshhold of a total of 3% in accordance with § 26, section 1 WpHG.

6.4. Additional disclosures in accordance with IFRS 7

Compulsory disclosures in accordance with IFRS 7 are generally presented in their respective context. In addition, the following disclosures are made.

The contractually agreed (undiscounted) cash flows, as of the balance sheet date December 31, 2007, from interest payments on financial liabilities in the total amount of € 1,042.3 million for the coming years can be seen in the following table:

	2008		2009		2010-2012	
Cash flows from financial liabilities in T €	Interest rate fixed	Interest rate variable	Interest rate fixed	Interest rate variable	Interest rate fixed	Interest rate variable
Cash flows from financial liabilities	25,901	16,493	25,742	15,449	46,431	23,698

Included were all instruments which existed as of December 31, 2007 and for which payments had already been contractually agreed. Planned figures for new future liabilities are not included. Amount in foreign currency were respectively translated with the cash price on the closing date. The variable interest payments from financial instruments were determined based on the interest rates fixed last before December 31, 2007. For the promissory notes existing as of the balance sheet date, a repayment in accordance with the maturity disclosed in the balance sheet is assumed.

Cash and cash equivalents, trade accounts receivable as well as other receivables mainly have short remaining terms. Therefore, their carrying amounts as of the closing date correspond approximately to the fair value. The carrying amounts of other non-current receivables as well as of held-to-maturity financial investments with remaining terms of more than a year correspond to the present values of the payments connected with the assets by taking into consideration the respectively current interest parameters which reflect market and partner-related changes in the conditions and expectations. Trade accounts payable as well as other liabilities regularly have short remaining terms; the recognized values approximate the carrying amounts.

The following disclosures are made on carrying amounts, valuation rates and fair values according to valuation categories:

		Valuation rate balance sheet in accordance with IAS 39			
Carrying amounts, valuation rates and fair values according to valuation categories in € 000s	Carrying amount Dec. 31, 2007	Continued historical cost	Cost	Fair value not included in the income statement	Fair value included in the income statement
Assets					
Cash and cash equivalents	81,479	81,479			
Trade accounts receivable	482,056	482,056			
Other receivables	134,464	134,464			
Held-to-maturity financial assets	2,167	2,167			
Available-for-sale financial assets (AfS)	164			164	
Derivative financial assets	3,328				3,328
Equity and liabilities					
Trade accounts payable	235,233	235,233			
Amounts due to banks	450,339	450,339			
Promissory notes	592,000	592,000			
Thereof aggregated according to valuation categories in accordance with IAS 39:					
Loans and receivables as well as cash and cash equivalents	697,999	697,999			
Held-to-maturity financial assets	2,167	2,167			
Available-for-sale financial assets	164			164	
Derivative financial assets	3,328				3,328
Financial liabilities, accounted at cost	1,277,572	1,277,572			

		Valuation rate balance sheet in accordance with IAS 39					
	Fair Value Dec. 31, 2007	Carrying amount previous year	Continued historical cost	Cost	Fair value not included in the income statement	Fair value included in the income statement	Fair value previous year
	81,479	129,429	129,429				129,429
	482,056	356,065	356,065				356,065
	134,464	111,630	111,630				111,630
	2,167	33	33				33
	164						
	3,328						
	235,233	157,938	157.938				157,938
	450,339	310,502	310,502				310,502
	592,000	592,000	592,000				592,000
	697,999	597,124	597,124				597,124
	2,167	33	33				33
	164						
	3,328						
	1,277,572	1,060,440	1,060,440				1,060,440

6.5. Notes to financial instruments and principles of risk and/or capital management

6.5.1. Disclosures on accounting and measurement methods of financial instruments

Financial assets are measured at fair value at their initial recognition. For all financial assets which are subsequently not measured at fair value, transaction costs directly attributable to the acquisition are to be taken into account. Fair values recognized in the balance sheet usually correspond to the market prices of the financial assets. If these are not readily available, they are calculated by making use of recognized measurement models and by having recourse to current market parameters. For this purpose, the cash flows which are already fixed or calculated by means of the current yield curve via so-called forward rates are discounted to the measurement due date with the discount factors determined by means of the yield curve valid on the due date.

STADA uses derivative financial instruments exclusively to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

Derivative financial instruments are recognized at fair value at their initial recognition. The fair values are also relevant for subsequent measurements. The fair value of traded derivative financial instruments corresponds to the market price and can therefore be positive or negative. If no market values are available, the fair values are to be calculated by means of recognized mathematical models.

For derivative financial instruments, fair value corresponds to the amount which STADA would either receive or have to pay on the closing date in case of a termination of the financial instrument. This amount is calculated by making use of the exchange rates, interest rates and the contracting parties' financial standings relevant as of the closing date, however, by using average rates.

6.5.2. Principles of financial risk management

The basic principles of financial policy and of financial risk management are determined or confirmed at least one time per year by the Executive Board. All transactions above a relevance threshold determined by the Executive Board additionally require the Executive Board's prior approval, who, in addition, is regularly informed on the nature, scope and the amount of the current risks.

Regarding assets, liabilities and scheduled transactions, these risks comprise particularly risks from changes to exchange rates, interest rates and stock-exchange prices.

It is the objective of financial risk management to limit these market risks through the current operative and finance-related activities. For this purpose, depending on the assessment of the financial risk, derivative and non-derivative hedging instruments are used. However, on principle only those financial risks are hedged which have significant consequences on the Group's cash flow. Derivative financial instruments are used exclusively as hedging instruments; they are not used for trading or other speculative purposes.

6.5.2.1. Risk management regarding currency risks and currency forward hedges

STADA's currency risks result by far mainly from operating activities, investments and financing measures.

Risks due to foreign currencies are hedged to the extent that they significantly influence the Group's cash flows. Risks due to foreign currencies which do not significantly influence the Group's cash flows (such as risks resulting from the translation of assets and liabilities of foreign corporate units into the Group's reporting currency), however, are not hedged.

In the operating area, the individual Group companies carry out their activities mainly in their individual functional currency. Therefore, STADA estimates the currency risk from current operating activities as being low. However, some Group companies are exposed to foreign currency risks in connection with planned payments outside their functional currencies. These mainly relate to the refinancing of the Serbian Hemofarm Group and the Russian subsidiary Nizhpharm.

IAS 39 requires that all financial assets and liabilities, as well as all derivatives regardless of their purpose, be reported in the balance sheet in the appropriate asset and liability account, mainly at their market value. Market expectations with respect to financial derivatives must be accounted for on a regular basis and be reported either in the income statement or under shareholders' equity in the form of a revaluation reserve, depending on whether their function is as a fair value hedge or a cash flow hedge. Changes in the market value of the hedged item and of the financial derivative are always shown in the income statement in the case of a fair value hedge.

On behalf of the STADA Group as a whole, STADA Arzneimittel AG employs fundamentally different financial derivatives to hedge assets, liabilities and anticipated future cash flows denominated in foreign currency. In the 2007 reporting year, STADA Arzneimittel AG made particular use of foreign-exchange futures contracts. The maturity dates of futures contracts are selected to match the Company's anticipated cash flows. Generally, however, their terms do not exceed one year. Based on the respective foreign currency planning, a hedge strategy is thereby developed in the context of a risk analysis, making use of the variance-covariance method.

The following currency hedges were held on the balance sheet date of December 31, 2007: currency futures contract for hedging possible payments in US dollars in the amount of USD 40.0 million.

Moreover, for existing promissory notes, STADA exchanged variable interest rates against fixed interest rates as well as fixed interest rates against variable interest rates. The valuation of this agreement is recognized in shareholders' equity in the interest result in the net amount of € 2.4 million (previous year: € 0.1 million).

6.5.2.2. Default risk

STADA Arzneimittel AG may be exposed to default risk if contracting parties fail to meet their obligations. To minimize credit risks, such agreements are only concluded with banks of impeccable financial standing. Domestic receivables are covered by a credit insurance policy (Hermes) which mainly covers receivables from pharmacies.

6.5.2.3. Changes in interest rate risk

STADA is primarily exposed to interest rate risks in the Euro zone, in the United Kingdom as well as in Serbia and Russia. In order to minimize the effects of interest rate fluctuations, STADA manages the interest rate risk for the financial liabilities denominated in Euro with hedging transactions. Due to these derivative hedging transactions, in 2007, an average of 64% (previous year: 71%) of financial liabilities denominated in Euro had fixed interest rates.

The valuation of these interest rate swaps at market value is based on generally accepted valuation models (Black-Scholes or Heath-Jarrow Morton).

6.5.2.4. Changes in procurement price risk

Procurement operations can involve exposure to the risk of subsequent price changes. STADA counters this potential risk by means of price escalation clauses linking procurement prices to current selling prices. This significantly reduces procurement risk.

6.5.2.5. Liquidity risk from financial instruments

The Group's liquidity was guaranteed at any time in the past fiscal year. For this purpose as well as to guarantee STADA's financial flexibility, a liquidity reserve in form of credit lines and, if required, cash is set aside. For this, STADA has concluded bilateral credit contracts with various banks.

6.5.2.6. Quantitative disclosures on risks in connection with market rates of interest

If the market rate of interest level had been 1 percent higher (lower) as of December 31, 2007, the Group's earnings before taxes had been € 1.7 million (previous year € 0.6 million) lower (higher). These hypothetical consequences for earnings result from the potential effects from interest rate derivatives in the amount of € 0.5 million and original financial liabilities with variable interest rates in the amount of € 1.2 million.

6.5.3. Disclosures on capital management

Pursuant to IAS 1.124 b STADA understands capital exclusively as equity reported in the Group's balance sheet and aims to continuously improve the market value of the equity through optimal capital management.

6.6. Information on the company's Executive Board

6.6.1. Composition of the Executive Board

The members of the Executive Board on the balance sheet date were:

- Hartmut Retzlaff, Chairman of the Executive Board (under contract until August 31, 2011)
- Wolfgang Jeblonski, Chief Financial Officer (under contract until August 31, 2011)
- Dr. jur. Alexander Oehmichen, Chief Legal Officer (until May 1, 2007 also Chief Corporate Development Officer, until January 31, 2008 also Chief Human Resources Officer) (under contract until December 31, 2010)
- Christof Schumann, Chief Research & Development Officer (under contract until December 31, 2010)
- Dr. rer. nat. Hans-Martin Schwarm, Chief Procurement, Production and Logistics Officer (under contract until August 03, 2009)

The Executive Board is appointed and dismissed exclusively in accordance with legal regulations. The articles of incorporation do not provide special provisions on the appointment or dismissal of individual and all members of the Executive Board. Only the Supervisory Board is responsible for the appointment and dismissal. It appoints members of the Executive Board for a maximum of five years. A repeated appointment or extension of the term is allowed, for a maximum of five years each.

6.6.2. Mandates of Executive Board members

Hartmut Retzlaff is or was also member of the Administrative Board of HSBC Trinkaus & Burkhardt KGaA, member of the Supervisory Board of BIOCEUTICALS Arzneimittel AG, member of the Supervisory Board of S.A Neocare N.V., S.A. Eurogenerics N.V. and Hemofarm A.D. (Chairman) as well as member of the Executive Board/Board of Directors of Clonmel Healthcare Ltd., Laboratorio STADA, S.L. (Chairman), SFS International Ltd., STADA Arzneimittel Gesellschaft m.b.H. (until September 4, 2007), STADA Financial Investments Ltd., STADA Pharmaceuticals (Asia) Ltd., STADA Service Holding B.V. and STADApharm AB.

Wolfgang Jeblonski is or was also member of the Entrepreneur's Advisory Board of DZ Bank AG, member of the Advisory Board of the Region Mitte of Deutschen Bank AG, member of the Advisory Board of Pictet Generics Funds, member of the Supervisory Board S.A Neocare N.V., S.A. Eurogenerics N.V. and Hemofarm A.D as well as member of the Executive Board/Board of Directors of ALIUD PHARMA GmbH, Clonmel Healthcare Ltd., Croma Medic Inc., DATApharm Company Ltd., Health Vision Enterprise Ltd., Laboratorio STADA, S.L., PharmaCoDane ApS, SFS International Ltd., STADA Arzneimittel Gesellschaft m.b.H. (until September 4, 2007), STADA Asiatic Co., Ltd., STADA Financial Investments Ltd., STADA Import/Export Ltd., STADA Pharmaceuticals (Asia) Ltd., STADA Service Holding B.V. and STADApharm AB.

Dr. Alexander Oehmichen is or was also member of the Supervisory Board of JSC Nizhpharm and Hemofarm A.D. as well as member of the Executive Board/Board of Directors of Croma Medic Inc. (until July 3, 2007), Laboratorio STADA, S.L., STADA Asiatic Co., Ltd., STADA Service Holding B.V., STADA Vietnam J.V. Co., Ltd., UAB STADA-Nizhpharm-Baltiya, CJSC Makiz-Pharma (Chairman), CJSC Biodyne Pharmaceuticals (Chairman), CJSC Skopinpharm (Chairman), OOO Hemofarm Obninsk (Chairman) and OOO Hemofarm Inženjering Obninsk (Chairman).

Christof Schumann is also member of the Executive Board of BIOCEUTICALS Arzneimittel AG as well as member of the Advisory Board of wissenschaftliches Weiterbildungsinstitut für pharmazeutisch-technische Assistenten GbR.

Dr. Hans-Martin Schwarm is also member of the Executive Board/Board of Directors of STADA Production Ireland Ltd.

6.6.3. Report on the remuneration of the Executive Board

6.6.3.1. Principles of the Executive Board's remuneration system

Each Executive Board member receives remuneration, which, in view of the tasks, the personal performance, the Executive Board's overall performance, the economic situation, the success and the company's future prospects, also in consideration of the comparative environment, is individually deemed appropriate by the Supervisory Board.

Overall remuneration includes monetary remuneration parts as well as non-monetary remuneration parts, which comprehend pension agreements, in particular.

The respective monetary remuneration includes fixed components and variable components, which are dependent on the company's success in the reporting year. The amount as well as the breakdown of fixed vs. variable components of remuneration depends on the individual provisions of the employment contract of each member of the Executive Board.

There was no stock option plan or other instruments with a long-term incentive effect in place for Executive Board members as of the balance sheet date.

6.6.3.2. Monetary remuneration of the Executive Board

In 2007, total monetary remuneration for appointed members of the Executive Board was € 7,546,629.20 within STADA Arzneimittel AG and € 7,661,958.52 within the Group.

This total monetary remuneration paid to appointed members of the Executive Board in 2007 can be broken down as follows:

- Hartmut Retzlaff: € 2,607,001.20 (thereof € 1,046,490.44 fixed and € 1,560,510.76 variable)
- Wolfgang Jeblonski: € 1,466,433.45 (thereof € 625,753.45 fixed and € 840,680.00 variable)
- Dr. Alexander Oehmichen: € 1,201,748.81 (thereof € 376,068.81 fixed and € 825,680.00 variable)
- Christof Schumann: € 1,193,539.70 (thereof € 367,859.70 fixed and € 825,680.00 variable)
- Dr. Hans-Martin Schwarm: € 1,193,235.36 (thereof € 367,555.36 fixed and € 825,680.00 variable)

In 2007, monetary remuneration for former members of the Executive Board was € 466,472.76.

6.6.3.3. Non-monetary remuneration of the Executive Board

In addition to monetary remuneration, the company grants pension agreements to a part of the Executive Board. The pension agreements for the Executive Board members Hartmut Retzlaff and Wolfgang Jeblonski contain commitments to an annual pension, which, depending on the duration of the Executive Board position, is calculated as a percentage of the basic remuneration. In the case of the Chairman of the Executive Board, a percentage of the variable remuneration, which was granted during the last five years before the beginning of pension payments, is additionally taken into consideration.

Payments from the pension commitments begin on request as pension payments if employment ends at or after the end of the 60th year (in the case of the Chairman of the Executive Board in principle after completion of the current Executive Board contract) or as disability pension if employment ends before this due to an inability to work.

Expenses for the pension commitments of the Executive Board earned in fiscal year 2007 are composed as follows:

- Hartmut Retzlaff € 684,490
- Wolfgang Jeblonski € 224,673

Current pension provisions for former Executive Board members in the fiscal year 2007 amounted to € 1,511,530.00.

6.6.3.4. Commitments to Executive Board members in the case of termination of their activity

For Hartmut Retzlaff and Wolfgang Jeblonski supplementary agreements to the employment contract each contain identical severance pay regulations for the case that the Executive Board contract, as a result of a closely defined change of control within the context of a takeover, is terminated. The severance payment would thereby consist of a one-time payment of an amount equal to five times the gross annual income of the Executive Board member in the last full year prior to the takeover, including bonus paid-out. In addition, both Executive Board members receive remuneration including the bonus as agreed in the individual employment contract for the entire term of the contracts. The bonus is calculated based on the average of the previous two bonuses paid prior to the termination of the contract.

If Wolfgang Jeblonski's activity in the Executive Board ends before his reaching the age of 65 years because his appointment is not renewed, and if this is not due to a reason, which would have entitled the company to a termination without notice, thus Wolfgang Jeblonski will receive a one-time severance payment in the amount of € 250,000.00.

The contracts of Dr. Alexander Oehmichen/Christof Schumann/Dr. Hans-Martin Schwarm contain identical provisions for the full payment of all remuneration intended for the contract term as well as for the payment of a transitional allowance.

If Dr. Alexander Oehmichen/Christof Schumann/Dr. Hans-Martin Schwarm is removed as a member of the Executive Board before the end of the period of appointment, all entitlements to remuneration, which were agreed on under the Executive Board contract for the period of appointment, remain unaffected.

If the Executive Board mandate of Dr. Alexander Oehmichen/Christof Schumann/Dr. Hans-Martin Schwarm ends before his reaching the age of 65 years, either because he is removed early or because he is not reappointed, Dr. Alexander Oehmichen/Christof Schumann/Dr. Hans-Martin Schwarm will receive a one-time transitional allowance in the amount of a fixed annual remuneration plus half of previous year's bonus.

6.6.3.5. Benefits from third parties outside the Group, which were promised or granted to members of the Executive Board in the reporting year with regard to their position in the Executive Board

To the company's knowledge, no benefits from third parties outside the Group were promised or granted to appointed Executive Board members in fiscal year 2007.

6.6.4. Loans to members of the Executive Board

There were no loans outstanding to members of the Executive Board as of the balance sheet date.

6.7. Information on the company's Supervisory Board

6.7.1. Composition of the Supervisory Board and its committees

The members of the Supervisory Board on the balance sheet date were:

- Dr. Eckhard Brüggemann, Doctor, Herne (Chairman)
- Karl Hertle, Scientific Staff, Bad Vilbel (Deputy Chairman)
- Dr. Martin Abend, Attornay, Dresden
- Heike Ebert, Head of Packaging, Niddatal
- Uwe E. Flach, Consultant Financial Industry, Frankfurt am Main
- Dr. K. F. Arnold Hertzsch, Self-employed pharmacist, Dresden
- Dieter Koch, Pharmacist, Kiel
- Constantin Meyer, Self-employed pharmacist, Seelze
- Adolf Zissel, Product Manager, Bad Nauheim

The term of all Supervisory Board members ends with the completion of the Annual Shareholders' Meeting 2008.

Karl Hertle, Heike Ebert and Adolf Zissel are Supervisory Board members who were elected by the employees as their representatives.

The Supervisory Board had created the following committees with the following members on the balance sheet date:

- Human Resources and Strategy Committee with the following members: Dr. Eckhard Brüggemann (Chairman), Uwe E. Flach, Karl Hertle
- Audit Committee with the following members: Uwe E. Flach (Chairman), Dr. Eckhard Brüggemann, Karl Hertle

6.7.2. Mandates of Supervisory Board members

Uwe E. Flach is or was also member of the Supervisory Board of Andreae-Noris-Zahn AG (until February 12, 2008) as well as Deutsche Wohnen AG (since January 31, 2008), Chairman of the Supervisory Board of GEHAG GmbH, of Nordenia International AG, of the Eisenbahn-Siedlungs-Gesellschaft Berlin GmbH and the Haus- und Heim-Wohnungsbau AG as well as member of the Advisory Board of DZ Bank AG.

6.7.3. Report on the remuneration of the Supervisory Board

6.7.3.1. Remuneration system of the Supervisory Board according to the company's statutes

Remuneration of the Supervisory Board is as follows pursuant to § 18 of STADA Arzneimittel AG's articles of incorporation:

- For the relevant fiscal year, in addition to reimbursement of expenses, Supervisory Board members receive:
  a) an annual fixed sum of € 25,000 as well as
  b) additional remuneration in the amount of 0.03% of Group earnings before taxes.
  The Chairman of the Supervisory Board receives triple this amount and his deputy twice the amount.
  Value added tax must be paid on the remuneration.

- In addition, Supervisory Board members receive an annual fixed remuneration of € 10,000 for their committee activities for the past fiscal year. The Chairman of a committee receives twice this amount in remuneration. Value added tax must be paid on the remuneration.

6.7.3.2. Remuneration of the Supervisory Board

In fiscal year 2007, remuneration of appointed Supervisory Board members totaled € 890,810.82.

Remuneration of the appointed Supervisory Board members can be broken down as follow:
- Dr. Eckhard Brüggemann € 232,702.70 (thereof € 105,000.00 fixed and € 127,702.70 variable)
- Karl Hertle € 155,135.13 (thereof € 70,000.00 fixed and € 85,135.13 variable)
- Dr. Martin Abend € 67,567.57 (thereof € 25,000.00 fixed and € 42,567.57 variable)
- Frau Heike Ebert € 67,567.57 (thereof € 25,000.00 fixed and € 42,567.57 variable)
- Uwe E. Flach € 97,567.57 (thereof € 55,000.00 fixed and € 42,567.57 variable)
- Dr. K. F. Arnold Hertzsch € 67,567.57 (thereof € 25,000.00 fixed and € 42,567.57 variable)
- Dieter Koch € 67,567.57 (thereof € 25,000.00 and € 42,567.57 variable)
- Constantin Meyer € 67,567.57 (thereof € 25,000.00 fixed and € 42,567.57 variable)
- Adolf Zissel € 67,567.57 (thereof € 25,000.00 fixed and € 42,567.57 variable)

Beyond this remuneration no additional monies or benefits have been granted to members of the Supervisory Board for personally rendered services, in particular for consulting or mediation services, other than in the following case: Supervisory Board member Constantin Meyer received royalty payments in the amount of € 42,141.17.

6.7.4. Loans to members of the Supervisory Board

There were no loans outstanding to members of the Supervisory Board as of the balance sheet date.

6.8. Related party transactions

6.8.1. Relations to natural persons

In the course of their normal professional activities, individual members of the Supervisory and Advisory Boards who are self-employed have business dealings with the company. These are not significant as regards their volume and nature and are paid under conditions usual in the market.

6.8.2. Relations to the auditor

In fiscal year 2007, the following professional fees were recognized as expenses for services rendered by the auditor of the consolidated financial statements:

in € 000s	2007	Previous year
Fees paid to the auditor of the consolidated financial statements	293	200
• thereof for audits	230	180
• thereof for tax consultancy services	3	8
• thereof for other services	60	12

6.8.3. Significant relations to other legal persons

After capital increases in the year 2006 STADA, as per December 31, 2007, holds 14.99% of shares in BIOCEUTICALS Arzneimittel AG for which total payments of € 16.3 million were made. STADA continues to provide BIOCEUTICALS with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 29.5 million had been used as of December 31, 2007. In addition, a capital guarantee from STADA for the benefit of BIOCEUTICALS exists, of which € 3.0 million had been used as of December 31, 2007.

With BIOCEUTICALS Arzneimittel AG a service contract exists. Moreover, among other things, BIOCEUTICALS has granted cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH semi-exclusive distribution rights for Epo-zeta for Germany. In some other European countries (such as Serbia or Russia, for example) a local STADA-owned subsidiary can receive or has already received at the same time a semi-exclusive local sales license from BIOCEUTICALS. In addition to being Chief Research & Development Officer at STADA Arzneimittel AG, Christof Schumann is also member of the Executive Board at BIOCEUTICALS Arzneimittel AG.

6.9. Corporate Governance Code

In accordance with § 161 of the German Stock Corporation Act, the Executive and Supervisory Boards have issued their annual joint declaration of compliance with the German Corporate Governance Code on December 14, 2007. During a 5 year period, shareholders are provided with permanent access to this declaration on the Company's website www.stada.de (German website) and www.stada.com (English website). The Company also publishes the declaration in this Annual Report.

7. Dividend

The German Stock Corporation Act specifies that distributable dividends relate to the unconsolidated earnings of STADA Arzneimittel AG as shown in the relevant separate HGB financial statements. STADA Arzneimittel AG's distributable profit as of December 31, 2007, amounted to € 46,493,914.31. The Executive Board recommends that a dividend of € 0.71 per common share (previous year: € 0.62 per common share) be appropriated from distributable profit.

Bad Vilbel, March 10, 2008

H. Retzlaff
Chairman of the Executive Board

W. Jeblonski
Chief Financial Officer

Dr. A. Oehmichen
Chief Legal Officer

C. Schumann
Chief Research & Development Officer

Dr. H.- M. Schwarm
Chief Procurement, Production and Logistics Officer

ADDITIONAL INFORMATION

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the business, financial position and results of operations and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Bad Vilbel, March 10, 2008

H. Retzlaff
Chairman of the Executive Board

W. Jeblonski
Chief Financial Officer

Dr. A. Oehmichen
Chief Legal Officer

C. Schumann
Chief Research & Development Officer

Dr. H.- M. Schwarm
Chief Procurement, Production and Logistics Officer

CORPORATE GOVERNANCE DECLARATION

Declaration of Compliance 2007

Joint Declaration of the Executive and Supervisory Board of STADA Arzneimittel AG concerning the German Corporate Governance Code, pursuant to § 161 of the German Stock Corporation Act (AktG)

At the time this declaration was submitted, STADA Arzneimittel AG complied with the recommendations of the German Corporate Governance Code in the version of June 14, 2007 (published in the electronic Federal Gazette on July 20, 2007) with the following exceptions:

Section 3.8: D&O insurance – deductible for board members

The D&O insurance policy covering board members and top management, which is part of a common group insurance policy, does not contain a deductible since it is not customary in international practice to have such a deductible for top management, and in the opinion of the Supervisory and Executive Board, board members should not be placed in a worse position than the Company's top management.

Section 3.10: Corporate Governance Report

The reporting obligation in accordance with Section 3.10 of the Corporate Governance Code and the reporting requirements set out in § 161 of the German Stock Corporation Act (AktG) partially deviate from one another in terms of content. The Executive Board and Supervisory Board have decided to orient the Company's reporting on Corporate Governance in line with the legal requirements.

Section 4.2.5: Remuneration Report as part of the Corporate Governance Report

The Company publishes annually in the Notes of the Annual Report both the legally required information as well as the information required by the Corporate Governance Code regarding the remuneration of the Executive Board and Supervisory Board. The Company forgoes a repetition of this information within the framework of a Remuneration Report in the Corporate Governance Report in order to avoid being redundant.

Section 5.3.3: Nominating committee for the election of the Supervisory Board

In view of the size of STADA's Supervisory Board with six shareholder representatives, the Supervisory Board deems such additional committee as structurally dispensable; thus, additional remuneration for Supervisory Board members active in such a committee, which would be incurred otherwise in accordance with the Company's articles of incorporation, is avoided.

Section 5.4.1: Age limit for members of the Supervisory Board

The Supervisory Board's rules of order do not provide for an age limit because such an age limit would shorten the voting rights of the shareholders in the Annual Shareholders' Meeting.

Section 6.6: Shares held by members of the Executive Board and Supervisory Board

The purchase and sale of STADA shares and options by members of the Executive Board and Supervisory Board and by closely related persons mentioned in the law are reported to the Company itself and to the German Federal Financial Supervisory Authority (BAFin) in accordance with legal requirements and are published on the Company's website in accordance with legal requirements. However, the shares and the options to purchase and sell such shares held by individual members of the Executive Board and Supervisory Board are not published in the Notes to the Company's financial statements. The Supervisory Board and the Executive Board are of the opinion that compliance with the legal requirements provides sufficient transparency.

Since the most recent Declaration of Compliance was issued in the fourth quarter of 2006, STADA Arzneimittel AG has complied with the recommendations of the German Corporate Governance Code in the version applicable at the time, with the following exceptions:

Section 3.8: D&O insurance – deductible for board members

The D&O insurance policy covering board members and top management, which is part of a common group insurance policy, does not contain a deductible since it is not customary in international practice to have such a deductible for top management, and in the opinion of the Supervisory and Executive Board, board members should not be placed in a worse position than the Company's top management.

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Section 7.1.4: Consolidated financial statements – information about outside companies

Until fiscal year 2005, STADA did not publish any disclosures relating to the previous year's equity or financial results of external companies in which STADA holds a material interest. STADA operates predominantly in markets that are subject to well-developed state regulation on the national level. The possibility existed that disclosure of the allocation of equity and/or profit allocation within the Group could lead to a disadvantageous competitive situation in individual national markets. The Supervisory Board and the Executive Board were of the opinion that transparency for shareholders is adequately guaranteed by detailed segment reporting on each line of business.

For STADA, the recommendations of the Corporate Governance Code serve as a general basis for the Company's activity. In daily practice, however, individual situations can occur in which the application of the Code could lead to limitations in the flexibility of the Company or in the proven corporate practice. In these individual cases, contrary to the Declaration of Compliance, deviations from the recommendation of the Code can take place. STADA will, however, regularly review and, if necessary correct compliance with the Code and the above mentioned exceptions.

Bad Vilbel, December 14, 2007

Dr. Eckhard Brüggemann
Chairman of the Supervisory Board

Hartmut Retzlaff
Chairman of the Executive Board

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by STADA Arzneimittel Aktiengesellschaft, Bad Vilbel, comprising the balance sheet, the income statement, statement of recognized income and expense, the cash flow statement and the notes to the consolidated financial statements, together with the group management report, for the business year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the E.U., and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on these consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and the significant

estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the E.U., the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 12, 2008

PKF TREUROG GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Roman Brinskelle
Wirtschaftsprüfer

Wolfgang Fenn
Wirtschaftsprüfer

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The Supervisory Board of STADA Arzneimittel AG, in accordance with the duties imposed on it by law and the company's articles of incorporation, has carefully and regularly monitored the work of the Executive Board during the year under review and provided it with advice. This applies both to strategic decisions on the continued expansion of the STADA Group and to operational developments in the various Group companies during the course of the year.

In eight sessions during fiscal year 2007 (on January 26, March 23, April 27, June 19, August 3, September 27, November 2, and December 14), the Supervisory Board received detailed reports from the Executive Board on all important business transactions and discussed these with the Executive Board.

The focus here was on:

- the company strategy and its operative implementation,
- the economic situation of the company and, in particular, the sales, units sold, costs and earnings development as well as the assets situation of the Group,
- the market structures and the competitive situations in the individual national markets and in particular the development of market shares of the Group and the relevant competitors,
- the effects of state regulatory interventions which effect the Group and its individual subsidiaries and the necessary reactions to this, in particular also the restructuring of the Generics sales in the domestic market Germany which was caused by this,
- the investment plans of the Group and their financing, in particular the acquisition projects of the Russian pharmaceutical group MAKIZ and the British pharmaceutical group Forum Bioscience,
- the integration of acquired companies into the Group, in particular the integration of the Serbian Hemofarm Group,
- the objectives, the methods, the implementation and the results of the Group's continuing cost optimization, in particular in the areas of procurement and production,

- the Group's divestments,
- the Group's product development and product portfolio,
- STADA's position in the capital markets,
- Corporate Governance,
- Executive Board issues,
- issues on the composition and the efficiency of the Supervisory Board,
- the Group's management of risks and opportunities.

In addition, the Supervisory Board received a monthly written report from the Executive Board on business trends and results in the individual areas of the Group.

The Supervisory Board was supported in its work by the committees established by it, namely the Audit Committee and the Human Resources and Strategy Committee. The Audit Committee convened for five sessions in fiscal year 2007 (on January 25, March 22, April 26, August 2, and November 1), dealing, among other things, with accounting issues. The Human Resources and Strategy Committee convened for four sessions in 2007 (on January 25, April 26, August 2, and November 1) in order to deal with those themes of relevance for it.

All matters requiring the consent of the Supervisory Board in accordance with the articles of incorporation and rules of procedure were submitted to the Supervisory Board. These procedures were treated with the Executive Board and were carefully examined, in the context of which the focus was regularly placed on the benefits and effects of the respective procedure.

Overall, the Executive Board informed the Supervisory Board very openly and in detail, and all times about the company and its development and in particular about the risk situation of the Group in accordance with the findings of the Risk Management. Regular additional contact apart from the actual meetings of the Executive Board with the Chairman of the Supervisory Board also contributed to this.

The Supervisory Board has satisfied itself that the Company is being properly managed. The financial statements of STADA Arzneimittel AG and the consolidated financial statements as well as the company's management report for fiscal year 2007 have been audited by PKF TREUROG GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt, and issued with an unqualified audit opinion.

The auditor attended the financial statements review meeting of the Supervisory Board on March 20, 2008 and presented a report on his audit findings.

The financial statements and the management report for both STADA Arzneimittel AG and for the Group as well as the proposal for the appropriation of profits were considered by the Supervisory Board. No objections were raised. The Supervisory Board therefore concurs with the outcome of the audit and approves the financial statements as well as the consolidated financial statements of the Group. The financial statements are thus adopted. In addition, the Supervisory Board assents to the individual assessments of the business situation and to the outlook as given in the management report of the Executive Board as well as to the proposal of the Executive Board for the appropriation of profits.

The further development of Corporate Governance, in particular the changes to the Corporate Governance Code of July 20, 2007, were object of the Supervisory Board's consultations in fiscal year 2007, too. On December 14, 2007, the Supervisory and Executive Boards concluded a new declaration of compliance.

Despite challenging conditions, 2007 was again a very good fiscal year for the STADA Group, with significant increases in sales, earnings and operating profitability. For this, the Supervisory Board wishes to express its gratitude and recognition to all employees as well as the Executive Board and the Management.

Bad Vilbel, March 20, 2008

Dr. Eckhard Brüggemann
Chairman of the Supervisory Board

BOARDS OF THE COMPANY

The STADA Executive Board (as of March 1, 2008)

Hartmut Retzlaff
Chairman of the Executive Board
At STADA since 1986
Executive Board member since 1993
Chairman of the Executive Board since 1994
Contract until August 31, 2011

Wolfgang Jeblonski
Chief Financial Officer
At STADA since 1991
Executive Board member since 1999
Contract until August 31, 2011

Dr. Alexander Oehmichen
Chief Legal Officer
At STADA since 2003
Executive Board member since 2006
Contract until December 31, 2010

Christof Schumann
Chief Research & Development Officer
At STADA since 1997
Executive Board member since 2006
Contract until December 31, 2010

Dr. Hans-Martin Schwarm
Chief Procurement, Production and Logistics Officer
At STADA since 1992
Executive Board member since 2006
Contract until August 3, 2009

The Executive Board members can be contacted via STADA Arzneimittel AG's business address.

The STADA Supervisory Board (as of March 1, 2008)

Dr. Eckhard Brüggemann, Herne (Chairman)
Karl Hertle[1)], Bad Vilbel (Deputy Chairman)

Dr. Martin Abend, Dresden
Heike Ebert[1)], Niddatal
Uwe E. Flach, Frankfurt am Main
Dr. K. F. Arnold Hertzsch, Dresden
Dieter Koch, Kiel
Constantin Meyer, Seelze
Adolf Zissel[1)], Bad Nauheim

The Supervisory Board members can be contacted via STADA Arzneimittel AG's business address.

1) Employee representative.

The STADA Advisory Board (as of March 1, 2008)

Members of the STADA Advisory Board are appointed by the Chairman of the Supervisory Board on the recommendation of the Executive Board and the Supervisory Board. According to the Company's articles of incorporation, the duty of the Advisory Board is to support and advise the Executive and Supervisory Boards. Furthermore members of the Advisory Board are available to act as proxy for shareholders who do not wish to exercise their voting rights in person at the Annual Shareholders' Meeting. The Advisory Board appointed through 2008 currently includes:

Frank Füßl, Frankfurt am Main (Chairman)
Dr. Thomas Meyer, Seelze (Deputy Chairman)

Hansjürgen Bell, Bochum
Wolfgang Berger, Gießen
Gerd Berlin, Meiningen
Alfred Böhm, München
Dr. Jürgen Böhm, Kirchhain
Dr. Klaus Bsonek, Kleinostheim
Regine Heuer, Altenholz
Erich Kaufhold, Barth
Dr. Frank-R. Leu, Gießen
Dr. Gerd Zweyrohn, Darmstadt

The Advisory Board members can be contacted via STADA Arzneimittel AG's business address.

GLOSSARY FROM A TO Z

Active pharmaceutical ingredient: The pharmaceutically effective component of a drug (also API).

Approval: Permission under drug laws to market a drug in a national market.

Audit: In the pharmaceutical market: control of equipment and documentation of manufacturers or their suppliers.

AVWG: Economic Optimization of Pharmaceutical Care Act; took effect in Germany on May 1, 2006.

Biopharmaceuticals: Drugs in protein form produced biopharmaceutically, i.e. by means of genetically modified cell lines. In the EU, biopharmaceuticals are always subject to a central approval procedure.

Biosimilars: Biopharmaceutical product, i.e. drugs with a protein as biopharmaceutical active ingredient which is produced by genetically modified cell lines which, despite different producing cell lines, compared to an initial supplier product which is already on the market, is so similar that the biosimilar has proven therapeutic equivalence.

Centralized approval procedure: European approval procedure, carried out by the EMEA which is compulsory in the EU for new drugs and active ingredients in the field of biotechnology, that may lead to Europe-wide approval.

Commercial business: Purchase and subsequent sale of third-party products; in the pharmaceutical market this frequently refers to wholesale business or parallel imports.

Commercial property rights: Provide inventors or companies with protection against competition for an invention for a limited time period. The best-known commercial property right is the patent. SPCs still play an important role in the pharmaceutical market.

Co-payment: The patients own share of payment for services to public health care system.

Decentralized approval procedure: European approval procedure, possible since November 2005, that represents an alternative to the MR procedure. In contrast to the MR procedure, the new procedure allows an applicant for an approval for a pharmaceutical product to submit an application in several European countries at the same time, without the need to have an existing approval in one EU country.

Dialysis: Extracorporeal blood cleansing for patients with kidney failure.

Dosage form: Form in which an active pharmaceutical ingredient has been produced by pharmaceutical manufacturing and in which it is administered to the patient, e.g. tablets, capsules, drops etc.

Dossier: Documentation required in an application for drug approval that describes the quality, safety, and efficacy of a drug.

EMEA: European Medicines Agency, central EU authority for drug evaluation and approval, which are subject to the central approval procedure.

Erythropoietin (abbreviation Epo): Biopharmaceutical active ingredient in protein form, which is produced by living cell lines. Depending on the individual cell lines used and the production process associated with it, so-called glyco structures (oligosaccharide-chains) can differ minimally. Epo-alpha and Epo-beta have been launched on the market; the Erythropoietin biosimilar being developed by BIOCEUTICALS is Epo-zeta. Erythropoietin is used, among other things, in nephrology for dialysis patients to stimulate hematopoieses as well as in cancer therapy.

Filgrastim: Biopharmaceutical active ingredient in protein form, which is produced by living cell lines. Filgrastim is used, among other things, in the treatment of a neutropenia, for example following cytotoxic chemotherapy or bone marrow transplants.

GKV: Public health insurance system in Germany.

GKV-WSG: Act for strengthening competition in public health insurance which took effect in Germany on April 1, 2007.

GMP: Good Manufacturing Practice – international production standard in the pharmaceutical industry.

Health care products: Products that promote health, but are not considered either drugs or medical products.

Indication: Diseases for which a certain drug is used.

MR procedure: Mutual Recognition Procedure – European approval procedure enabling additional approvals in other EU countries based on the prior existence of national approval of a particular drug. The decentralized approval procedure has been in existence since 2005 as an alternative to the MR procedure.

Multisource products: Technical term for products in the health care market, usually drugs that are available for marketing without the companies having to conduct their own basic research on new active ingredients. The commercial property rights for the active ingredients of multisource products have usually expired. Thus, off-patent active ingredients for multisource products can as a rule be procured from a variety of raw material suppliers on the world market.

Nephrology: Branch of internal medicine dealing with diagnostics and non-surgical therapy of kidney diseases.

Oncology products: Cancer therapy products.

OTC market: Market for OTC (over the counter) products, i.e. drugs and medical or health care products that the customer is able to purchase, especially in pharmacies, without a doctor's prescription.

Patent: In the pharmaceutical market: Commercial property right granting active ingredients market exclusivity for a limited period (in the EU for example 20 years).

Pharmaceutical production: Conversion of pharmaceutical substances into a dosage form and its packaging into a finished pharmaceutical product, e.g. tablet.

Prescription market: Market segment for drugs requiring a prescription, also termed the Rx market.

Prescription obligation: The legal requirement specifying that, depending on the potential risk involved, drugs may be dispensed to patients on prescription only.

Protein: Albumen structure.

Reference pricing: Active pharmaceutical ingredient specific and/or active pharmaceutical ingredient combination specific reimbursement limit for drugs in the public health care system. If the price of a drug is above the reference price and it is not exchanged for a cheaper drug with the same active ingredient, then the patients must bear themselves as an additional contribution the difference to the reference price.

SPC: Supplementary Protection Certificate – commercial property right in the EU that extends the market exclusivity of the initial supplier by up to five years after patent expiration. SPCs must be applied for in each individual country; the date of the first EU approval is relevant for the beginning of the SPC period. The SPC period can vary from country to country.

FINANCIAL CALENDER

2008

March 27, 2008	Publication of 2007 results with analysts' and press conference
May 14, 2008	Publication of Q1/2008 results
June 10, 2008	Annual Shareholders' Meeting
August 13, 2008	Publication of 2008 interim results with analysts' and press conference
November 13, 2008	Publication of Q3/2008 results

2009

March 26, 2009	Publication of 2008 results with analysts' and press conference
May 14, 2009	Publication of Q1/2009 results
June 10, 2009	Annual Shareholders' Meeting
August 13, 2009	Publication of 2009 interim results with analysts' and press conference
November 12, 2009	Publication of Q3/2009 results

Status at time of going to print; STADA reserves the right to change these dates. The current financial calendar can be found on the Internet at: www.stada.de and www.stada.com.

The annual report, the interim report and the quarterly reports will be published on the dates listed above on the company website (www.stada.com), usually before trading begins on the Frankfurt Stock Exchange. Shareholders may receive printed copies of the reports on request.

PUBLISHING INFORMATION

Publisher	STADA Arzneimittel AG Stadastraße 2–18 D-61118 Bad Vilbel Phone: +49 (0) 61 01 / 6 03-0 Fax: +49 (0) 61 01 / 6 03-2 59 E-Mail: info@stada.de Website: www.stada.de and www.stada.com
Contact	STADA Arzneimittel AG STADA Corporate Communications Phone: +49 (0) 61 01 / 6 03-1 13 Fax: +49 (0) 61 01 / 6 03-5 06 E-Mail: communications@stada.de
Text	STADA Arzneimittel AG, Bad Vilbel This annual report is published in German (original version) and English (non-binding translation) and is subject to German law.
Publication	The complete annual report as well as current information on the STADA Group can be found on the Internet at www.stada.de or www.stada.com.
Design and Realization	wagneralliance Werbung GmbH, Offenbach am Main
Photography	Stefan Streit Fotografie, Königstein/Ts.
Printing	Henrich Druck + Medien, Frankfurt am Main

Forward-looking statements

The STADA Arzneimittel AG annual report 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 pharmaceutical 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

In the general portion of this annual report, STADA key figures are, as a rule, rounded to millions of euro, while the Notes present these figures, as a rule, with greater accuracy in thousands of euro. Due to rounding of these figures, differences may arise in individual figures between the general portion and the Notes, as well as from figures actually achieved in euro; these differences cannot be considered material.

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

Group sales in € million	2007	2006	2005	2004	2003
Total Group sales	1,570.5	1,245.1	1,022.1	813.5	745.2
• Core segment Generics	1,154.4	911.2	739.0[1]	608.3[1]	549.1[1]
• Core segment Branded Products	304.0	259,1	211.4[1]	139.6[1]	135.3[1]
• Commercial Sales	69.0	63.7	39.7	32.0	34.0
• Other	43.1	11.0	6.8	8.9	5.3

Sales by region[2] in € million	2007	2006	2005	2004	2003
Europe	1,513.1	1,180.6	959.8	743.6	675.1
• Belgium	101.8	109.6	93.6	65.2	49.9
• Bosnia-Herzegovina	19.9	9.3	0.3	0.3	0.1
• Bulgaria	4.6	2.7	1.6	1.3	1.2
• Denmark	22.0	23.6	19.3	9.1	9.9
• Germany	579.8	481.9	440.9	383.1	378.0
• Finland	6.1	5.1	0.4	0.0	0.1
• France	87.0	79.6	70.7	53.9	37.8
• UK	75.7[3]	40.1	30.3	31.1	21.9
• Ireland	23.5	16.9	15.6	13.7	12.5
• Italy	117.2	109.0	94.6	74.3	60.7
• Lithuania	1.1	0.9	1.1	1.1	0.9
• Macedonia	2.9	1.6	-	-	-
• Montenegro	9.4	2.9	-	-	-
• The Netherlands	40.7	38.9	38.6	39.7	42.8
• Austria	13.1	11.3	10.4	8.2	7.9
• Poland	5.2	2.7	0.3	0.2	0.1
• Portugal	12.3	10.3	5.3	0.0	0.1
• Romania	6.7	5.8	1.9	1.6	0.8
• Russia	133.8[4]	87.5	56.6	0.7	0.5
• Sweden	2.5	1.9	2.2	1.1	0.8
• Serbia	145.1	46.1	0.0	0.0	0.0
• Slovakia	3.8	2.5	1.0	0.5	0.5
• Spain	62.7	61.1	53.0	44.4	38.3
• Czech Republic	8.9	8.3	6.1	5.4	4.4
• Ukraine	13.0	9.4	6.5	1.3	0.8
• Rest of Europe	14.4	11.8	3.1	2.0	1.3
Americas	8.1	19.0	34.1	46.1	52.6
• USA[5]	6.5	18.5	34.0	46.0	52.5
• Rest of Americas	1.6	0.5	0.1	0.1	0.1
Asia	44.7	42.9	28.1	22.5	17.3
• China	8.0	5.5	7.0	6.6	5.1
• Kazakhstan	5.4	4.5	3.4	1.2	0.9
• The Philippines	9.8	7.4	6.5	4.9	3.8
• Thailand	3.1	2.0	2.4	2.7	3.0
• Vietnam	7.9	18.4	6.1	5.2	2.9
• Rest of Asia	10.6	5.1	2.7	1.9	1.6
Rest of world	4.5	2.6	0.1	1.3	0.2

1) Including allocation of relevant sales from the former core segment Specialty Pharmaceuticals.
2) Broken down according to the national market in which the sales were achieved.
3) Forum Bioscience Group consolidated since October 1, 2007.
4) MAKIZ Group consolidated since September 1, 2007.
5) Deconsolidation of STADA Inc. as of August 21, 2006.

Financial results in € million	2007	2006	2005	2004	2003
Operating profit	215.5	180.5	127.1	87.8	85.6
EBITDA	289.5	232.6	161.2	122.7	116.8
EBIT	187.8	168.7	107.1	88.2	85.7
Earnings before taxes (EBT)	150.7	145.2	97.5	77.6	72.1
Net income	105.1	91.8	51.6	48.5	43.9
Cash flow (gross)	201.2	153.2	109.9	81.3	78.8

Asset & capital structure in € million	2007	2006	2005	2004	2003
Total assets	2,553.9	2,150.2	1,349.8	1,020.4	955.1
Non-current assets	1,511.9	1,294.7	783.8	551.9	490.0
Current assets	1,042.0	855.6	566.0	468.6	465.2
Equity capital	933.8	863.1	684.8	639.0	614.5
Equity-to-assets ratio in percent	36.6%	40.1%	50.7%	62.6%	64.3%
Non-current liabilities and provisions	752.8	795.0	316.9	141.1	194.6
Current liabilities and provisions	867.2	492.1	348.1	240.4	146.0
Net debt	958.5	773.0	234.2	103.6	38.2

Capital expenditure / depreciation & amortization in € million	2007	2006	2005	2004	2003
Total capital expenditure	196.5	236.3	207.1	82.1	76.5
• on intangible assets	150.5	196.9	168.9	67.6	64.9
• on property, plant and equipment	42.0	26.4	14.8	7.0	11.2
• on financial assets	4.0	13.0	23.3	7.5	0.4
Total depreciation and amortization	101.7	63.9	54.1	34.5	31.1
• on intangible assets	71.0	47.5	37.1	26.6	23.4
• on property, plant and equipment	27.6	16.3	10.1	7.9	7.7
• on financial assets	3.1	0	6.9	0	0

Employees	2007	2006	2005	2004	2003
Average number of employees[1] per year	7,792	5,442	3,892	2,586	2,465

Key figures per STADA share	2007	2006	2005	2004	2003
Market capitalization (year-end) in € million	2,469.2	2,531.2	1,479.3	1,061.9	1,312.9
Year-end closing price of common shares in €	42.05	43.45	27.65	19.89	24.59[2]
Number of shares (average)	58,315,643	53,983,327	53,317,303	53,348,910	43,327,286
Basic earnings per share in €[3]	1.80	1.70	0.97	0.91[2]	1.01[2]
Diluted earnings per share in €[4]	1.74	1.62	0.91	0.88[2]	0.95[2]
Dividend per common share in €	0.71[5]	0.62	0.39	0.39	0.35[2]
Total dividend payments in € million	41.6[5]	36.0	20.8	20.8	18.7

1) Employees of companies consolidated at only 50% have been included in accordance with their respective consolidation rate.
2) Adjusted for the de facto 1:1 stock split on July 30, 2004.
3) According to IAS 33.10.
4) According to IAS 33.31.
5) Proposed.

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